

**CITY OF EVERGREEN, ALABAMA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**CITY OF EVERGREEN, ALABAMA**  
SEPTEMBER 30, 2015

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**CITY OF EVERGREEN, ALABAMA**  
SEPTEMBER 30, 2015

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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, 2015, 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, 2015, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions*, which required the City to record its long-term obligation for pension benefits. This standard has been applied retroactively, resulting in the restatement of beginning net position. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 56 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  
September 29, 2017

# **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, 2015**

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, 2015.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$12.5 million (net position). Of this amount, \$1.2 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased principally due to the cumulative effect of the adoption of Governmental Accounting Standards Board (GASB) 68, which reduced beginning net position by \$1.9 million. See notes 1 and 17 for additional disclosures related to the adoption.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4.1 million, a decrease of \$245,000 (5.6%) over the prior year. Approximately 24% of this amount is available for spending at the government's discretion (unassigned fund balance). During the 2015 fiscal year, the City conveyed certain property with a cost of \$600,000 for the purpose of Liberty Hill economic development. This conveyance is treated as an expenditure for the 2015 fiscal year and contributed to the decrease as noted above.
- At the close of the current fiscal year, unassigned fund balance for the general fund was \$975,000, or approximately 13.9% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$2.0 million (12.5%) during the current fiscal year. The principal reason for the increase was the adoption of GASB 68, which required the City to record a long-term liability related to pension obligations in the amount of \$1.8 million.

## **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 14 through 15 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 57 and 58 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 16 through 19 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 20 through 23 of this report.

## **Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 24 through 52 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 53 through 56 of this report.

Other supplementary information containing the combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 57 through 60 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, 2015, the City's assets exceeded its liabilities by \$12.5 million, a decrease of 9.4% from last year.

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

Statement of Net Position						
As of September 30						
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 6,005,056	\$ 5,748,096	\$ 4,122,992	\$ 4,180,250	\$ 10,128,048	\$ 9,928,346
Capital assets	19,964,454	18,871,352	4,279,730	4,537,443	24,244,184	23,408,795
Total Assets	25,969,510	24,619,448	8,402,722	8,717,693	34,372,232	33,337,141
Deferred employer retirement contributions	168,622	-	94,850	-	263,472	-
Current and other liabilities	2,895,892	2,243,262	2,307,873	2,387,061	5,203,765	4,630,323
Long-term liabilities	12,262,901	10,669,331	4,456,227	4,192,904	16,719,128	14,862,235
Total Liabilities	15,158,793	12,912,593	6,764,100	6,579,965	21,922,893	19,492,558
Deferred inflows related to pension	107,658	-	60,558	-	168,216	-
Net position:						
Net investment in capital assets	8,491,763	7,816,485	2,386,605	2,310,361	10,878,368	10,126,846
Restricted	449,998	296,898	-	-	449,998	296,898
Unrestricted	1,929,920	3,593,472	(713,691)	(172,633)	1,216,229	3,420,839
Total Net Position	\$ 10,871,681	\$ 11,706,855	\$ 1,672,914	\$ 2,137,728	\$ 12,544,595	\$ 13,844,583

The largest portion (86%) 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 (10%) 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:

<b>Changes in Net Position</b> <b>As of September 30</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues						
Program revenues:						
Charges for services	\$ 317,408	\$ 333,099	\$ 8,067,008	\$ 7,763,962	\$ 8,384,416	\$ 8,097,061
Operating grants and contributions	581,916	272,010	-	-	581,916	272,010
Capital grants and contributions	532,699	664,397	-	-	532,699	664,397
General revenues:						
Property taxes	339,202	318,967	-	-	339,202	318,967
Sales and use taxes	1,349,529	1,328,937	-	-	1,349,529	1,328,937
Motor fuel taxes	1,327,061	1,258,003	-	-	1,327,061	1,258,003
Alcoholic beverage taxes	52,788	52,672	-	-	52,788	52,672
Lodging tax	32,770	-	-	-	32,770	-
Donation	170,560	-	-	-	170,560	-
Other income	143,225	208,858	-	-	143,225	208,858
Interest income	8,536	11,645	1,387	1,397	9,923	13,042
Transfers	1,809,289	3,409,682	(1,809,289)	(3,409,682)	-	-
Total revenues	6,664,983	7,858,270	6,259,106	4,355,677	12,924,089	12,213,947
Expenses:						
General government	1,342,134	1,966,563	-	-	1,342,134	1,966,563
Public safety	1,540,756	1,441,592	-	-	1,540,756	1,441,592
Public works	1,244,904	1,299,165	-	-	1,244,904	1,299,165
Civic improvement	1,218,024	688,288	-	-	1,218,024	688,288
Cultural and recreation	441,932	412,414	-	-	441,932	412,414
Interest on long-term debt	458,353	463,614	-	-	458,353	463,614
Utility fund	-	-	6,018,515	6,191,326	6,018,515	6,191,326
Total expenses	6,246,103	6,271,636	6,018,515	6,191,326	12,264,618	12,462,962
Increase (decrease) in net position	418,880	1,586,634	240,591	(1,835,649)	659,471	(249,015)
Net position - beginning	11,706,855	10,419,854	2,137,728	4,016,705	13,844,583	14,436,559
Cumulative effect of change in accounting principle	(1,254,054)	(299,633)	(705,405)	(43,328)	(1,959,459)	(342,961)
Net position - beginning as restated	10,452,801	10,120,221	1,432,323	3,973,377	11,885,124	14,093,598
Net position - ending	\$ 10,871,681	\$ 11,706,855	\$ 1,672,914	\$ 2,137,728	\$ 12,544,595	\$ 13,844,583

