

**CITY OF EVERGREEN, ALABAMA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**CITY OF EVERGREEN, ALABAMA**  
SEPTEMBER 30, 2014

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## **Independent Auditors' Report**

Honorable Mayor and Members of  
The City Council  
City of Evergreen, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evergreen, Alabama (the City) as of and for the year ended September 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement 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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 17 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board's Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2015 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Evergreen, Alabama's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Montgomery, Alabama  
August 13, 2015

# **CITY OF EVERGREEN**

355 East Front Street, P. O. Box 229  
Evergreen, AL 36401

## **FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

As management of the City of Evergreen, we offer readers of the City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,844,583 (*net position*). Of this amount, \$3,420,839 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$591,976 principally due to the cumulative effect of a change in accounting principles of approximately \$343,000.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,336,009, an increase of \$89,941 (2.1%) over the prior year. Approximately 38% of this amount \$1,632,564 is available for spending at the government's discretion (unassigned fund balance).
- At the close of the current fiscal year, unassigned fund balance for the general fund was \$1,632,544, or approximately 24% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$1,331,673 (9%) during the current fiscal year because of the issuance of the Series 2014 General Obligation Warrants which provided funds for Utility Fund capital construction improvements, and the refunding of the 2001-SRF water warrants and the 2002-SRF Sewer warrants.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) the notes to financial statements. This report also includes both required and optional supplementary information intended to furnish additional detail to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Government-wide statements are separated into two major categories: 1) governmental activities that are functions of the City principally supported by taxes and intergovernmental revenues; and 2) business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include administrative functions, public safety, public works, civic activities, recreation, and community development. The sole business-type activity of the City is the Utility Fund.

The *statement of net position* presents financial information on all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents financial information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes and utility charges, and earned but unused vacation time.

The government-wide financial statements can be found on pages 15 – 16 of this report.

### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are considered to be major funds. Data from the other 3 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Budgetary variances for the general fund are discussed in some detail later in this section.

The basic governmental fund financial statements can be found on pages 17 – 20 of this report.

*Proprietary Funds* – The City maintains only one proprietary fund type, an Enterprise Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its Utility activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 21 – 23 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25 – 49 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Required supplementary information can be found on page 50 – 52 of this report.

Other *supplementary information* containing the combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 53 – 56 of this report.

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The *statement of net position* provides an overview of the City’s assets, liabilities and net position. As noted earlier, net position over time may serve as a useful indicator of a government’s financial position.

At September 30, 2014, the City’s assets exceeded its liabilities by \$13,844,583, a decrease of \$591,976 (4.3%) from last year.

The following table reflects the condensed government-wide statement of net position:

	Statement of Net Position					
	As of September 30					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,748,096	\$ 5,350,524	\$ 4,180,250	\$ 3,014,753	\$ 9,928,346	\$ 8,365,277
Capital assets	18,871,352	18,149,044	4,537,443	4,762,310	23,408,795	22,911,354
Total Assets	<u>24,619,448</u>	<u>23,499,568</u>	<u>8,717,693</u>	<u>7,777,063</u>	<u>33,337,141</u>	<u>31,276,631</u>
Current and other liabilities	2,243,262	2,647,821	2,387,061	1,507,826	4,630,323	4,155,647
Long-term liabilities	10,669,331	10,431,893	4,192,904	2,252,532	14,862,235	12,684,425
Total Liabilities	<u>12,912,593</u>	<u>13,079,714</u>	<u>6,579,965</u>	<u>3,760,358</u>	<u>19,492,558</u>	<u>16,840,072</u>
Net position:						
Net investment in capital						
assets	7,816,485	6,276,367	2,310,361	2,682,034	10,126,846	8,958,401
Restricted	296,898	263,370	-	-	296,898	263,370
Unrestricted	3,593,472	3,880,117	(172,633)	1,334,671	3,420,839	5,214,788
Total Net Position	<u>\$ 11,706,855</u>	<u>\$ 10,419,854</u>	<u>\$ 2,137,728</u>	<u>\$ 4,016,705</u>	<u>\$ 13,844,583</u>	<u>\$ 14,436,559</u>

The largest portion (73%) of the City’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion (2%) of the City’s net position represents resources that are subject to external restrictions on how they may be used. The remaining portion (25%) of the City’s net position represents its unrestricted funds and may be used to meet the City’s ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. The business-type activities reflected a small negative balance in unrestricted net position. The prior fiscal year reflected positive balances in all reported categories.

The second statement in the government-wide statements is the *statement of activities*. The following table outlines the major components of this statement:

<b>Changes in Net Position</b>						
<b>As of September 30</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenues						
Program revenues:						
Charges for services	\$ 333,099	\$ 345,709	\$ 7,763,962	\$ 6,758,030	\$ 8,097,061	\$ 7,103,739
Operating grants and contributions	272,010	131,044	-	-	272,010	131,044
Capital grants and contributions	664,397	799,343	-	-	664,397	799,343
General revenues:						
Property taxes	318,967	291,451	-	-	318,967	291,451
Sales and use taxes	1,328,937	1,104,532	-	-	1,328,937	1,104,532
Motor fuel taxes	1,258,003	1,142,651	-	-	1,258,003	1,142,651
Alcoholic beverage taxes	52,672	53,405	-	-	52,672	53,405
Other income	208,858	324,415	-	-	208,858	324,415
Interest income	11,645	11,495	1,397	544	13,042	12,039
Transfers	3,409,682	1,185,388	(3,409,682)	(1,185,388)	-	-
Total revenues	<u>7,858,270</u>	<u>5,389,433</u>	<u>4,355,677</u>	<u>5,573,186</u>	<u>12,213,947</u>	<u>10,962,619</u>
Expenses:						
General government	1,966,563	2,098,433	-	-	1,966,563	2,098,433
Public safety	1,441,592	1,434,145	-	-	1,441,592	1,434,145
Public works	1,299,165	1,380,225	-	-	1,299,165	1,380,225
Civic improvement	688,288	450,600	-	-	688,288	450,600
Cultural and recreation	412,414	457,007	-	-	412,414	457,007
Interest on long-term debt	463,614	502,138	-	-	463,614	502,138
Utility fund	-	-	6,191,326	5,220,945	6,191,326	5,220,945
Total expenses	<u>6,271,636</u>	<u>6,322,548</u>	<u>6,191,326</u>	<u>5,220,945</u>	<u>12,462,962</u>	<u>11,543,493</u>
Increase (decrease) in net position	<u>1,586,634</u>	<u>(933,115)</u>	<u>(1,835,649)</u>	<u>352,241</u>	<u>(249,015)</u>	<u>(580,874)</u>
Net position - beginning	10,419,854	11,352,969	4,016,705	3,779,021	14,436,559	15,131,990
Cumulative effect of change in accounting principle	<u>(299,633)</u>	<u>-</u>	<u>(43,328)</u>	<u>(114,557)</u>	<u>(342,961)</u>	<u>(114,557)</u>
Net position - beginning as restated	<u>10,120,221</u>	<u>11,352,969</u>	<u>3,973,377</u>	<u>3,664,464</u>	<u>14,093,598</u>	<u>15,017,433</u>
Net position - ending	<u>\$ 11,706,855</u>	<u>\$ 10,419,854</u>	<u>\$ 2,137,728</u>	<u>\$ 4,016,705</u>	<u>\$ 13,844,583</u>	<u>\$ 14,436,559</u>

The City's overall net position decreased \$591,976 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

## **Governmental Activities**

During the current fiscal year, net position for governmental activities increased \$1,287,001 (12%) over the prior fiscal year for an ending balance of \$11,706,855. Items that contributed to this increase include 1) increase in current-type assets of \$400,000 (increase in current receivable and loan receivable of \$1.4 million, offset by decrease in cash of \$400,000); 2) increase in capital assets of \$700,000 (land of \$1.1 million, other capital assets of \$500,000, offset by depreciation of \$900,000); 3) increase in accounts payable of \$600,000; and 4) decrease in noncurrent liabilities of \$800,000 (a result of the Series 2013 Water and Sewer Revenue Warrants being used to refinance two Sewer Warrant issuances of \$800,000 that were recorded in governmental activities).

