

CITY OF EVERGREEN, ALABAMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CITY OF EVERGREEN, ALABAMA
SEPTEMBER 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

Opinion

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, 2017, 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.

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 3 through 11 and 55 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.

Warren Averett, LLC

Montgomery, Alabama
November 12, 2019

CITY OF EVERGREEN, ALABAMA

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, 2017

As management of the City of Evergreen (City), 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, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$14.8 million (net position). Of this amount, \$854,000 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 increased principally due to improved operational results, which increased beginning net position by \$1.2 million.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3.6 million, an increase of \$850,000 (19%) over the prior period. Approximately 53% of this amount 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 \$1.9 million, or approximately 24% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$207,000 (1%) during the current fiscal year. (See note 6 for an analysis of changes in long-term debt.)

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 12 through 13 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 activities 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 six 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 and the debt service fund, which are considered to be major funds. Data from the other 4 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 on pages 56 and 57 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 14 through 17 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 18 through 21 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 22 through 51 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 Other Postemployment Benefits (OPEB) to its employees.

Required supplementary information can be found on pages 52 through 55 of this report.

Other supplementary information containing the combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 56 through 59 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, 2017, the City’s assets exceeded its liabilities by \$14.8 million, an increase of 9% from last year.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,649,660	\$ 5,872,417	\$ 2,950,861	\$ 2,956,509	\$ 7,600,521	\$ 8,828,926
Capital assets	21,605,121	20,428,454	5,725,510	5,352,752	27,330,631	25,781,206
Total Assets	<u>26,254,781</u>	<u>26,300,871</u>	<u>8,676,371</u>	<u>8,309,261</u>	<u>34,931,152</u>	<u>34,610,132</u>
Deferred employer retirement contributions	346,221	294,588	216,080	189,482	562,301	484,070
Current and other liabilities	1,783,863	3,866,214	2,403,456	2,802,293	4,187,319	6,668,507
Long-term liabilities	12,534,579	10,615,491	3,760,296	4,194,373	16,294,875	14,809,864
Total Liabilities	<u>14,318,442</u>	<u>14,481,705</u>	<u>6,163,752</u>	<u>6,996,666</u>	<u>20,482,194</u>	<u>21,478,371</u>
Deferred inflows related to pension	125,717	-	64,764	-	190,481	-
Net position:						
Net investment in capital assets	10,385,732	9,409,454	2,941,777	2,299,104	13,327,509	11,708,558
Restricted	638,789	582,824	-	-	638,789	582,824
Unrestricted	1,132,322	2,121,476	(277,842)	(797,027)	854,480	1,324,449
Total Net Position	<u>\$ 12,156,843</u>	<u>\$ 12,113,754</u>	<u>\$ 2,663,935</u>	<u>\$ 1,502,077</u>	<u>\$ 14,820,778</u>	<u>\$ 13,615,831</u>

The largest portion (90%) 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 (4%) of the City’s net position represents resources that are subject to external restrictions on how they may be used. The remaining portion (6%) 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. However, the business-type activities reflect a deficit in unrestricted net position.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 400,371	\$ 394,237	\$ 7,656,369	\$ 7,352,146	\$ 8,056,740	\$ 7,746,383
Operating grants and contributions	441,202	81,810	-	-	441,202	81,810
Capital grants and contributions	1,660,498	1,288,041	-	-	1,660,498	1,288,041
General revenues:						
Property taxes	404,338	355,541	-	-	404,338	355,541
Sales and use taxes	1,415,787	1,480,840	-	-	1,415,787	1,480,840
Motor fuel taxes	1,583,996	1,527,061	-	-	1,583,996	1,527,061
Alcoholic beverage taxes	54,473	50,965	-	-	54,473	50,965
Lodging tax	25,707	29,865	-	-	25,707	29,865
Other income	61,205	58,681	30,409	-	91,614	58,681
Interest income	12,117	7,683	332	522	12,449	8,205
Intergovernmental - Reid State Technical College	-	-	412,489	-	412,489	-
Transfers	53,183	1,815,134	(53,183)	(1,815,134)	-	-
Total revenues	<u>6,112,877</u>	<u>7,089,858</u>	<u>8,046,416</u>	<u>5,537,534</u>	<u>14,159,293</u>	<u>12,627,392</u>
Expenses:						
General government	1,143,962	1,215,131	-	-	1,143,962	1,215,131
Public safety	1,847,176	1,824,951	-	-	1,847,176	1,824,951
Public works	1,268,947	1,250,580	-	-	1,268,947	1,250,580
Civic improvement	782,033	689,958	-	-	782,033	689,958
Cultural and recreation	648,382	482,431	-	-	648,382	482,431
Interest on long-term debt	379,288	384,734	-	-	379,288	384,734
Utility fund	-	-	6,335,000	5,708,371	6,335,000	5,708,371
Total expenses	<u>6,069,788</u>	<u>5,847,785</u>	<u>6,335,000</u>	<u>5,708,371</u>	<u>12,404,788</u>	<u>11,556,156</u>
Increase (decrease) in net position	<u>43,089</u>	<u>1,242,073</u>	<u>1,711,416</u>	<u>(170,837)</u>	<u>1,754,505</u>	<u>1,071,236</u>
Net position - beginning	12,113,754	10,871,681	1,502,077	1,672,914	13,615,831	12,544,595
Prior period adjustment (See note 18)	-	-	(549,558)	-	(549,558)	-
Net position - beginning as restated	<u>12,113,754</u>	<u>10,871,681</u>	<u>952,519</u>	<u>1,672,914</u>	<u>13,066,273</u>	<u>12,544,595</u>
Net position - ending	<u>\$ 12,156,843</u>	<u>\$ 12,113,754</u>	<u>\$ 2,663,935</u>	<u>\$ 1,502,077</u>	<u>\$ 14,820,778</u>	<u>\$ 13,615,831</u>

The City's overall net position increased from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

During fiscal year 2017, net position for governmental activities increased \$43,000 over the prior fiscal year, for a year ending balance of \$12.2 million. Improved operational results contributed to the increase in net position.

Business-type Activities

For the City's business-type activities, the results for the current fiscal year resulted in an increase in overall net position of \$1.2 million a (69%) increase from the prior year for an ending balance of \$2.7 million. A reduction in net transfer to other funds in the amount of \$1.8 million, created the improved net position. The above includes the recognition of a prior period adjustment. (See note 18 on page 51 for additional discussion.)