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

## **Governmental Activities**

During the current fiscal year, net position for governmental activities decreased \$835,000 (7.0%) under the prior fiscal year, for an ending balance of \$10.8 million. The implementation of GASB 68 was the primary reason for the decrease. Net position at the beginning of the year was reduced by \$1.3 million (11%). Absent this required adoption of a new accounting standard, net position would have increased by \$420,000 (4%).

## **Business-type Activities**

For the City's business-type activities, the results for the current fiscal year resulted in a decrease in overall net position of \$465,000 (22%) from the prior year for an ending balance of \$1.7 million. The implementation of GASB 68 was the primary reason for the decrease. Net position at the beginning of the year was reduced by \$705,000 (33%). Absent this required adoption of a new accounting standard, net position would have increased by \$240,000 (11%).

Total revenues for the City were \$12.9 million for the year ended September 30, 2015. Governmental activities provided \$4.9 million (38%) while \$8.1 million (62%) of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$1.4 million (28%) of total revenue, from sales taxes and \$1.3 million (27%) of total revenue, from motor fuel taxes.

## **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

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

### **Governmental Funds**

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

At the current year end, the City's governmental funds reported combined fund balances of \$4.1 million, a decrease of \$245,000 (6%) from the prior year. Approximately \$975,000 (24%) of the combined fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$2.6 million or 64%), 2) legally required to be maintained intact (\$0); 3) restricted for particular purposes (\$480,000 or 12%), 4) committed for particular purposes (\$0); or 5) assigned for particular purposes (\$0).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$976,000 (25%), while total fund balance decreased \$240,000 (6%) from the prior year to \$3.9 million. The City's conveyance of property to the Liberty Hill Economic Development contributed to the decrease in fund balance in the amount of \$600,000.

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 13.8% of total general fund expenditures, while total fund balance represents approximately 56% 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 \$(710,000), a decrease of \$540,000. The decrease in overall net position for this fund was \$465,000. As noted earlier in the discussion of business-type activities, a key component of the decrease in net position resulted from the implementation of GASB 68 which reduced beginning net position for the proprietary fund in the amount of \$705,000. Absent this implementation of this new accounting standard, unrestricted net position would have increased \$240,000 for 2015.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **Original Budget Compared to Final Budget**

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

### **Final Budget Compared to Actual Results**

Total general fund revenues were \$4.5 million, an increase of \$2.2 million (92%) over final budgeted revenues.

- Tax revenue of \$2.7 million was more than budgeted by \$800,000 (42%). This was due to Love's Truck Stop activity, which resulted in an increase in both sales tax and gasoline tax revenue over budgeted amounts.
- Intergovernmental revenue of \$1.1 million was more than budgeted by \$1.1 million. This was a result of the City receiving grant funding related to the Fire Department's Communications Project, the Airport's Runway Project, and other smaller funding reimbursement grants.
- Licenses and permits revenue of \$460,000 was more than budgeted by \$240,000 (108%). 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 \$7.1 million, an increase of \$3.3 million (88%) over the budgeted amounts.