## **Business-Type Activities**

For the City's business-type activities, the results for the current fiscal year resulted in a decrease in overall net position of \$1.9 million (47%) from the prior year for an ending balance of \$2,137,728. Items that contributed to this decrease include 1) increase in restricted cash of \$1.45 million (principally from the issuance of the Series 2013 Water and Sewer Revenue Warrants), offset by a decrease in current-type assets of \$500,000; 2) increase in accounts payable of \$700,000; and 3) increase in noncurrent liabilities of \$2.1 million, principally from the issuance of the Series 2013 Warrants.

Total revenues for the City were \$12,213,947 for the year ended September 30, 2014. Governmental activities provided \$7,858,270 or 63.7% while \$4,355,677 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$1,328,937, or 64.3% of total revenue, from sales taxes and \$1,258,003, or 10.9% of total revenue, from motor fuel taxes.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At the current year end, the City's governmental funds reported combined fund balances of \$4,336,009, an increase of \$89,941 from the prior year. Approximately 38% (\$1,632,564) of the combined fund balance constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$2,377,281 or 55%); 2) legally required to be maintained intact (\$0); 3) restricted for particular purposes (\$326,164 or 8%); 4) committed for particular purposes (\$0); or 5) assigned for particular purposes (\$0).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,632,544 (39% of total fund balance), while total fund balance increased 1% over the prior year to \$4,151,995.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 24% of total general fund expenditures, while total fund balance represents approximately 61% of that same amount.

### Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Proprietary fund financial information is measured with the same principles used by commercial enterprises, thus, this information does not change from the fund statements presentation to the government-wide statements presentation.

Unrestricted net position of the Utilities Fund at the end of the year was a deficit of \$(172,633) a decrease of \$1,507,304. The decrease in overall net position for this fund was \$(1,878,977). As noted earlier in the discussion of business-type activities, a key component of the decrease in net position resulted from the Series 2013 Water and Sewer Revenue Warrants being used to refinance two Sewer Warrant issuances totaling \$800,000 that were recorded in governmental activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### ***Original budget compared to final budget***

During the year no significant amendments were made to either the original estimated revenues, or original budgeted appropriations.

### ***Final budget compared to actual results***

Total general fund revenues were \$4,296,152, an increase of \$1,935,377 or 82% over final budgeted revenues.

- Tax revenue was more than budgeted by \$702,798. This was due to Love's Truck Stop activity, which resulted in an increase in both sales tax and gasoline tax revenue from budgeted amounts.
- Intergovernmental revenue was more than budgeted by \$924,662. This was a result of the City receiving funding reimbursements related to the Fire Department's Communications Project, the Airport's Runway Project, and other smaller funding reimbursement grants.
- Licenses and Permits revenue was more than budgeted by \$243,014. This was a result of increasing outside utility franchise fees collected.

A review of actual expenditures compared to the appropriations in the final budget yields significant variances. Total general fund actual expenditures were \$6,846,680, an increase of \$3,099,103 or 83% over the budgeted amounts.

- General government was more than budgeted by \$502,116. This was due primarily to 1) increased payroll-related expenses (\$165,000); 2) increased professional fees (\$175,000); and 3) increased economic development incentives (\$170,000).
- Public safety was more than budgeted by \$152,364. This was due to an increase in payroll-related expenses (\$186,000).
- Civic improvements was more than budgeted by \$322,551. The City increased emphasis on economic development activities resulting in 1) an increase in payroll-related expenses (\$115,000); and 2) an increase in economic development-related activities (\$170,000).
- Capital outlay expenditures were more than budgeted by \$1,576,778. This was due to costs related to 1) various grant-related projects (\$1,176,000); 2) various necessary equipment and vehicle purchases (\$220,000); and 3) continued development of recreational facilities at the City Park (\$125,000).
- Debt service principal retirement and interest expenditures were more than budgeted by \$374,073. This was due to debt payments related to various notes and capital leases (\$374,000).

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, was \$23,408,795 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and various utilities-related infrastructure. The total increase in capital assets for the current fiscal year was 4%, and was principally the result of new infrastructure facilities.

Major capital asset events during the current fiscal year included the following:

- Grant project related to improvements at the Airport (\$500,000);
- Grant project related to street and road improvements (\$400,000);
- Grant project related to improved public safety communications (\$210,000);
- Athletic facilities ongoing project at the City Park (\$125,000).

Additional information on the City's capital assets can be found in Note 4 on pages 33 – 34 of this report.

### **Long-term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,769,201. Of this amount, \$13,665,707 is debt backed by the full faith and credit of the City. The remainder of the City's long-term obligations comprises pension-related debt, notes payable, capital leases, and the value of compensated employee absences.

The City's total debt increased \$1,344,239, (9.1%) over the previous year. The reason for the increase was the issuance of the Series 2014 General Obligation Warrants in the amount of \$2,570,000. These warrants were issued for the purpose of constructing capital improvements, refunding the Series 2001-SRF Water System Warrants, and the Series 2002-SRF G/O Sewer Warrants.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of assessed property value in the entity's jurisdiction. The current debt limitation for the City is \$7,224,200, which is \$231,522 in excess of the City's outstanding debt applicable to the limitation in the amount of \$6,992,678.

Additional information on the City's long-term debt can be found in Note 6 on pages 35 – 39 of this report.

## **THE OUTLOOK FOR NEXT YEAR**

Fiscal year (FY) 2014 was a benchmark year for the City of Evergreen by way of productive growth, as proposed in last year's forward looking statement. The City's investments in revenue producing projects have resulted in immediate returns, which are evident in this year's audit results. While maintaining a progressive approach to the aggressive growth stance held by the City, it is evident that the City must also concentrate on reducing its principal debt service in the coming fiscal year.

The City finished phase I of the Liberty Hill Project in 2014. The Liberty Hill project is a thirty-three acre major retail development located on Interstate 65 in Evergreen. As of the end of FY14, new tax revenues to the City from retailers located in the development provided a 10% increase to the previous year's total sales tax income. It is expected that in the early part of FY15, the City should see an additional increase of 10% to its annual sales tax revenue.

Elsewhere in the City, efforts to modernize the City electric and water utility took form with the start of an AMI (Radio Read Meter) installation throughout the entire systems. This upgrade will decrease man hour and labor cost required to operate the systems and will increase billing accuracy where the current mechanical meters have a high variance in actual versus billed. Engineers estimate an increase in billable revenues in excess of 30%. Those increases in proprietary revenue should be fiscally evident in late FY15.

In addition to capital investment into revenue producing assets, the City will continue its policy of restructuring debt which may have had higher rates of interest or is not revenue based. The City will refund a \$1,600,000 warrant issued in 2006 with a 1.6% rate decrease and use the savings proceeds to buy down the principal with water and sewer revenue issuance in FY15.

Looking forward to FY15, the City anticipates continued success in the Liberty Hill project. The compounding effect of multiple retailers locating in the property gives the City perpetual returns which will hopefully exceed 40% total sales tax increase by the end of FY15 vs. FY13.

Also in planning for FY15, the City looks to employ professional financial personnel in its goal to increase efficiency of government. Due to the accounting complexity created by the City's past few years of aggressive growth policy, the City administration understands the ultimate goal of dramatic revenue increases must include a concerted accounting and financial management effort. Coverage and cash reserve policies are to be introduced in concert with financial accounting personnel changes/additions.

In conclusion, the City of Evergreen is achieving its short-term goals, evidenced by the results of FY14. The continuation of the same policy through FY15 will show even stronger revenue growth, along with decreases in capital investment. "Build it, and they will come" has been the motto over the past two years, but it is practical at this point to expect increased returns while drawing back the pace of investment.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for anyone with interest in the economic well-being of the City. Questions concerning any of the information provided in this report or request for additional information should be addressed to The Finance Department, 355 East Front Street, P. O. Box 229, Evergreen, Alabama, 36401.