Total revenues for the City were \$14.2 million for the year ended September 30, 2017. Governmental activities provided \$6.1 million (43%) while \$8.1 million (57%) of business-type activities revenue was provided by charges for services and interest income. In addition, an intergovernmental revenue of \$400,000 was received from Reid State Technical College for the construction of certain electrical infrastructure. The governmental activities received \$1.4 million (23%) of total revenue, from sales taxes and \$1.6 million (26%) 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 end of fiscal year 2017, the City's governmental funds reported combined fund balances of \$3.6 million, a decrease of \$860,000 (20%) from the prior year. Approximately \$1.9 million (53%) 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 (\$1.1 million or 29%), 2) legally required to be maintained intact (\$0); 3) restricted for particular purposes (\$639,000 or 18%), 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 fiscal year 2017, unassigned fund balance of the general fund was \$1.9 million (59%), while total fund balance increased \$915,000 (22%) from the prior year to \$3.3 million.

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 41% 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 \$(278,000), a decrease of \$519,000. The increase in overall net position for this fund was \$1.2 million.

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 \$5.9 million, an increase of \$3.3 million (127%) over final budgeted revenues.

- Tax revenue of \$3.2 million was more than budgeted by \$1.1 million (51%). This was due to an increase in both sales tax and gasoline tax revenue over budgeted amounts.
- Intergovernmental revenue of \$2.1 million was more than budgeted by \$2.1 million. This was a result of the City receiving grant funding related to the Safe Room Project, Airport Expansion project, sewer projects and other smaller funding reimbursement grants.
- Licenses and permits revenue of \$329,000 was more than budgeted by \$87,000 (36%). This was a result of the increase in 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 \$8.0 million, an increase of \$3.9 million (95%) over the budgeted amounts.

- Public safety expenditures of \$1.6 million were more than budgeted by \$383,000 (32%). This was primarily due to an increase in payroll-related expenses \$131,000 (9%). In prior years the City allocated certain expenditures to general government which are now allocated by function. The effect is to increase functional expenses.
- Public works expenditures of \$856,000 were more than budgeted by \$65,000 (8%). This was primarily due to an increase in payroll related expenses of \$63,000 (8%).
- Civic improvement expenditures of \$626,000 were more than budgeted by \$373,000 (147%). This increase is primarily the result of certain incentives for economic development.
- Capital outlay expenditures of \$2.1 million were more than budgeted by \$2.1 million. This was due to costs related to various grant-related projects of \$1.6 million.
- Debt service principal retirement and interest expenditures were more than budgeted by \$1.3 million. This was due to debt payments related to various notes and capital leases (\$1.3 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, was \$27.3 million (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 fiscal year 2017 was \$1.5 million (6%), and was principally the result of new infrastructure facilities.

Major capital asset events during fiscal year 2017 included the following:

- Grant project related to improvements at the Airport (\$655,000)
- Grant project related to Safe Room (\$655,000)
- Reid State Technical College Electrical Distribution Improvement (\$423,000)
- Utility equipment (\$284,000)

Additional information on the City's capital assets can be found in Note 4 on pages 30 through 31 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$14.7 million. Of this amount, \$11.1 million (75%) is debt backed by the full faith and credit of the City. The remainder of the City's long-term obligations are pension related debt of \$2.3 million (13%), postemployment benefits other than pensions of \$402,000 (2%), notes payable of \$3.4 million (20%), and the value of compensated employee absences of \$154,000 (1%).

The City's total outstanding long-term debt decreased approximately \$207,000 during fiscal year 2017. The principal reason for the change was scheduled debt payments of \$2.1 million reduced by an increase in notes payable and capital leases of \$1.9 million.

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 fiscal year 2017 debt limitation for the City is \$7.7 million. At September 30, 2017, the City's outstanding debt applicable to the limitation is \$6.7 million, which produced an excess of \$1.0 million available on the legal debt margin.

Additional information on the City's long-term debt can be found in Note 6 on pages 32 through 36 of this report. Additional information on the City's legal debt margin can be found on page 58 of this report.

THE OUTLOOK FOR NEXT YEAR

Fiscal year (FY) 2017 was a positive year for the City of Evergreen by way of productive growth, as it was proposed in last year's forward looking statement. While maintaining a positive approach to the aggressive growth stance held by the City, it is evident that the City must also concentrate on continuing to manage departmental expenditures and projects in the coming fiscal year.

The City is continuing to modernize with the full implantation of the electric and water AMI (Radio Read Meter) meters. This upgrade has decreased man hour and labor costs required to operate the systems and will increase billing accuracy where the current mechanical meters have a high variance in actual versus billed.

Also in planning for FY18, the City looks to employ an additional financial professional in its goal to increase efficiency. 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 sustained revenue increases must include a concerted accounting and financial management effort. The City is also looking at different avenues of a City-wide software upgrade. This along with personnel changes should help with the implementation of additional coverage and cash reserve policies.

In conclusion, the City of Evergreen is achieving its short-term goals and is currently looking at a major change in the current company that electricity is purchased from. This should save the City millions over the length of the contract. FY18 should show an even stronger revenue growth, along with decreases in capital 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 City of Evergreen, Attn: City Clerk/Treasurer, 355 East Front Street, P. O. Box 229, Evergreen, Alabama, 36401.