- Public safety expenditures of \$1.4 million were more than budgeted by \$300,000 (27%). This was primarily due to an increase in payroll-related expenses \$190,000 (14%).
- Public works expenditures of \$870,000 were more than budgeted by \$150,000 (21%). This was primarily due to an increase in payroll related expenses of \$75,000 (21%).
- Civic improvement expenditures of \$910,000 were more than budgeted by \$680,000 (296%). The City increased emphasis on economic development activities resulting in conveyance of property to developers in the amount of \$600,000.
- Capital outlay expenditures of \$1.7 million were more than budgeted by \$1.7 million. This was due to costs related to 1) various grant-related projects (\$1.1 million); 2) various necessary equipment and vehicle purchases (\$200,000); 3) continued development of recreational facilities at the City Park (\$170,000); and 4) buildings and infrastructure (\$230,000).
- Debt service principal retirement and interest expenditures were more than budgeted by \$390,000. This was due to debt payments related to various notes and capital leases (\$390,000).

## **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, 2015, was \$24.2 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 the current fiscal year was \$835,000 (4%), and was principally the result of new infrastructure facilities.

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

- Grant project related to improvements at the Airport (\$154,000);
- Grant project related to street and road improvements (\$421,000);
- Grant project related to improved public safety communications (\$508,000);
- Athletic facilities ongoing project at the City Park (\$170,000).

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

### **Long-term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$18.1 million. Of this amount, \$12.8 million (70%) 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 \$1.9 million (11%), postemployment benefits other than pensions of \$290,000 (2%), notes payable of \$3.0 million (17%), and the value of compensated employee absences of \$120,000 (1%).

The City's total outstanding long-term debt increased approximately \$2 million during the current fiscal year. The principal reason for the increase was adoption of GASB 68, which required the City to record a long-term liability in the amount 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 current debt limitation for the City is \$7.5 million. At September 30, 2015, the City's outstanding debt applicable to the limitation is \$6.6 million, which produced an excess of \$860,000 available on the legal debt margin.

Additional information on the City's long-term debt can be found in Note 6 on pages 35 through 38 of this report. Additional information on the City's legal debt margin can be found on page 59 of this report.

## **THE OUTLOOK FOR NEXT YEAR**

Fiscal year (FY) 2015 was a positive year for the City of Evergreen by way of productive growth, as proposed in last year's forward looking statement. The City's investments in revenue producing projects have resulted in growing returns, which are evident in this year's financial statements. 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 in the coming fiscal year.

The City finished phase I of the Liberty Hill Project in 2015. The Liberty Hill project is a thirty-three acre major retail development located on Interstate 65 in Evergreen. As of the end of FY15, new tax revenues to the City from retailers located in the development provided a 4% increase to the previous year's total sales tax income. With the anticipated opening of several more retail stores in the early part of FY16, it is expected that the City should see an additional increase of 20% to its annual sales tax revenue for FY16.

Elsewhere in the City, efforts to modernize the City electric and water utility took form with the start of an AMI (Radio Read Meter) installation throughout the entire systems. This upgrade will decrease man hour and labor cost required to operate the systems and will increase billing accuracy where the current mechanical meters have a high variance in actual versus billed. Engineers estimate an increase in billable revenues in excess of 10%. Those increases in proprietary revenue should be fiscally evident in late FY16.

Also in planning for FY16, the City looks to employ professional financial personnel in its goal to increase efficiency of government. Due to the accounting complexity created by the City's past few years of aggressive growth policy, the City administration understands the ultimate goal of sustained revenue increases must include a concerted accounting and financial management effort. Coverage and cash reserve policies are scheduled to be introduced in concert with financial accounting personnel changes/additions.