## **FINANCIAL STATEMENTS**

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,256,454	\$ 179,648	\$ 2,436,102
Receivables, net	841,469	1,306,105	2,147,574
Internal balances	101,436	(101,436)	-
Inventory	31,706	414,193	445,899
Prepaid expenses	82,861	-	82,861
Loan receivable	2,262,714	-	2,262,714
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	495,588	495,588
Cash held by fiscal agent	171,456	1,886,152	2,057,608
Capital assets not being depreciated:			
Land	2,221,419	19,301	2,240,720
Construction in progress	1,197,102	10,167	1,207,269
Capital assets net of accumulated depreciation:			
Buildings	6,129,550	-	6,129,550
Machinery and equipment	1,318,978	471,914	1,790,892
Utility system	-	4,036,061	4,036,061
Infrastructure	8,004,303	-	8,004,303
<b>TOTAL ASSETS</b>	<b>\$ 24,619,448</b>	<b>\$ 8,717,693</b>	<b>\$ 33,337,141</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 947,958	\$ 1,137,226	\$ 2,085,184
Accrued interest payable	113,990	17,347	131,337
Other current liabilities	132,221	25,637	157,858
Deferred revenue	-	231,691	231,691
Customer deposits	-	495,480	495,480
Line of credit	331,908	-	331,908
Noncurrent liabilities:			
Due within one year	717,185	479,680	1,196,865
Due in more than one year	10,669,331	4,192,904	14,862,235
<b>TOTAL LIABILITIES</b>	<b>12,912,593</b>	<b>6,579,965</b>	<b>19,492,558</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,816,485	2,310,361	10,126,846
Restricted for:			
Public safety	27,193	-	27,193
Public works	127,535	-	127,535
Capital projects	142,170	-	142,170
Unrestricted	3,593,472	(172,633)	3,420,839
<b>TOTAL NET POSITION</b>	<b>11,706,855</b>	<b>2,137,728</b>	<b>13,844,583</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 24,619,448</b>	<b>\$ 8,717,693</b>	<b>\$ 33,337,141</b>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 1,966,563	\$ 245,753	\$ 54,972	\$ -
Public safety	1,441,592	84,471	207,018	-
Public works	1,299,165	-	10,020	651,397
Civic improvement	688,288	2,875	-	-
Cultural and recreation	412,414	-	-	13,000
Interest and fiscal charges on long-term debt	463,614	-	-	-
Total governmental activities	<u>6,271,636</u>	<u>333,099</u>	<u>272,010</u>	<u>664,397</u>
Business-type activities:				
Utility Fund	<u>6,191,326</u>	<u>7,763,962</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,462,962</u>	<u>\$ 8,097,061</u>	<u>\$ 272,010</u>	<u>\$ 664,397</u>

**General Revenues**

Property taxes  
Sales taxes  
Motor fuel taxes  
Alcoholic beverage taxes  
Interest income  
Miscellaneous revenue

**Transfers**

Total general revenues and transfers  
Change in net position  
Net position - beginning, as originally stated  
Cumulative effect of change in accounting principle  
Net position - beginning as restated  
Net position - ending

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,665,838)	\$ -	\$ (1,665,838)
(1,150,103)	-	(1,150,103)
(637,748)	-	(637,748)
(685,413)	-	(685,413)
(399,414)	-	(399,414)
(463,614)	-	(463,614)
<u>(5,002,130)</u>	<u>-</u>	<u>(5,002,130)</u>
-	1,572,636	1,572,636
<u>(5,002,130)</u>	<u>1,572,636</u>	<u>(3,429,494)</u>
318,967	-	318,967
1,328,937	-	1,328,937
1,258,003	-	1,258,003
52,672	-	52,672
11,645	1,397	13,042
208,858	-	208,858
3,409,682	(3,409,682)	-
<u>6,588,764</u>	<u>(3,408,285)</u>	<u>3,180,479</u>
<u>1,586,634</u>	<u>(1,835,649)</u>	<u>(249,015)</u>
10,419,854	4,016,705	14,436,559
<u>(299,633)</u>	<u>(43,328)</u>	<u>(342,961)</u>
<u>10,120,221</u>	<u>3,973,377</u>	<u>14,093,598</u>
<u>\$ 11,706,855</u>	<u>\$ 2,137,728</u>	<u>\$ 13,844,583</u>

See accompanying notes to financial statements.

# CITY OF EVERGREEN, ALABAMA

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	General Fund	Capital Projects	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,113,248	\$ -	\$ -	\$ 143,206	\$ 2,256,454
Receivables - taxes	206,958	-	-	11,522	218,480
Receivables - other	622,989	-	-	-	622,989
Prepaid expenses	82,861	-	-	-	82,861
Due from other funds	101,436	-	-	-	101,436
Inventory	31,706	-	-	-	31,706
Note receivable	2,262,714	-	-	-	2,262,714
Restricted assets:					
Cash held by fiscal agent	142,170	29,286	-	-	171,456
<b>TOTAL ASSETS</b>	<b>\$ 5,564,082</b>	<b>\$ 29,286</b>	<b>\$ -</b>	<b>\$ 154,728</b>	<b>\$ 5,748,096</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 947,958	\$ -	\$ -	\$ -	\$ 947,958
Other current liabilities	132,221	-	-	-	132,221
Line of credit	331,908	-	-	-	331,908
<b>TOTAL LIABILITIES</b>	<b>1,412,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,412,087</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	31,706	-	-	-	31,706
Prepaid expenses	82,861	-	-	-	82,861
Note receivable	2,262,714	-	-	-	2,262,714
Restricted:					
Public safety	-	-	-	27,193	27,193
Public works	-	-	-	127,535	127,535
Capital projects	142,170	29,266	-	-	171,436
Unassigned	1,632,544	20	-	-	1,632,564
<b>TOTAL FUND BALANCES</b>	<b>4,151,995</b>	<b>29,286</b>	<b>-</b>	<b>154,728</b>	<b>4,336,009</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,564,082</b>	<b>\$ 29,286</b>	<b>\$ -</b>	<b>\$ 154,728</b>	<b>\$ 5,748,096</b>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

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Differences in amounts reported for governmental activities in the Statement of Net Position.

Total fund balances - governmental funds		\$ 4,336,009
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		18,871,352
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2014, were:		
Bonds, leases, and notes payable	\$ (11,113,439)	
Unamortized net discounts	54,402	
Accrued interest	(113,990)	
Compensated absences	(76,291)	
Postemployment benefits other than pensions	(251,188)	
Total long-term liabilities		<u>(11,500,506)</u>
Net position of governmental activities		<u>\$ 11,706,855</u>

See accompanying notes to financial statements.

# CITY OF EVERGREEN, ALABAMA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Capital Projects	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 2,626,798	\$ -	\$ -	\$ 142,141	\$ 2,768,939
Licenses and permits	463,014	-	-	10,274	473,288
Intergovernmental	944,862	-	-	-	944,862
Fines and forfeitures	84,471	-	-	-	84,471
Other revenues	165,383	-	-	-	165,383
Interest	11,624	20	1	-	11,645
Total revenues	<u>4,296,152</u>	<u>20</u>	<u>1</u>	<u>152,415</u>	<u>4,448,588</u>
<b>EXPENDITURES</b>					
Current operations:					
General government	1,879,416	-	-	-	1,879,416
Public safety	1,255,541	-	-	4,953	1,260,494
Public works	858,936	-	-	4,383	863,319
Civic improvement	552,551	-	-	-	552,551
Cultural and recreation	331,885	-	-	-	331,885
Capital outlay	1,594,278	-	-	-	1,594,278
Debt service:					
Principal retirement	247,168	-	1,215,000	9,535	1,471,703
Interest charges	126,905	-	341,286	953	469,144
Total expenditures	<u>6,846,680</u>	<u>-</u>	<u>1,556,286</u>	<u>19,824</u>	<u>8,422,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,550,528)</u>	<u>20</u>	<u>(1,556,285)</u>	<u>132,591</u>	<u>(3,974,202)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,668,409	-	1,556,285	-	4,224,694
Transfers out	(715,776)	-	-	(99,235)	(815,011)
Proceeds from notes payable	654,460	-	-	-	654,460
Total other financing sources (uses)	<u>2,607,093</u>	<u>-</u>	<u>1,556,285</u>	<u>(99,235)</u>	<u>4,064,143</u>
Net change in fund balances	<u>56,565</u>	<u>20</u>	<u>-</u>	<u>33,356</u>	<u>89,941</u>
<b>FUND BALANCES - BEGINNING</b>	<u>4,095,430</u>	<u>29,266</u>	<u>-</u>	<u>121,372</u>	<u>4,246,068</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,151,995</u>	<u>\$ 29,286</u>	<u>\$ -</u>	<u>\$ 154,728</u>	<u>\$ 4,336,009</u>

See accompanying notes to financial statements.