FINANCIAL STATEMENTS

CITY OF EVERGREEN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,171,720	\$ 160,339	\$ 2,332,059
Receivables, net	1,113,941	1,321,252	2,435,193
Internal balances	-	-	-
Inventory	44,850	342,840	387,690
Prepaid items	93,918	-	93,918
Note receivable	915,250	-	915,250
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	309,929	466,173	776,102
Cash held by fiscal agent	52	660,257	660,309
Capital assets not being depreciated:			
Land	2,914,726	19,301	2,934,027
Construction in progress	2,887,307	91,471	2,978,778
Capital assets net of accumulated depreciation:			
Buildings	6,530,860	-	6,530,860
Machinery and equipment	907,489	1,317,958	2,225,447
Utility system	-	4,296,780	4,296,780
Infrastructure	8,364,739	-	8,364,739
TOTAL ASSETS	26,254,781	8,676,371	34,931,152
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer retirement contributions	346,221	216,080	562,301
LIABILITIES			
Accounts payable	918,906	1,316,433	2,235,339
Accrued interest payable	125,506	12,835	138,341
Other current liabilities	102,037	18,538	120,575
Deposits payable	13,702	494,563	508,265
Noncurrent liabilities:			
Due within one year	623,712	561,087	1,184,799
Due in more than one year	12,534,579	3,760,296	16,294,875
TOTAL LIABILITIES	14,318,442	6,163,752	20,482,194
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	125,717	64,764	190,481
NET POSITION			
Net investment in capital assets	10,385,732	2,941,777	13,327,509
Restricted for:			
Public safety	303,036	-	303,036
Public works	335,701	-	335,701
Debt service	52	-	52
Unrestricted	1,132,322	(277,842)	854,480
TOTAL NET POSITION	\$ 12,156,843	\$ 2,663,935	\$ 14,820,778

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<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>
Primary Government				
Governmental activities:				
General government	\$ 1,143,962	\$ 205,536	\$ 38,401	\$ -
Public safety	1,847,176	72,137	316,230	-
Public works	1,268,947	-	3,668	1,562,179
Civic improvement	782,033	115,093	-	98,319
Cultural and recreation	648,382	7,605	82,903	-
Interest and fiscal charges on long-term debt	379,288	-	-	-
Total governmental activities	<u>6,069,788</u>	<u>400,371</u>	<u>441,202</u>	<u>1,660,498</u>
Business-type activities:				
Utility Fund	<u>6,335,000</u>	<u>7,656,369</u>	<u>-</u>	<u>-</u>
 Total primary government	 <u>\$ 12,404,788</u>	 <u>\$ 8,056,740</u>	 <u>\$ 441,202</u>	 <u>\$ 1,660,498</u>

General Revenues

Property taxes
Sales taxes
Motor fuel taxes
Alcoholic beverage taxes
Lodging tax
Intergovernmental - Reid State Technical College
Interest income
Miscellaneous revenue

Transfers

Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment (See note 18)
Net position - beginning, restated
Net position - ending

Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (900,025)	\$ -	\$ (900,025)
(1,458,809)	-	(1,458,809)
296,900	-	296,900
(568,621)	-	(568,621)
(557,874)	-	(557,874)
(379,288)	-	(379,288)
<u>(3,567,717)</u>	<u>-</u>	<u>(3,567,717)</u>
<u>-</u>	<u>1,321,369</u>	<u>1,321,369</u>
<u>(3,567,717)</u>	<u>1,321,369</u>	<u>(2,246,348)</u>
404,338	-	404,338
1,415,787	-	1,415,787
1,583,996	-	1,583,996
54,473	-	54,473
25,707	-	25,707
-	412,489	412,489
12,117	332	12,449
61,205	30,409	91,614
53,183	(53,183)	-
<u>3,610,806</u>	<u>390,047</u>	<u>4,000,853</u>
<u>43,089</u>	<u>1,711,416</u>	<u>1,754,505</u>
<u>12,113,754</u>	<u>1,502,077</u>	<u>13,615,831</u>
<u>-</u>	<u>(549,558)</u>	<u>(549,558)</u>
<u>12,113,754</u>	<u>952,519</u>	<u>13,066,273</u>
<u>\$ 12,156,843</u>	<u>\$ 2,663,935</u>	<u>\$ 14,820,778</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,845,913	\$ 325,807	\$ 2,171,720
Receivables - taxes	452,754	12,895	465,649
Receivables - other	648,292	-	648,292
Prepaid items	93,918	-	93,918
Inventory	44,850	-	44,850
Note receivable	915,250	-	915,250
Restricted assets:			
Cash and cash equivalents	309,929	-	309,929
Cash held by fiscal agent	-	52	52
TOTAL ASSETS	\$ 4,310,906	\$ 338,754	\$ 4,649,660
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 918,906	\$ -	\$ 918,906
Other current liabilities	102,037	-	102,037
Deposits payable	13,702	-	13,702
TOTAL LIABILITIES	1,034,645	-	1,034,645
FUND BALANCES			
Nonspendable:			
Inventories	44,850	-	44,850
Prepaid items	93,918	-	93,918
Note receivable	915,250	-	915,250
Restricted:			
Public safety	300,035	3,001	303,036
Public works	-	335,701	335,701
Debt service	-	52	52
Unassigned	1,922,208	-	1,922,208
TOTAL FUND BALANCES	3,276,261	338,754	3,615,015
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,310,906	\$ 338,754	\$ 4,649,660

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, 2017

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

Total fund balances - governmental funds		\$ 3,615,015
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		21,605,121
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, 2016, were:		
Bonds, leases, and notes payable	\$ (11,287,340)	
Unamortized net discounts	67,951	
Accrued interest	(125,506)	
Compensated absences	(100,964)	
Postemployment benefits other than pensions	(401,984)	
Net pension liability	(1,435,954)	
Deferred outflows - employer retirement contribution	346,221	
Deferred inflows related to net pension liability	(125,717)	
Total long-term liabilities		<u>(13,063,293)</u>
Net position of governmental activities		<u>\$ 12,156,843</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, 2017

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 3,204,537	\$ 155,152	\$ 3,359,689
Licenses and permits	328,982	11,000	339,982
Intergovernmental	2,098,033	-	2,098,033
Fines and forfeitures	54,650	-	54,650
Other revenues	194,220	1,500	195,720
Interest	12,066	50	12,116
Total revenues	<u>5,892,488</u>	<u>167,702</u>	<u>6,060,190</u>
EXPENDITURES			
Current operations:			
General government	1,048,277	-	1,048,277
Public safety	1,596,438	52,273	1,648,711
Public works	855,568	60	855,628
Civic improvement	625,742	-	625,742
Cultural and recreation	555,516	-	555,516
Capital outlay	2,073,903	8,084	2,081,987
Debt service:			
Principal retirement	1,187,438	415,241	1,602,679
Interest charges	86,222	265,781	352,003
Total expenditures	<u>8,029,104</u>	<u>741,439</u>	<u>8,770,543</u>
Deficiency of revenues under expenditures	<u>(2,136,616)</u>	<u>(573,737)</u>	<u>(2,710,353)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,176,758	689,031	2,865,789
Transfers out	(2,753,277)	(59,329)	(2,812,606)
Proceeds from notes payable	1,797,643	-	1,797,643
Total other financing sources (uses)	<u>1,221,124</u>	<u>629,702</u>	<u>1,850,826</u>
Net change in fund balances	<u>(915,492)</u>	<u>55,965</u>	<u>(859,527)</u>
FUND BALANCES - BEGINNING	<u>4,191,753</u>	<u>282,789</u>	<u>4,474,542</u>
FUND BALANCES - ENDING	<u>\$ 3,276,261</u>	<u>\$ 338,754</u>	<u>\$ 3,615,015</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, 2017