# CITY OF EVERGREEN, ALABAMA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2014

---

Differences in amounts reported for Governmental Activities in the Statement of Activities.

Net change in fund balances - total governmental funds		\$	89,941
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.			1,594,278
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(870,375)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.			(654,453)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position.			
General obligation bonds and warrants	\$	1,236,428	
Notes payable		206,128	
Capital leases		29,148	
Total repayments		<u>1,471,704</u>	1,471,704
Governmental funds report the effect of premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.			
Amortization			(3,130)
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.			
Compensated absences		(13,441)	
Accrued interest		5,521	
Postemployment benefits other than pensions		(33,411)	
Additional expenses		<u>(41,331)</u>	(41,331)
Change in net position of governmental activities		\$	<u>1,586,634</u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2014**

	<b>Utility Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 179,648
Receivables, net	1,306,105
Inventory	414,193
Restricted assets:	
Cash and cash equivalents	495,588
Cash held by fiscal agent	1,886,152
Total current assets	<u>4,281,686</u>
<b>CAPITAL ASSETS</b>	
Land	19,301
Construction in progress	10,167
Machinery and equipment	1,353,524
Utility system	12,192,730
Less accumulated depreciation	(9,038,279)
Total capital assets, net of accumulated depreciation	<u>4,537,443</u>
<b>TOTAL ASSETS</b>	<u>8,819,129</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	1,137,226
Other liabilities	25,637
Accrued interest payable	17,347
Due to other funds	101,436
Deferred revenue	231,691
Compensated absences	29,388
Bonds and leases payable	479,680
Customer deposits	495,480
Total current liabilities	<u>2,517,885</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds and leases payable	<u>4,163,516</u>
<b>TOTAL LIABILITIES</b>	<u>6,681,401</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,310,361
Unassigned	(172,633)
<b>TOTAL NET POSITION</b>	<u>\$ 2,137,728</u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Electric revenues	\$ 5,904,035
Garbage revenues	292,978
Sewer revenues	661,621
Water revenues	826,938
Miscellaneous revenue	78,389
Total operating revenues	<u>7,763,961</u>
<b>OPERATING EXPENSES</b>	
Personnel, operations and maintenance, utilities:	
Electric expenses	4,136,339
Garbage expenses	285,056
Sewer expenses	355,463
Water expenses	561,955
Depreciation and amortization	354,691
Administrative costs	186,984
Total operating expenses	<u>5,880,488</u>
<b>OPERATING INCOME</b>	<u>1,883,473</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>	
Interest income	1,397
Interest expense	(310,837)
Total nonoperating revenues (expense)	<u>(309,440)</u>
Income before transfers	1,574,033
Transfers in	180,758
Transfers out	(3,590,440)
Change in net position	<u>(1,835,649)</u>
<b>TOTAL NET POSITION - BEGINNING, AS ORIGINALLY STATED</b>	4,016,705
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(43,328)</u>
<b>TOTAL NET POSITION - BEGINNING, AS RESTATED</b>	<u>3,973,377</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 2,137,728</u></u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 7,885,569
Payments to suppliers for goods and services	(3,956,207)
Payments to employees for services	(930,234)
Net cash provided by operating activities	<u>2,999,128</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash payments to other funds	<u>(3,330,727)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(130,593)
Principal payments on capital debt	(443,219)
Proceeds from issuance of capital debt	2,570,000
Interest paid on capital debt	(314,798)
Net cash provided by capital and related financing activities	<u>1,681,390</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>1,397</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,351,188
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,210,200</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 2,561,388</u></u>
<b>DISPLAYED ON THE STATEMENT OF NET POSITION AS:</b>	
Cash and cash equivalents	\$ 179,648
Restricted assets:	
Cash and cash equivalents	495,588
Cash held by fiscal agent	1,886,152
	<u><u>\$ 2,561,388</u></u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

	<b>Utility Fund</b>
Operating income	\$ 1,883,473
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	354,030
Increase in accounts receivable	(32,659)
Decrease in inventory	97,497
Increase in accounts payable	679,906
Increase in other liabilities	16,881
Net cash provided by operating activities	<u>\$ 2,999,128</u>

See accompanying notes to financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The City of Evergreen (the City) was incorporated under the laws of the State of Alabama in 1873 and operates under an elected Mayor-Council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. The City provides the following services: public safety (police and fire), highways and streets, sanitation and utilities (water, electric and sewer), health and social services, public improvements, planning and zoning, recreation and general administrative services. The City provides library, public housing, and education services through separate operating boards recognized as separate legal entities and, accordingly, those boards' financial statements and information are not included herein.

***Government-Wide and Fund Financial Statements***

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net position and the statement of activities and reports information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. The exception to this is interfund services provided and used which are eliminated in the consolidation process. Governmental activities, which normally are 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. Likewise, the primary government is reported separately from the legally separate component unit.

The statement of activities demonstrates the degree to which the 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 are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contribute to the change in the net position for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year received or when an enforceable legal claim exists, whichever comes first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

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

**Capital Projects** – Accounts for the acquisition and construction of a variety of public works projects as well as the cost of various City capital spending projects.

**Debt Service** – Accounts for the resources accumulated and payments made for principal and interest payments on City debt.

The City reports the following major enterprise fund:

**Utility Fund** – Accounts for water, sanitary sewer, and electric services provided to residents of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

***Stewardship, Compliance, and Accountability***

An annual budget is adopted for the City's general fund. Under state law, the Mayor submits the annual budget to the Council for consideration and approval no later than October 1. Such budget is based on expected expenditures by program and estimated resources by source. The budget is prepared using the modified accrual basis of accounting. Revisions to the budget must be approved by the Council. All annual appropriations lapse at fiscal year-end.

***Management Estimates and Assumptions***

The preparation of 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 and liabilities and 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 results could vary from estimates used.

***Assets, Liabilities, and Equity***

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of any applicable allowance for uncollectibles.

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Receivables and Payables (Continued)**

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Conecuh County tax collector and remitted to the City net of a collection fee ranging from 1 to 5 percent for different taxes.

**Inventories and Prepaid Items**

Inventories are valued at cost using the first-in first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. An equivalent fund balance is reserved for inventories indicating that it does not constitute "available expendable resources" even though it is a component of net current assets. Inventories are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fuel	\$ 20,467	\$ 4,192	\$ 24,659
Materials and supplies	11,239	410,001	421,240
Totals	<u>\$ 31,706</u>	<u>\$ 414,193</u>	<u>\$ 445,899</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain proceeds from the City's Series 2006-A Special Obligation Bonds, Series 2007 Electrical Revenue Warrants, the Series 2009 General Obligation Warrants, and the Series 2012-A and 2012-B General Obligation Warrants, as well as certain resources set aside for their repayment, are classified as restricted on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Restricted Assets (Continued)**

Meter deposits received from customers are restricted in the statement of net position because they are maintained in a separate bank account and their use is limited.

**Capital Assets**

Capital assets, purchased or constructed, are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than two years. The City did not report infrastructure acquired prior to October 1, 2001.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Buildings	20-40 years
Improvements	20-40 years
Equipment	5-10 years
Vehicles	5-10 years
Utility system	10-40 years
Infrastructure	10-40 years

**Compensated Absences**

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City did not have any items that qualified for reporting in this category.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City did not have any items that qualified for reporting in this category.

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Lease Obligations**

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures, and changes in fund balances. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Fund Equity**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – This classification includes amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

**Assigned** – This classification includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only the City Council may assign amounts for specific purposes.

**Unassigned** – This classification includes all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**2. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of September 30, 2014, none of the City’s bank balance of \$5,296,754 was exposed to custodial credit risk. All of the City’s bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

**3. RECEIVABLES**

Receivables as of September 30, 2014, for the government’s individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Utility Fund</b>	<b>Total</b>
Taxes	\$ 206,958	\$ 11,522	\$ -	\$ 218,480
Accounts	11,254	-	1,966,326	1,977,580
Intergovernmental	611,044	-	-	611,044
Interest	691	-	-	691
	<u>829,947</u>	<u>11,522</u>	<u>1,966,326</u>	<u>2,807,795</u>
Less allowance for uncollectible accounts	-	-	(660,221)	(660,221)
Total receivables	<u>\$ 829,947</u>	<u>\$ 11,522</u>	<u>\$ 1,306,105</u>	<u>\$ 2,147,574</u>

**CITY OF EVERGREEN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

***Primary Government***

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,116,002	\$ -	\$ -	\$ 1,105,417	\$ 2,221,419
Construction in progress	3,005,815	1,433,426	(1,600)	(3,240,539)	1,197,102
Total capital assets, not being depreciated	<u>4,121,817</u>	<u>1,433,426</u>	<u>(1,600)</u>	<u>(2,135,122)</u>	<u>3,418,521</u>
Capital assets, being depreciated:					
Buildings	9,231,110	13,170	-	20,383	9,264,663
Machinery and equipment	3,815,250	147,686	(40,071)	7,944	3,930,809
Infrastructure	8,704,118	-	-	2,106,795	10,810,913
Total capital assets, being depreciated	<u>21,750,478</u>	<u>160,856</u>	<u>(40,071)</u>	<u>2,135,122</u>	<u>24,006,385</u>
Less accumulated depreciation for:					
Buildings	2,878,379	256,734	-	-	3,135,113
Machinery and equipment	2,336,497	315,405	(40,071)	-	2,611,831
Infrastructure	2,508,375	298,235	-	-	2,806,610
Total accumulated depreciation	<u>7,723,251</u>	<u>870,374</u>	<u>(40,071)</u>	<u>-</u>	<u>8,553,554</u>
Total capital assets, being depreciated, net	<u>14,027,227</u>	<u>(709,518)</u>	<u>-</u>	<u>2,135,122</u>	<u>15,452,831</u>
Governmental activities capital assets, net	<u>\$ 18,149,044</u>	<u>\$ 723,908</u>	<u>\$ (1,600)</u>	<u>\$ -</u>	<u>\$ 18,871,352</u>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>		<b>Ending Balance</b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 19,301	\$ -	\$ -	\$ -	\$ 19,301
Construction in progress	-	10,167	-	-	10,167
Total capital assets, not being depreciated:	<u>19,301</u>	<u>10,167</u>	<u>-</u>	<u>-</u>	<u>29,468</u>
Capital assets, being depreciated:					
Machinery and equipment	1,456,223	86,637	(189,336)	-	1,353,524
Infrastructure	12,209,132	33,787	(50,189)	-	12,192,730
Total capital assets, being depreciated	<u>13,665,355</u>	<u>120,424</u>	<u>(239,525)</u>	<u>-</u>	<u>13,546,254</u>
Less accumulated depreciation for:					
Machinery and equipment	983,175	86,342	(187,907)	-	881,610
Infrastructure	7,939,172	267,686	(50,189)	-	8,156,669
Total accumulated depreciation	<u>8,922,347</u>	<u>354,028</u>	<u>(238,096)</u>	<u>-</u>	<u>9,038,279</u>
Total capital assets, being depreciated, net	<u>4,743,008</u>	<u>(233,604)</u>	<u>(1,429)</u>	<u>-</u>	<u>4,507,975</u>
Business-type activities capital assets, net	<u>\$ 4,762,309</u>	<u>\$ (223,437)</u>	<u>\$ (1,429)</u>	<u>\$ -</u>	<u>\$ 4,537,443</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**4. CAPITAL ASSETS (Continued)**

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

**Governmental Activities:**

General government	\$ 68,662
Public safety	163,459
Public works	427,911
Civic improvement	134,812
Cultural and recreation	<u>75,530</u>

Total depreciation expense – governmental activities \$ 870,374

**Business-type Activities** \$ 354,028

**5. INTERFUND BALANCES**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2014, is shown below.

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility Fund	<u>\$ 101,436</u>

**Interfund Transfers:**

<u>Transfer Out</u>	<u>Transfer In</u>			<u>Total</u>
	<u>General</u>	<u>Debt Service Fund</u>	<u>Utility Fund</u>	
General	\$ -	\$ 535,018	\$ 180,758	\$ 715,776
Fire Department Tax Fund	9,235	-	-	9,235
State Gas Tax Fund	75,000	-	-	75,000
Gas Tax Fund	15,000	-	-	15,000
Utility Fund	<u>2,723,123</u>	<u>867,317</u>	-	<u>3,590,440</u>
Totals	<u>\$ 2,822,358</u>	<u>\$ 1,402,335</u>	<u>\$ 180,758</u>	<u>\$ 4,405,451</u>

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, and to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**CITY OF EVERGREEN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**6. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<b>Governmental activities:</b>						
General obligation bonds and warrants	\$ 10,282,135	\$ -	\$ (1,236,428)	\$ 9,045,707	\$ 392,321	\$ 8,653,386
Less deferred amounts:						
For issuance discounts	(57,532)	-	3,130	(54,402)	-	(54,402)
Total general obligation bonds and warrants payable	10,224,603	-	(1,233,298)	8,991,305	392,321	8,598,984
Notes payable	1,599,192	654,453	(206,128)	2,047,517	228,358	1,819,159
Capital leases	51,687	-	(31,472)	20,215	20,215	-
Compensated absences	62,850	76,291	(62,850)	76,291	76,291	-
Postemployment benefits other than pensions	217,777	33,411	-	251,188	-	251,188
Governmental activity long-term liabilities	<u>12,156,109</u>	<u>764,155</u>	<u>(1,533,748)</u>	<u>11,386,516</u>	<u>717,185</u>	<u>10,669,331</u>
<b>Business-type activities:</b>						
Revenue warrants	2,460,000	2,570,000	(410,000)	4,620,000	425,000	4,195,000
Less deferred amounts:						
Original issue discount	-	(13,228)	661	(12,566)	-	(12,566)
Total revenue warrants	2,460,000	2,556,772	(409,339)	4,607,434	425,000	4,182,434
Notes payable	34,220	-	(16,131)	18,089	10,293	7,796
Capital leases	34,761	-	(17,088)	17,673	14,999	2,674
Compensated absences	42,337	29,388	(42,337)	29,388	29,388	-
Business-type activity long-term liabilities	<u>2,571,318</u>	<u>2,586,160</u>	<u>(484,895)</u>	<u>4,672,584</u>	<u>479,680</u>	<u>\$ 4,192,904</u>
Total long-term debt	<u>\$ 14,727,427</u>	<u>\$ 3,350,315</u>	<u>\$ (2,018,643)</u>	<u>\$ 16,059,100</u>	<u>\$ 1,196,865</u>	<u>\$ 23,461,219</u>

Long-term debt payable at September 30, 2014, is comprised of the following:

***General City Bonds and Warrants***

The City issues general obligation bonds and warrants to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The current outstanding balances are as follows:

Series 2006-A Special Obligation Bonds, interest at 3.65% to 4.15%	\$ 1,510,000
Series 2009 General Obligation Warrants, interest at 2.0% to 4.62%	1,875,000
Series 2009-A USDA General Obligation Warrants, interest at 4.125%	620,533
Series 2009-B USDA General Obligation Warrants, interest at 4.25%	300,174
Series 2012-A General Obligation Warrants, interest at 1.25%	1,585,000
Series 2012-B General Obligation Warrants, interest at 3.50%	<u>3,155,000</u>
Total bonds and warrants	<u>\$ 9,045,707</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**6. LONG-TERM DEBT (Continued)**

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2015	\$ 392,321	\$ 363,468
2016	403,251	351,872
2017	424,220	338,069
2018	445,230	322,485
2019	461,282	305,781
2020-2024	2,278,778	1,236,104
2025-2029	2,517,480	764,291
2030-2034	1,878,820	213,669
2035-2039	<u>244,325</u>	<u>34,826</u>
Total	<u>\$ 9,045,707</u>	<u>\$ 3,930,565</u>

***Revenue Warrants***

The City has issued revenue warrants to provide for the acquisition and construction of capital improvements. The current outstanding balances are as follows:

Series 2007 Electrical Revenue Warrants, interest at 4.125% to 5% Secured by a pledge of the City's electrical distribution system revenue	\$ 2,230,000
Series 2013 Water and Sewer Revenue Warrants, interest at 2.00% to 4.35% Secured by a pledge of the net system revenue of the City's utility system	<u>2,390,000</u>
Total warrants	<u>\$ 4,620,000</u>

The annual debt service requirements to maturity, including principal and interest, for revenue warrants as of September 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2015	\$ 425,000	\$ 163,585
2016	440,000	150,285
2017	450,000	136,360
2018	470,000	109,320
2019	485,000	117,200
2020-2024	1,525,000	292,452
2025-2029	420,000	138,145
2030-2034	<u>405,000</u>	<u>44,568</u>
Total	<u>\$ 4,620,000</u>	<u>\$ 1,151,915</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**6. LONG-TERM DEBT (Continued)**

*Notes Payable*

The City has received funding from local banks to provide for the acquisition of capital assets and various infrastructure projects. The debt is collateralized by the related equipment. The current outstanding balances are as follows:

**Governmental Activities**

Note payable with BB&T used to fund costs related to police cars. The note has an interest rate of 2.87% and matures on March 2, 2016.	\$ 44,130
Note payable with BB&T used to fund costs related to a garbage truck. The note has an interest rate of 2.67% and matures on October 13, 2016.	49,023
Note payable with BB&T used to fund costs related to a fire truck. The note has an interest rate of 3.03% and matures February 14, 2022.	105,462
Note payable with Bancorp used to fund costs related to a sewer camera. The note has an interest rate of 2.24% and matures on May 20, 2017.	50,429
Note payable with Bancorp used to fund costs related to track loader. The note has an interest rate of 2.24% and matures on August 25, 2017.	73,998
Note payable with BB&T used to fund costs related to rescue equipment. The note has an interest rate of 2.41% and matures on April 12, 2017.	30,005
Note payable with BB&T used to fund costs related to a backhoe. The note has an interest rate of 2.41% and matures on April 12, 2017.	43,594
Note payable with BB&T used to fund costs related to three police cars. The note has an interest rate of 2.41% and matures on June 8, 2017.	47,791
Note payable with Bank of Evergreen used to fund costs related to the Shrimp Basket building. The note has an interest rate of 5.00% and matures on March 12, 2018.	939,973
Note payable with BB&T used to fund costs related to three pickup trucks. The note has an interest rate of 2.21% and matures on February 29, 2016.	26,494
Note payable with Bank of Evergreen used to fund costs related to the Liberty Hill Project. The note has an interest rate of 2.30% and matures on November 22, 2014	529,435
Note payable with BB&T used to fund costs related to three police Tahoe's. The note has an interest rate of 2.31% and matures on January 10, 2019.	<u>107,185</u>
Total	<u>\$ 2,047,519</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**6. LONG-TERM DEBT (Continued)**

*Notes Payable (Continued)*

**Business-type Activities**

Note payable with BB&T used to fund costs related to a dump truck. The note has an interest rate of 1.95% and matures on April 11, 2015.	\$ 5,835
Note payable with BB&T used to fund costs related to a pickup truck. The note has an interest rate of 2.27% and matures on July 15, 2017.	<u>12,254</u>
Total	<u>\$ 18,089</u>

The annual debt service requirements to maturity, including principal and interest, for notes payable as of September 30, 2014, are as follows:

Year Ending September 30:	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 757,790	\$ 60,823	\$ 10,293	\$ 299
2016	204,899	52,438	4,212	133
2017	146,023	47,059	3,584	36
2018	878,834	26,414	-	-
2019	22,868	1,400	-	-
2020-2022	<u>37,103</u>	<u>1,471</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,047,517</u>	<u>\$ 189,605</u>	<u>\$ 18,089</u>	<u>\$ 468</u>

**Capital Leases**

The City has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 135,152
Less accumulated depreciation	<u>57,439</u>
Total	<u>\$ 77,713</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**6. LONG-TERM DEBT (Continued)**

*Capital Leases (Continued)*

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

	<b>Governmental Activities</b>
Year ending September 30:	
2015	\$ 20,648
Total minimum lease payments	20,648
Less amount representing interest	<u>433</u>
Present value of minimum lease payments	<u>\$ 20,215</u>
<u>Asset</u>	<b>Business-type Activities</b>
Machinery and equipment	\$ 82,706
Less accumulated depreciation	<u>32,393</u>
Total	<u>\$ 50,313</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

	<b>Business-type Activities</b>
Year ending September 30:	
2015	\$ 14,999
2016	<u>2,999</u>
Total minimum lease payments	17,998
Less amount representing interest	<u>325</u>
Present value of minimum lease payments	<u>\$ 17,673</u>

**7. EMPLOYEES' RETIREMENT PLAN**

*Employee Pension Plan*

The City has a defined contribution benefit pension plan covering substantially all employees. The pension plan is funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The plan is an agent multiple-employer retirement plan. The agent for the plan is the Employees' Retirement System of Alabama.

*Plan Description*

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer public employee retirement system. The ERS was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and, on an elective basis, all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operations of the ERS is vested in the ERS Board of Control. Authority to amend the plan rests with the Legislature of Alabama.

Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City of Evergreen. The ERS provides retirement benefits as well as death and disability benefits as established by state law. The retirement benefits are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service, regardless of age (30 years of service for those units that have not elected 25 years retirement). Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The two methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation (best three of last ten years) multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. Disability benefits are calculated in the same manner as regular retirement benefits. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

**7. EMPLOYEES' RETIREMENT PLAN (Continued)**

***Contributions Required and Contributions Made***

The actuary has computed, as of the date of the latest actuarial valuation (September 30, 2013), the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuation is prepared using the entry age method. The present value of all expected benefits payable to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the ERS funding policy provides for employer contributions at actuarially determined rates, expressed as a percent of annual covered payroll, in amounts sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, a pre-retirement death benefit contribution, and a portion to finance administrative costs.

The required contribution rate is 5% for regular members and 6% for certified law enforcement, correctional officers, and firefighters. For the fiscal year ended September 30, 2014, the required employer contribution rate was 9.99% of annual covered compensation.

***Annual Pension Cost***

**1. Current-Year Contribution Information**

For the year ended September 30, 2014, the City's annual pension cost contributed by employees was \$130,644 and the City contributed \$240,282, or a total of \$370,926. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2013.

**2. Actuarial Assumptions and Methods**

Valuation date	September 30, 2013
Actuarial cost method	Entry Age
Asset valuation method	5-Year Smoothed Market*
Amortization method	Level Percent closed
Remaining amortization period	24 years
Period closed/open	Open
Actuarial assumptions:	
Investment rate of return	8%*
Projected salary increases	3.75% - 7.25%*
Cost of living increases	None

\*Includes inflation at 3.00%.