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

Net change in fund balances - total governmental funds		\$	(859,527)
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.			2,060,783
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(883,618)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. Proceeds from issuance of notes payable			(1,797,643)
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	\$	429,220	
Notes payable		1,141,309	
Capital leases		32,150	
Total repayments		<u>1,602,679</u>	1,602,679
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			(5,424)
The net effect of transactions involving the sale and disposal of capital assets is to decrease net assets in the Statement of Activities.			(497)
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		(8,759)	
Accrued interest		(21,861)	
Postemployment benefits other than pensions		(56,247)	
Net pension obligation		13,203	
Additional expenses		<u>(73,664)</u>	(73,664)
Change in net position of governmental activities		\$	<u>43,089</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

	Utility Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 160,339
Receivables, net	1,321,252
Inventory	342,840
Restricted assets:	
Cash and cash equivalents	466,173
Cash held by fiscal agent	660,257
Total current assets	<u>2,950,861</u>
CAPITAL ASSETS	
Land	19,301
Construction in progress	91,471
Machinery and equipment	2,454,908
Utility system	13,185,393
Less accumulated depreciation	(10,025,563)
Total capital assets, net of accumulated depreciation	<u>5,725,510</u>
TOTAL ASSETS	<u>8,676,371</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred employer retirement contribution	<u>216,080</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,316,433
Other liabilities	18,538
Accrued interest payable	12,835
Compensated absences	53,502
Bonds, notes and leases payable	507,585
Deposits payable	494,563
Total current liabilities	<u>2,403,456</u>
NONCURRENT LIABILITIES	
Bonds, notes and leases payable	2,936,405
Net pension liability	823,891
Total noncurrent liabilities	<u>3,760,296</u>
TOTAL LIABILITIES	<u>6,163,752</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflows related to pension	<u>64,764</u>
NET POSITION	
Net investment in capital assets	2,941,777
Unassigned	(277,842)
TOTAL NET POSITION	<u><u>\$ 2,663,935</u></u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMASTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Utility Fund
OPERATING REVENUES	
Charges for services:	
Electric revenues	\$ 5,795,914
Garbage revenues	283,970
Sewer revenues	642,006
Water revenues	896,512
Miscellaneous revenue	37,967
Total operating revenues	<u>7,656,369</u>
OPERATING EXPENSES	
Personnel, operations and maintenance, utilities:	
Electric expenses	4,234,802
Garbage expenses	230,183
Sewer expenses	341,879
Water expenses	635,177
Depreciation and amortization	447,451
Administrative costs	304,030
Total operating expenses	<u>6,193,522</u>
OPERATING INCOME	<u>1,462,847</u>
NONOPERATING REVENUES (EXPENSE)	
Interest income	332
Interest expense	(141,478)
Intergovernmental - Reid State Technical College	412,489
Miscellaneous revenue	30,409
Total nonoperating revenues (expense)	<u>301,752</u>
Income before transfers	1,764,599
Transfers in	2,064,246
Transfers out	(2,117,429)
Change in net position	<u>1,711,416</u>
TOTAL NET POSITION - BEGINNING	1,502,077
PRIOR PERIOD ADJUSTMENT (SEE NOTE 18)	<u>(549,558)</u>
TOTAL NET POSITION - BEGINNING, RESTATED	<u>952,519</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 2,663,935</u></u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 7,631,517
Payments to suppliers for goods and services	(5,579,787)
Payments to employees for services	(1,133,632)
	<u>918,098</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash payments to other funds	<u>(53,505)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(839,434)
Intergovernmental receipts for capital asset acquisition	412,489
Proceeds from sale of capital assets	50,296
Principal payments on capital debt	(480,134)
Proceeds from issuance of capital debt	134,799
Interest paid on capital debt	(143,416)
	<u>(865,400)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>332</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(475)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,287,244</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,286,769</u></u>
DISPLAYED ON THE STATEMENT OF NET POSITION AS:	
Cash and cash equivalents	\$ 160,339
Restricted assets:	
Cash and cash equivalents	466,173
Cash held by fiscal agent	660,257
	<u><u>\$ 1,286,769</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, 2017

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

	Utility Fund
Operating income	\$ 1,462,847
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	447,451
Increase in accounts receivable	(48,488)
Decrease in inventory	53,983
Decrease in accounts payable	(1,016,786)
Increase in customer deposits	23,635
Decrease in net pension liability	(6,800)
Increase in other liabilities	2,256
Net cash provided by operating activities	<u>\$ 918,098</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 report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund 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 fund:

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.

The City reports the following major enterprise fund:

Utility Fund – Accounts for water, sanitary sewer, electric, and garbage 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 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. Typically, 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.

The City's bonds and warrants have specific reporting requirements. These requirements include the completion of the annual audited financial statements within a specific number of days prior to year-end. The City was not in compliance with this reporting requirement for 2017.

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 interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund 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, 2017

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% 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. 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:

	Governmental Activities	Business-type Activities	Total
Fuel	\$ 27,567	\$ 6,479	\$ 34,046
Materials and supplies	17,283	336,361	353,644
Totals	<u>\$ 44,850</u>	<u>\$ 342,840</u>	<u>\$ 387,690</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 2007 Electrical Revenue Warrants, the Series 2013 Water and Sewer 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 their use is limited by applicable bond covenants. Other restricted assets include utility customer deposits and cash bonds held related to court procedures, because their use is limited to their designated purpose.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

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.

Pension

The City participates in an agent multiple-employer plan administered by the Retirement Systems of Alabama. The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Pension (Continued)

Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. Net pension liability represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Plan to current active and inactive employees less the fiduciary net position of the Plan. It represents the City's total pension liability minus the fiduciary net position available to pay that liability. Investments that comprise the fiduciary net position are reported at fair value. The City is required to measure and disclose amounts relating to net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and the fiduciary net position of the Plan. Actuarially determined periodic contributions are made by the City in order to maintain sufficient assets to pay benefits when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 that time. Deferred outflows of resources include pension-related deferred outflows, which result from the City's Employees' Pension Plan (Pension Plan). Pension-related deferred outflows represent differences between expected and actual experience, changes in assumptions and amounts resulting from timing differences of contributions made subsequent to the Pension Plan measurement dates but as of the date of the basic financial statements, and are recognized over a closed period and are amortized over the remaining average service life of all participating active and inactive employees.

In addition to liabilities, the statement of financial position and/or balance sheet 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 has two items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable grant revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources also include pension-related deferred inflows, which represent the difference between projected and actual earnings on investments within the Pension Plan, are recognized over a closed period, and are amortized over a 5-year period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

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.

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.

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Fund Equity (Continued)

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.

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, 2017, none of the City’s bank balance of \$3,980,206 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, 2017, for the government’s individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Total
Taxes	\$ 452,754	\$ 12,895	\$ -	\$ 465,649
Accounts	6,882	-	1,697,126	1,704,008
Intergovernmental	640,719	-	-	640,719
Interest	691	-	-	691
	<u>1,101,046</u>	<u>12,895</u>	<u>1,697,126</u>	<u>2,811,067</u>
Less allowance for uncollectible accounts	-	-	(375,874)	(375,874)
Total receivables	<u>\$ 1,101,046</u>	<u>\$ 12,895</u>	<u>\$ 1,321,252</u>	<u>\$ 2,435,193</u>

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,534,084	\$ 4,103	\$ -	\$ 376,539	\$ 2,914,726
Construction in progress	3,388,762	2,006,712	-	(2,508,167)	2,887,307
Total capital assets, not being depreciated	5,922,846	2,010,815	-	(2,131,628)	5,802,033
Capital assets, being depreciated:					
Buildings	9,463,202	-	-	997,943	10,461,145
Machinery and equipment	4,358,275	49,968	(306,080)	-	4,102,163
Infrastructure	10,979,204	-	-	1,133,685	12,112,889
Total capital assets, being depreciated	24,800,681	49,968	(306,080)	2,131,628	26,676,197
Less accumulated depreciation for:					
Buildings	3,648,573	281,712	-	-	3,930,285
Machinery and equipment	3,220,880	279,376	(305,582)	-	3,194,674
Infrastructure	3,425,620	322,530	-	-	3,748,150
Total accumulated depreciation	10,295,073	883,618	(305,582)	-	10,873,109
Total capital assets, being depreciated, net	14,505,608	(833,650)	(498)	2,131,628	15,803,088
Governmental activities capital assets, net	\$ 20,428,454	\$ 1,177,165	\$ (498)	\$ -	\$ 21,605,121
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 19,301	\$ -	\$ -	\$ -	\$ 19,301
Construction in progress	399,569	132,312	-	(440,410)	91,471
Total capital assets, not being depreciated	418,870	132,312	-	(440,410)	110,772
Capital assets, being depreciated:					
Machinery and equipment	2,389,137	275,272	(209,501)	-	2,454,908
Infrastructure	12,313,133	431,850	-	440,410	13,185,393
Total capital assets, being depreciated	14,702,270	707,122	(209,501)	440,410	15,640,301
Less accumulated depreciation for:					
Machinery and equipment	1,124,276	202,288	(189,614)	-	1,136,950
Infrastructure	8,644,112	244,501	-	-	8,888,613
Total accumulated depreciation	9,768,388	446,789	(189,614)	-	10,025,563
Total capital assets, being depreciated, net	4,933,882	260,333	(19,887)	440,410	5,614,738
Business-type activities capital assets, net	\$ 5,352,752	\$ 392,645	\$ (19,887)	\$ -	\$ 5,725,510

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

4. CAPITAL ASSETS (Continued)

Primary Government (Continued)

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

Governmental Activities:

General government	\$ 89,299
Public safety	166,388
Public works	388,325
Civic improvement	157,722
Cultural and recreation	<u>81,884</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 883,618</u></u>

Business-type Activities

\$ 446,789

5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2017, is shown below:

Interfund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Utility Fund</u>	
General Fund	\$ -	\$ 689,031	\$ 2,064,246	\$ 2,753,277
Nonmajor Governmental Funds	59,329	-		59,329
Utility Fund	2,117,429	-	-	2,117,429
 Totals	 <u><u>\$ 2,176,758</u></u>	 <u><u>\$ 689,031</u></u>	 <u><u>\$ 2,064,246</u></u>	 <u><u>\$ 4,930,035</u></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, 2017

6. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds and warrants	\$ 8,190,136	\$ -	\$ (429,220)	\$ 7,760,916	\$ 450,230
Less deferred amounts:					
For issuance discounts	(73,375)	-	5,424	(67,951)	-
Total general obligation bonds and warrants payable	8,116,761	-	(423,796)	7,692,965	450,230
Notes payable	2,763,312	1,797,643	(1,141,309)	3,419,646	39,627
Capital leases	138,928	-	(32,150)	106,778	32,891
Compensated absences	92,205	100,964	(92,205)	100,964	100,964
Net pension liability	1,523,242	-	(87,288)	1,435,954	-
Postemployment benefits other than pensions	345,737	65,175	(8,928)	401,984	-
Governmental activity long-term liabilities	<u>12,980,185</u>	<u>1,963,782</u>	<u>(1,785,676)</u>	<u>13,158,291</u>	<u>623,712</u>
Business-type activities:					
Revenue warrants	3,755,000	-	(450,000)	3,305,000	470,000
Less deferred amounts:					
Original issue discount	(11,244)	-	661	(10,583)	-
Total revenue warrants	3,743,756	-	(449,339)	3,294,417	470,000
Notes payable	3,587	-	(3,587)	-	-
Capital leases	41,321	134,799	(26,547)	149,573	37,585
Compensated absences	48,710	53,501	(48,709)	53,502	53,502
Net pension liability	868,857	-	(44,966)	823,891	-
Business-type activity long-term liabilities	<u>4,706,231</u>	<u>188,300</u>	<u>(573,148)</u>	<u>4,321,383</u>	<u>561,087</u>
Total long-term debt	<u>\$ 17,686,416</u>	<u>\$ 2,152,082</u>	<u>\$ (2,358,824)</u>	<u>\$ 17,479,674</u>	<u>\$ 1,184,799</u>