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**7. EMPLOYEES' RETIREMENT PLAN (Continued)**

*Annual Pension Cost (Continued)*

**2. Actuarial Assumptions and Methods (Continued)**

In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2011	\$ 174,085	100.0%	\$ -
9/30/2012	181,862	100.0%	-
9/30/2013	204,413	100.0%	-

**3. Funding Status**

The funding status of the plan as of the most recent actuarial valuation is as follows:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b-a)/c UAL as a Percentage of Payroll</u>
9/30/13*	\$ 5,068,162	\$ 7,252,074	\$ 2,183,912	69.9%	\$ 2,307,816	94.6%

\*Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011, and by an additional 0.25% beginning October 1, 2012. Also reflects implementation of Board Funding Policy.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City protects against risks of loss through the purchase of insurance from Alabama Municipal Insurance Corporation and the Municipal Worker's Compensation program.

**9. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits whose outcome is not presently determinable. In the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The City of Evergreen administers a single employer defined benefit healthcare plan for employees of the City. The plan provides 50% of the cost of the healthcare insurance premiums for qualified retirees who have a minimum of 25 creditable years of service with the City and have not reached the age of 65. The plan does not issue a publicly available financial report. At September 30, 2014, the plan had approximately 41 active participants and 3 retired members.

*Funding Policy*

Based on the terms of the plan, the cost of healthcare insurance premiums for retired participants is paid at a rate of 50% of the rate currently paid for active full-time employees. Currently the City pays 70% for active full-time employees. Only retirees who have accumulated 25 creditable years of service with the City and have not reached the age of 65 are eligible. No benefits are allowed for dependents of the retiree.

The employer contributes \$128 for active participants and requires monthly contributions of \$238 from active participants.

Total member contributions were \$170,998 for active participants and \$8,567 for retirees.

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Annual OPEB Cost and Net OPEB Obligation*

The City’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan:

Annual required contribution	\$ 36,562
Interest on net OPEB obligation	<u>1,462</u>
Annual OPEB cost	38,024
Contributions made	<u>(4,613)</u>
Increase in net OPEB obligation	33,411
Net OPEB obligation – beginning of year	<u>217,777</u>
Net OPEB obligation – end of year	<u>\$ 251,188</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$ 63,181	7.5%	\$ 152,804
9/30/2013	69,293	7.5%	217,777
9/30/2014	38,025	7.5%	251,188

*Funded Status and Funding Progress*

As of October 1, 2013, the actuarial accrued liability for benefits was \$246,739, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,307,816 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 94.60%.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Funded Status and Funding Progress (Continued)*

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Retirement age for active employees** – Active employees are assumed to retire at the age in which they have obtained 25 creditable years of service and have not reached the age of 65.

**Marital status** – The City of Evergreen provides medical insurance coverage for retirees but not for dependents.

**Mortality** – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics Website. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

**Turnover** – The probability that an employee will remain employed until the assumed retirement age was determined using nongroup-specific age-based turnover data.

**Healthcare cost trend rate** – The expected rate of increase in healthcare insurance premiums is based on the most recent projections as of the calculation date made by the Office of the Actuary at the Centers for Medicare & Medicaid Services, as published in National Health Care Expenditure Projections: 2013-2023, published in September 2014 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)).

**Health insurance premiums** – 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Methods and Assumptions (Continued)*

*Discount rate* – 4% per annum, compounded annually, if unfunded.

The Unit Cost Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized over the maximum permissible period under GASB Statement Number 45 which is 30 years. The remaining amortization period at September 30, 2014, was 25 years.

**11. RELATED ORGANIZATIONS**

The City Council is responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making appointments. The City Council appoints the members of the Evergreen Planning Commission, the Evergreen Board of Adjustments, the Evergreen Housing Authority, the Evergreen Industrial Development Board and the Evergreen and Conecuh County Library Board.

**12. JOINT VENTURE**

During the year ended September 30, 2006, the City along with the Conecuh County Commission (the County) entered into an agreement to form the Conecuh Region Capital Improvement Cooperative District (the CR District) for the purposes of developing, promoting and supporting economic development projects within Conecuh County, Alabama. This District has a Board of Directors comprised of a total of four members, with two members being appointed by the County and two members being appointed by the City.

The CR District issued special obligation bonds, series 2006-A in the amount of \$2,135,000 and series 2006-B, in the amount of \$2,145,000. The City entered into an agreement with the CR District which obligates the City to budget and appropriate sufficient funds each fiscal year to make all required debt service payments of the series 2006-A bonds. Therefore, the balance of the series 2006-A bonds in the amount of \$1,510,000 has been recorded as a liability at September 30, 2014.

**13. JOINTLY GOVERNED ORGANIZATIONS**

The City in conjunction with the City of Monroeville, Alabama created the South Alabama Gas District, whose board is composed of two appointments from each municipality. In addition to these four members, a fifth member is appointed on a rotating basis from four municipalities participating in the gas district. South Alabama Gas District was incorporated under the provisions of the State of Alabama to provide natural gas and propane services in Conecuh, Monroe, Escambia, Clark, Butler, Covington, Wilcox, Washington, Mobile, Baldwin, and Choctaw counties, Alabama. During 2014, the City received \$214,323, from the South Alabama Gas District, in the form of a franchise tax and distribution of profits.

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The Cities of Evergreen and Jackson, Alabama incorporated the Lower Alabama Gas District. The two cities formed the gas district in order to establish a public corporation that could acquire and secure reliable and adequate long-term supplies of gas for ultimate delivery to residential, commercial, institutional, and industrial consumers in and around areas served by South Alabama Gas District

**14. RELATED PARTY TRANSACTIONS**

In November 2012, the City purchased land which was the future site of the economic development project known as Liberty Hill. Subsequently, the City entered into an agreement with the Evergreen Conecuh Capital Improvement Cooperative District (EC District) where the City would sell the Liberty Hill land, at the original purchase price of \$2,312,241. The EC District would also reimburse the City for any costs related to the Liberty Hill project that occurred in fiscal year 2014. During fiscal years 2013 and 2014, the City incurred costs of \$463,038 and \$436,608, respectively, related to the Liberty Hill project. As of September 30, 2014, the City had received payments from the EC District totaling \$949,173. The remaining balance of \$2,262,714 is recorded as a loan receivable at September 30, 2014.

**15. FUNDING AGREEMENT**

On June 1, 2013, the EC District, a public corporation, issued the Series 2013-A Revenue Bonds and the Series 2013-B Revenue Bonds (Federally Taxable) in the amount of \$5,300,000 and \$3,700,000, respectively. The proceeds of these bonds were to be used to acquire the Liberty Hill land from the City (See Note 14), and fund capital improvements on such property.

Simultaneously the EC District entered into separate funding agreements with Conecuh County (County) and the City. The funding agreement with the County states that the County will pledge sales tax equaling 1% on all sales within the EC District. The agreement also states that the County will pay the lesser of one half the debt service on the above mentioned bonds or the pledged portion of the County sales tax proceeds. The funding agreement with the City stated that the City will pay the difference between the total debt services on the above mentioned bonds and the amount paid by the County.

The City also entered into a separate agreement with the EC District pledging sales tax equaling 2% on all sales within the EC District. These funds are for the purpose of funding the operations of the EC District and future economic development projects.

**16. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through August 13, 2015, which is the date the financial statements were available to be issued.

**17. ACCOUNTING CHANGES AND RESTATEMENTS**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The implementation of GASB 65 resulted in the write-off of bond issuance costs, which resulted in the reduction of beginning net positions for governmental and business-type activities at September 30, 2013, by \$299,633 and \$43,328, respectively.

**18. EFFECT OF NEW PRONOUNCEMENTS**

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting of government pensions. Also, it improves information provided by government employers about financial support for pensions that is provided by other entities. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement will improve accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2013.

GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to Measurement Date*. The objective of this Statement is to address an issue regarding application of transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2014.