Long-term debt payable at September 30, 2017, 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 outstanding balances as of September 30, 2017, are as follows:

Series 2009 General Obligation Warrants, interest at 2.00% to 4.62%	\$ 1,170,000
Series 2009-A USDA General Obligation Warrants, interest at 4.125%	574,717
Series 2009-B USDA General Obligation Warrants, interest at 4.25%	276,199
Series 2012-A General Obligation Warrants, interest at 1.25%	1,425,000
Series 2012-B General Obligation Warrants, interest at 1.25%	3,155,000
Series 2015-A Revenue Bonds, interest at 2.00% to 2.80%	<u>1,160,000</u>
Total bonds and warrants	<u>\$ 7,760,916</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

6. LONG-TERM DEBT (Continued)

General City Bonds and Warrants (Continued)

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2018	\$ 450,230	\$ 288,716
2019	461,282	273,315
2020	492,376	256,523
2021	538,517	237,193
2022	359,706	224,454
2023-2027	2,268,170	919,051
2028-2032	2,851,264	429,544
2033-2037	252,995	56,132
2038-2039	<u>86,376</u>	<u>7,234</u>
Total	<u>\$ 7,760,916</u>	<u>\$ 2,692,162</u>

Revenue Warrants

The City has issued revenue warrants to provide for the acquisition and construction of capital improvements. The outstanding balances as of September 30, 2017, are as follows:

Series 2007 Electrical Revenue Warrants, interest at 4.125% to 5.00%, secured by a pledge of the City's electrical distribution system revenue.	\$ 1,480,000
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>1,825,000</u>
Total warrants	<u>\$ 3,305,000</u>

The annual debt service requirements to maturity, including principal and interest, for revenue warrants as of September 30, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2018	\$ 470,000	\$ 120,320
2019	485,000	106,200
2020	495,000	89,444
2021	435,000	72,265
2022	445,000	55,589
2023-2027	395,000	167,675
2028-2032	475,000	85,625
2033-2037	<u>105,000</u>	<u>4,568</u>
Total	<u>\$ 3,305,000</u>	<u>\$ 701,686</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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 outstanding balances as of September 30, 2017, are as follows:

Governmental Activities

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. The note is secured by the fire truck.	\$ 64,845
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 February 14, 2019. The note is secured by a certificate of deposit.	798,586
Note payable with BB&T used to fund costs related to three police trucks. The note has an interest rate of 2.31% and matures on January 10, 2019. The note is secured by the three police trucks.	34,775
Note payable with Bank of Evergreen used to fund costs related to the Liberty Hill Project. The note has an interest rate of 5.00% and matures on August 17, 2019. The note is secured by a building and underlying land.	589,770
Note payable with Bank of Evergreen used to fund costs related to City projects. The note has an interest rate of 6.50% and matures on August 27, 2019. The note is secured by a certificate of deposit.	284,026
Note payable with Bank of Evergreen used to fund costs related to City projects. The note has an interest rate of 5.00% and matures on September 26, 2019.	1,446,754
Note payable with Bank of Evergreen used to fund costs related to City projects. The note has an interest rate of 3.50% and matures on December 7, 2019. The note is secured by a certificate of deposit.	<u>200,890</u>
Total	<u>\$ 3,419,646</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

6. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

The annual debt service requirements to maturity, including principal and interest, for notes payable as of September 30, 2017, are as follows:

	Governmental Activities	
	Principal	Interest
Year Ending September 30:		
2018	\$ 39,627	\$ 146,992
2019	3,142,017	133,604
2020	215,399	7,955
2021	14,955	478
2022	<u>7,648</u>	<u>67</u>
Total	<u>\$ 3,419,646</u>	<u>\$ 289,096</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>	Governmental Activities
Machinery and equipment	\$ 165,166
Less accumulated depreciation	<u>43,492</u>
Total	<u>\$ 121,674</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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, 2017, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2018	\$ 34,983
2019	34,983
2020	34,983
2021	<u>5,831</u>
 Total minimum lease payments	 110,780
Less amount representing interest	<u>4,002</u>
 Present value of minimum lease payments	 <u>\$ 106,778</u>
<u>Asset</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 183,924
Less accumulated depreciation	<u>27,309</u>
 Total	 <u>\$ 156,615</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

	<u>Business-type Activities</u>
Year ending September 30:	
2018	\$ 41,847
2019	39,746
2020	39,747
2021	31,075
2022	<u>7,336</u>
 Total minimum lease payments	 159,751
Less amount representing interest	<u>10,178</u>
 Present value of minimum lease payments	 <u>\$ 149,573</u>

7. EMPLOYEES' RETIREMENT PLAN

Plan Description

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

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

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

Benefits Provided

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

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

7. EMPLOYEES' RETIREMENT PLAN (Continued)

Benefits Provided (Continued)

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

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

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

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

Contributions

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

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

7. EMPLOYEES' RETIREMENT PLAN (Continued)

Contributions (Continued)

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2017, the City's active employee contribution rate was 7.5% of covered payroll for Tier 1 employees and 6% of covered employee payroll for Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 7.83% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2017 was 8.98% of pensionable pay for Tier 1 employees, and 6.03% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$258,566 for the year ended September 30, 2017.

Net Pension Liability

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

Total pension liability as of September 30, 2015	\$	8,128,256
Entry age normal costs for October 1, 2015 – September 30, 2016	\$	210,557
Actual benefits and refunds for October 1, 2015 – September 30, 2016	\$	(468,905)
Total pension liability as of September 30, 2016	\$	8,571,660

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

7. EMPLOYEES' RETIREMENT PLAN (Continued)

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25 – 4.50%
Investment rate of return*	7.75%

*Net of pension plan investment expense

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

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

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

	Target Allocation	Long-term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.5%

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

7. EMPLOYEES' RETIREMENT PLAN (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Long-term Expected Rate (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2015	\$ 8,128,256	\$ 5,736,157	\$ 2,392,099
Changes for the year:			
Service cost	211,271	-	211,271
Interest	631,504	-	631,504
Changes in assumptions	265,303	-	265,303
Difference between expected and actual experience	(227,112)	-	(227,112)
Contributions - employer	-	276,043	(276,043)
Contributions - employee	-	153,413	(153,413)
Investment income	-	583,765	(583,765)
Benefit payments, including refunds of employee contributions	(468,905)	(468,905)	-
Transfers among employers	31,343	31,343	-
Net changes	443,404	575,659	(132,255)
Balance at September 30, 2016	\$ 8,571,660	\$ 6,311,816	\$ 2,259,844

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

7. EMPLOYEES' RETIREMENT PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Plan's net pension liability	\$ 3,170,577	\$ 2,259,844	\$ 1,482,905

Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2017, the City recognized pension expense of \$238,561. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience on pension plan investments	\$ 12,409	\$ 190,481
Changes in assumptions	222,512	-
Net difference between projected and actual earnings on pension plan investments	50,892	-
Employer contributions subsequent to measurement date	276,488	-
	<u>\$ 562,301</u>	<u>\$ 190,481</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

7. EMPLOYEES' RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ending September 30,		
2018	\$	20,339
2019		20,339
2020		62,393
2021		(15,995)
2022		7,025
Thereafter		<u>1,231</u>
	\$	<u><u>95,332</u></u>

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 Bancorp South Insurance Services, Inc. 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.

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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 35% 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, 2017, the plan had approximately 56 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 \$248 from retired participants.

Total member contributions were \$164,848 for active participants and \$8,928 for retirees.

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	\$ 47,378
Interest on net OPEB obligation	<u>17,797</u>
Annual OPEB cost	65,175
Contributions made	<u>(8,928)</u>
Increase in net OPEB obligation	56,247
Net OPEB obligation – beginning of year	<u>345,737</u>
Net OPEB obligation – end of year	<u>\$ 401,984</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the previous three 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>
9/30/2014	\$ 38,025	7.5%	\$ 251,188
9/30/2015	48,072	7.5%	291,653
9/30/2016	63,012	7.5%	345,737
9/30/2017	65,175	7.5%	401,984

Funded Status and Funding Progress

As of October 1, 2016, the actuarial accrued liability for benefits was \$401,984, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,300,259 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.2%.

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.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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 and Medicaid Services, as published in National Health Care Expenditure Projections: 2013-2023, published in September 2015 by the Health Care Financing Administration (www.cms.hhs.gov).

Health insurance premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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, 2017, was 23 years.

CITY OF EVERGREEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 three of the five members of the Evergreen-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 and 2006-B which were refunded in 2015, replaced by Series 2015-A and 2015-B in the amounts \$1,460,000 and \$1,850,000 respectively. 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 2012-A bonds (replaced by series 2015-A bonds). Therefore, the balance of the series 2015-A bonds in the amount of \$1,160,000 has been recorded as a liability at September 30, 2017.

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 2017, the City received \$200,281, from the South Alabama Gas District, in the form of a franchise tax and distribution of profits.

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 2015. During fiscal year 2017, the City incurred costs of \$183,534, related to the Liberty Hill project. In prior years, the City received title to lots 2, 3 and 4 from the EC District with a cost of \$813,508. During 2017, the City received payments of \$1,774,710. These amounts reduced the balance due to the City. As of September 30, 2017, the balance of the note receivable totaled \$915,250.

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. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the current GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2017.

16. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement clarifies the display requirements in GASB 14 by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2016.

GASB Statement No. 82, *Pension Issues*. This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflows of resources related to such obligations. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2017.

16. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 86, *Certain Debt Extinguishments*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2017.

GASB Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2018.

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2020.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

17. SUBSEQUENT EVENTS

In April 2018, the City entered into a 36-month capital lease with Bancorp South for the purchase of a street sweeper in the amount of \$135,828, with an interest rate of 3.49%.

In May 2018, the City entered into a 27-month capital lease with BancorpSouth for the purchase of a refuse truck in the amount of \$149,113, with an interest rate of 3.49%.

In November 2018, the City issued the Series 2018-CWSRF-DL Water and Sewer Revenue Warrants in the amount of \$3,445,000. The Warrants bear an interest rate of 2.2% with a final payment in 2039. The purpose of the Warrants is for upgrades to the Evergreen Wastewater Treatment Plant. Total project costs are estimated to be \$3,945,000. The Alabama Water Pollution Control Authority will forgive \$500,000 of the total project costs for a total principal balance of \$3,445,000.

In January 2019, the City entered into a 60-month capital lease with Stearns Bank for the purchase of an excavator in the amount \$86,763, with an interest rate of 5.85%.

In February 2019, the City entered into a 60-month capital lease with BancorpSouth for the purchase of six Chevrolet Tahoes in the amount of \$246,218, with an interest rate of 4.00%.

In April 2019, the City entered into a 120-month capital lease with Republic First National Corporation for the purchase of a Pierce Pumper Fire Truck in the amount of \$468,623, with an interest rate of 4.00%.

In April 2019, the City entered into three 48-month capital leases with Kubota Leasing for the purchase of equipment in the amount of \$125,219, with an average interest rate of 5.12%.

18. CORRECTION OF PRIOR PERIOD ACCOUNTING ERROR

The City, while reconciling certain vendor payables of the Utility Fund in 2017, determined additional amounts due for power purchases were not recorded as an accounts payable at September 30, 2016. The result of this omission was an overstatement of changes in net assets in the amount of \$549,558 and an understatement of current liabilities of the Utility Fund. Net Position was adjusted at October 1, 2016 to reflect the prior year correction.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EVERGREEN, ALABAMA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended *	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
09/30/14	0.042%	\$ 1,967,157	\$ 2,753,659	71.44%	74.79%
09/30/15	0.000%	2,392,099	3,105,176	77.04%	0.00%
09/30/16	0.039%	2,392,099	3,300,259	72.48%	73.64%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in the schedule is as of the measurement date of the City's net pension liability, which is as of the beginning of the City's fiscal year.