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**18. EFFECT OF NEW PRONOUNCEMENTS (Continued)**

GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements, providing guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EVERGREEN, ALABAMA**  
**EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**  
**SCHEDULE OF FUNDING PROGRESS**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b> <b>January 1</b>	<b>Actuarial Value of Assets*</b> <b>( a )</b>	<b>Actuarial Liability (AAL) - Entry Age ( b )<sup>1</sup></b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll [( b-a )/c]</b>
09/30/08	\$ 5,189,435	\$ 6,144,130	\$ 954,695	84.5%	\$ 1,914,163	49.9%
09/30/09	5,100,687	6,576,132	1,475,445	77.6%	1,833,653	80.5%
09/30/10 <sup>2</sup>	5,030,481	6,866,277	1,835,796	73.3%	2,045,490	89.7%
09/30/11 <sup>4</sup>	4,893,024	7,080,355	2,187,331	69.1%	2,137,254	102.3%
09/30/12 <sup>5</sup>	4,732,877	6,683,813	1,950,936	70.8%	2,094,689	93.1%
9/30/13 <sup>6</sup>	5,068,162	7,232,164	2,164,002	70.1%	2,307,816	93.8%
9/30/13 <sup>3,6</sup>	5,068,162	7,252,074	2,183,912	69.9%	2,307,816	94.6%

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

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

<sup>3</sup> Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012. Reflects changes in interest smoothing technology.

<sup>4</sup> Reflects changes in actuarial assumptions.

<sup>5</sup> Reflects changes to interest smoothing methodology.

<sup>6</sup> Reflects implementation of Board Funding Policy.

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

Market Value of Assets as of September 30, 2013: \$5,311,651

**CITY OF EVERGREEN, ALABAMA**

EMPLOYEES' MEDICAL INSURANCE PLAN OF THE CITY OF EVERGREEN, ALABAMA  
 SCHEDULE OF FUNDING PROGRESS

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Liability (AAL) - Entry Age ( b )</b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll [( b-a )/c]</b>
09/30/08	*	*	*	*	*	*
09/30/09	\$ -	\$ 408,934	\$ 408,934	0.0%	\$ 2,110,589	19.4%
09/30/10	-	408,934	408,934	0.0%	2,335,430	17.5%
09/30/11	-	394,985	394,985	0.0%	2,403,193	16.4%
09/30/12	-	394,985	394,985	0.0%	2,094,689	18.9%
09/30/13	-	246,739	246,739	0.0%	2,307,816	10.7%

\* Information not available.

# CITY OF EVERGREEN, ALABAMA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,924,000	\$ 1,924,000	\$ 2,626,798	\$ 702,798
Licenses and permits	220,000	220,000	463,014	243,014
Intergovernmental	20,200	20,200	944,862	924,662
Fines and forfeitures	80,000	80,000	84,471	4,471
Other revenues	116,575	116,575	165,383	48,808
Interest	-	-	11,624	11,624
Total revenues	<u>2,360,775</u>	<u>2,360,775</u>	<u>4,296,152</u>	<u>1,935,377</u>
<b>EXPENDITURES</b>				
Current operations:				
General government	1,377,300	1,377,300	1,879,416	(502,116)
Public safety:				
Police	993,000	993,000	1,080,276	(87,276)
Fire	50,177	50,177	77,725	(27,548)
Court	60,000	60,000	97,540	(37,540)
Public works:				
Street and sanitation	635,000	635,000	702,440	(67,440)
Other	83,700	83,700	156,496	(72,796)
Civic improvement:				
Airport	80,000	80,000	113,913	(33,913)
Economic development	150,000	150,000	438,638	(288,638)
Cultural and recreation	300,900	300,900	331,885	(30,985)
Capital outlay	17,500	17,500	1,594,278	(1,576,778)
Debt service:				
Principal retirement	-	-	247,168	(247,168)
Interest charges	-	-	126,905	(126,905)
Total expenditures	<u>3,747,577</u>	<u>3,747,577</u>	<u>6,846,680</u>	<u>(3,099,103)</u>
Deficiency of revenues under expenditures	<u>(1,386,802)</u>	<u>(1,386,802)</u>	<u>(2,550,528)</u>	<u>(1,163,726)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,020,000	2,020,000	2,668,409	648,409
Transfers out	(553,960)	(553,960)	(715,776)	(161,816)
Proceeds from issuance of bonds	-	-	654,460	654,460
Total other financing sources (uses)	<u>1,466,040</u>	<u>1,466,040</u>	<u>2,607,093</u>	<u>1,141,053</u>
Net change in fund balances	79,238	79,238	56,565	(22,673)
<b>FUND BALANCES - BEGINNING</b>	<u>4,095,430</u>	<u>4,095,430</u>	<u>4,095,430</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,174,668</u>	<u>\$ 4,174,668</u>	<u>\$ 4,151,995</u>	<u>\$ (22,673)</u>

**SUPPLEMENTARY INFORMATION**

**CITY OF EVERGREEN, ALABAMA**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	<b>Special Revenue</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>State Gas Tax Fund</b>	<b>Gas Tax Fund</b>	<b>Fire Department Tax Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 63,390	\$ 52,623	\$ 27,193	\$ 143,206
Receivables - taxes	6,360	5,162	-	11,522
<b>TOTAL ASSETS</b>	<b>\$ 69,750</b>	<b>\$ 57,785</b>	<b>\$ 27,193</b>	<b>\$ 154,728</b>
<b>FUND BALANCES</b>				
<b>FUND BALANCES</b>				
Restricted for:				
Public safety	\$ -	\$ -	\$ 27,193	\$ 27,193
Public works	69,750	57,785	-	127,535
<b>TOTAL FUND BALANCES</b>	<b>\$ 69,750</b>	<b>\$ 57,785</b>	<b>\$ 27,193</b>	<b>\$ 154,728</b>

**CITY OF EVERGREEN, ALABAMA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>State Gas Tax Fund</u>	<u>Gas Tax Fund</u>	<u>Fire Department Tax Fund</u>	
<b>REVENUES</b>				
Taxes	\$ 62,910	\$ 57,314	\$ 21,917	\$ 142,141
Licenses and permits	10,274	-	-	10,274
Total revenues	<u>73,184</u>	<u>57,314</u>	<u>21,917</u>	<u>152,415</u>
<b>EXPENDITURES</b>				
Current operations:				
Public safety	-	-	4,953	4,953
Public works	4,112	271	-	4,383
Debt service:				
Principal retirement	-	-	9,535	9,535
Interest charges	-	-	953	953
Total expenditures	<u>4,112</u>	<u>271</u>	<u>15,441</u>	<u>19,824</u>
Excess of revenues over expenditures	<u>69,072</u>	<u>57,043</u>	<u>6,476</u>	<u>132,591</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(75,000)</u>	<u>(15,000)</u>	<u>(9,235)</u>	<u>(99,235)</u>
Net change in fund balances	<u>(5,928)</u>	<u>42,043</u>	<u>(2,759)</u>	<u>33,356</u>
<b>FUND BALANCES - BEGINNING</b>	<u>75,678</u>	<u>15,742</u>	<u>29,952</u>	<u>121,372</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 69,750</u></u>	<u><u>\$ 57,785</u></u>	<u><u>\$ 27,193</u></u>	<u><u>\$ 154,728</u></u>

**CITY OF EVERGREEN, ALABAMA**  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2014

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Assessed Value		<u>\$ 36,121,000</u>
Legal Debt Margin		
Debt Limitation - 20 Percent of Assessed Value		\$ 7,224,200
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 25,202,678	
Less: Debt attributable to the improvement of electric systems and payable from the revenues of such systems	(4,620,000)	
Less: Debt associated with Amendment 772	<u>(13,590,000)</u>	
Total Debt Applicable to Limitation		<u>6,992,678</u>
Legal Debt Margin		<u>\$ 231,522</u>

Sources: Assessed value data provided by the Conecuh County Revenue Commission.

**CITY OF EVERGREEN, ALABAMA**

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

SEPTEMBER 30, 2014

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<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
<b>Direct</b>			
City of Evergreen:			
General obligations including capital leases	<u>\$ 25,202,678</u>	100.00%	<u>\$ 25,202,678</u>