CITY OF EVERGREEN, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE CITY'S EMPLOYEE PENSION PLAN

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contributions Excess / (Deficiency)</u>	<u>Actual Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
09/30/14	\$ 231,756	\$ 263,473	\$ 31,717	\$ 2,753,659	9.57%
09/30/15	225,450	281,393	55,943	3,105,176	9.06%
09/30/16	276,043	258,566	(17,477)	3,300,259	7.83%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF EVERGREEN, ALABAMA

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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%
09/30/14	-	246,739	246,739	0.0%	2,753,659	9.0%
09/30/15	-	345,737	345,737	0.0%	3,105,176	11.1%
09/30/16	-	401,984	401,984	0.0%	3,300,259	12.2%

* 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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,116,400	\$ 2,116,400	\$ 3,204,537	\$ 1,088,137
Licenses and permits	242,000	242,000	328,982	86,982
Intergovernmental	22,220	22,220	2,098,033	2,075,813
Fines and forfeitures	88,000	88,000	54,650	(33,350)
Other revenues	128,233	128,233	194,220	65,987
Interest	-	-	12,066	12,066
Total revenues	<u>2,596,853</u>	<u>2,596,853</u>	<u>5,892,488</u>	<u>3,295,635</u>
EXPENDITURES				
Current operations:				
General government	1,515,030	1,515,030	1,048,277	466,753
Public safety:				
Police	1,092,300	1,092,300	1,438,618	(346,318)
Fire	55,195	55,195	62,961	(7,766)
Court	66,000	66,000	94,859	(28,859)
Public works:				
Street and sanitation	698,500	698,500	738,336	(39,836)
Other	92,070	92,070	117,232	(25,162)
Civic improvement:				
Airport	88,000	88,000	200,869	(112,869)
Economic development	165,000	165,000	424,873	(259,873)
Cultural and recreation	330,990	330,990	555,516	(224,526)
Capital outlay	19,250	19,250	2,073,903	(2,054,653)
Debt service:				
Principal retirement	-	-	1,187,438	(1,187,438)
Interest charges	-	-	86,222	(86,222)
Total expenditures	<u>4,122,335</u>	<u>4,122,335</u>	<u>8,029,104</u>	<u>(3,906,769)</u>
Deficiency of revenues under expenditures	<u>(1,525,482)</u>	<u>(1,525,482)</u>	<u>(2,136,616)</u>	<u>(611,134)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,222,000	2,222,000	2,176,758	(45,242)
Transfers out	(609,356)	(609,356)	(2,753,277)	(2,143,921)
Proceeds from capital leases	-	-	1,797,643	1,797,643
Total other financing sources (uses)	<u>1,612,644</u>	<u>1,612,644</u>	<u>1,221,124</u>	<u>(391,520)</u>
Net change in fund balances	87,162	87,162	(915,492)	(1,002,654)
FUND BALANCES - BEGINNING	<u>4,191,753</u>	<u>4,191,753</u>	<u>4,191,753</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 4,278,915</u>	<u>\$ 4,278,915</u>	<u>\$ 3,276,261</u>	<u>\$ (1,002,654)</u>

SUPPLEMENTARY INFORMATION

CITY OF EVERGREEN, ALABAMA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue			Debt Service Fund	Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund		
ASSETS					
Cash and cash equivalents	\$ 158,869	\$ 163,937	\$ 3,001	\$ -	\$ 325,807
Receivables - taxes	7,219	5,676	-	-	12,895
Restricted assets:					
Cash held by fiscal agent	-	-	-	52	52
TOTAL ASSETS	<u>\$ 166,088</u>	<u>\$ 169,613</u>	<u>\$ 3,001</u>	<u>\$ 52</u>	<u>\$ 338,754</u>
FUND BALANCES					
Restricted for:					
Public safety	\$ -	\$ -	\$ 3,001	\$ -	\$ 3,001
Public works	166,088	169,613	-	-	335,701
Debt Service	-	-	-	52	52
TOTAL FUND BALANCES	<u>\$ 166,088</u>	<u>\$ 169,613</u>	<u>\$ 3,001</u>	<u>\$ 52</u>	<u>\$ 338,754</u>

CITY OF EVERGREEN, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			Debt Service Fund	Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund		
REVENUES					
Taxes	\$ 68,149	\$ 61,919	\$ 25,084	\$ -	\$ 155,152
Licenses and permits	11,000	-	-	-	11,000
Other revenues	-	-	1,500	-	1,500
Interest	-	-	-	50	50
Total revenues	<u>79,149</u>	<u>61,919</u>	<u>26,584</u>	<u>50</u>	<u>167,702</u>
EXPENDITURES					
Current operations:					
Public safety	-	-	52,273	-	52,273
Public works	-	60	-	-	60
Capital outlay	8,084	-	-	-	8,084
Debt service:					
Principal retirement	-	-	10,241	405,000	415,241
Interest charges	-	-	247	265,534	265,781
Total expenditures	<u>8,084</u>	<u>60</u>	<u>62,761</u>	<u>670,534</u>	<u>741,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,065</u>	<u>61,859</u>	<u>(36,177)</u>	<u>(670,484)</u>	<u>(573,737)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	18,497	670,534	689,031
Transfers out	(59,329)	-	-	-	(59,329)
Total other financing sources (uses)	<u>(59,329)</u>	<u>-</u>	<u>18,497</u>	<u>670,534</u>	<u>629,702</u>
Net change in fund balances	<u>11,736</u>	<u>61,859</u>	<u>(17,680)</u>	<u>50</u>	<u>55,965</u>
FUND BALANCES - BEGINNING	<u>154,352</u>	<u>107,754</u>	<u>20,681</u>	<u>2</u>	<u>282,789</u>
FUND BALANCES - ENDING	<u>\$ 166,088</u>	<u>\$ 169,613</u>	<u>\$ 3,001</u>	<u>\$ 52</u>	<u>\$ 338,754</u>

CITY OF EVERGREEN, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2017

Assessed Value		<u>\$ 38,411,280</u>
Legal Debt Margin		
Debt Limitation - 20% of Assessed Value		\$ 7,682,256
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 23,016,913	
Less: Debt attributable to the improvement of electric systems and payable from the revenues of such systems	(3,305,000)	
Less: Debt associated with Amendment 772	<u>(14,015,000)</u>	
Total Debt Applicable to Limitation		<u>5,696,913</u>
Legal Debt Margin		<u>\$ 1,985,343</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, 2017

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct			
City of Evergreen:			
General obligations including capital leases	<u>\$ 23,016,913</u>	100.00%	<u>\$ 23,016,913</u>