In conclusion, the City of Evergreen is achieving its short-term goals, evidenced by the results of FY15. The continuation of the same policy through FY16 will show even stronger revenue growth, along with decreases in capital investment. “Build it, and they will come” has been the motto over the past few years, but it is practical at this point to expect increased returns while drawing back the pace of investment.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City’s finances for anyone with interest in the economic well-being of the City. Questions concerning any of the information provided in this report or request for additional information should be addressed to 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, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,627,981	\$ 91,174	\$ 2,719,155
Receivables, net	411,911	1,278,385	1,690,296
Inventory	45,095	410,960	456,055
Prepaid expenses	139,415	-	139,415
Loan receivable	2,451,316	-	2,451,316
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	300,035	537,492	837,527
Cash held by fiscal agent	29,303	1,804,981	1,834,284
Capital assets not being depreciated:			
Land	2,452,924	19,301	2,472,225
Construction in progress	2,476,575	-	2,476,575
Capital assets net of accumulated depreciation:			
Buildings	6,046,888	-	6,046,888
Machinery and equipment	1,217,017	466,202	1,683,219
Utility system	-	3,794,227	3,794,227
Infrastructure	7,771,050	-	7,771,050
<b>TOTAL ASSETS</b>	<b>25,969,510</b>	<b>8,402,722</b>	<b>34,372,232</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer retirement contributions	168,622	94,850	263,472
<b>LIABILITIES</b>			
Accounts payable	694,217	1,305,448	1,999,665
Accrued interest payable	113,941	16,070	130,011
Other current liabilities	343,738	32,026	375,764
Deferred revenue	300,000	-	300,000
Deposits payable	6,896	469,561	476,457
Line of credit	568,886	-	568,886
Noncurrent liabilities:			
Due within one year	868,214	484,768	1,352,982
Due in more than one year	12,262,901	4,456,227	16,719,128
<b>TOTAL LIABILITIES</b>	<b>15,158,793</b>	<b>6,764,100</b>	<b>21,922,893</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	107,658	60,558	168,216
<b>NET POSITION</b>			
Net investment in capital assets	8,491,763	2,386,605	10,878,368
Restricted for:			
Public safety	326,511	-	326,511
Public works	123,487	-	123,487
Unrestricted	1,929,920	(713,691)	1,216,229
<b>TOTAL NET POSITION</b>	<b>\$ 10,871,681</b>	<b>\$ 1,672,914</b>	<b>\$ 12,544,595</b>

See accompanying notes to financial statements.

# CITY OF EVERGREEN, ALABAMA

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>Function/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 1,342,134	\$ 221,861	\$ 54,901	\$ -
Public safety	1,540,756	55,748	516,866	-
Public works	1,244,904	-	10,149	532,699
Civic improvement	1,218,024	39,799	-	-
Cultural and recreation	441,932	-	-	-
Interest and fiscal charges on long-term debt	458,353	-	-	-
Total governmental activities	<u>6,246,103</u>	<u>317,408</u>	<u>581,916</u>	<u>532,699</u>
Business-type activities:				
Utility Fund	<u>6,018,515</u>	<u>8,067,008</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,264,618</u>	<u>\$ 8,384,416</u>	<u>\$ 581,916</u>	<u>\$ 532,699</u>

### General Revenues

Property taxes  
Sales taxes  
Motor fuel taxes  
Alcoholic beverage taxes  
Lodging tax  
Interest income  
Donation  
Miscellaneous revenue

### Transfers

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

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Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
<hr/>		
\$ (1,065,372)	\$ -	\$ (1,065,372)
(968,142)	-	(968,142)
(702,056)	-	(702,056)
(1,178,225)	-	(1,178,225)
(441,932)	-	(441,932)
(458,353)	-	(458,353)
<u>(4,814,080)</u>	<u>-</u>	<u>(4,814,080)</u>
<u>-</u>	<u>2,048,493</u>	<u>2,048,493</u>
<u>(4,814,080)</u>	<u>2,048,493</u>	<u>(2,765,587)</u>
339,202	-	339,202
1,349,529	-	1,349,529
1,327,061	-	1,327,061
52,788	-	52,788
32,770	-	32,770
8,536	1,387	9,923
170,560	-	170,560
143,225	-	143,225
<u>1,809,289</u>	<u>(1,809,289)</u>	<u>-</u>
<u>5,232,960</u>	<u>(1,807,902)</u>	<u>3,425,058</u>
<u>418,880</u>	<u>240,591</u>	<u>659,471</u>
11,706,855	2,137,728	13,844,583
<u>(1,254,054)</u>	<u>(705,405)</u>	<u>(1,959,459)</u>
<u>10,452,801</u>	<u>1,432,323</u>	<u>11,885,124</u>
<u>\$ 10,871,681</u>	<u>\$ 1,672,914</u>	<u>\$ 12,544,595</u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA****BALANCE SHEET****GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2015

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,490,821	\$ -	\$ 137,160	\$ 2,627,981
Receivables - taxes	249,435	-	12,803	262,238
Receivables - other	149,673	-	-	149,673
Prepaid expenses	139,415	-	-	139,415
Inventory	45,095	-	-	45,095
Note receivable	2,451,316	-	-	2,451,316
Restricted assets:				
Cash and cash equivalents	300,035	-	-	300,035
Cash held by fiscal agent	-	-	29,303	29,303
<b>TOTAL ASSETS</b>	<b>\$ 5,825,790</b>	<b>\$ -</b>	<b>\$ 179,266</b>	<b>\$ 6,005,056</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 694,217	\$ -	\$ -	\$ 694,217
Other current liabilities	343,738	-	-	343,738
Deposits payable	6,896	-	-	6,896
Line of credit	568,886	-	-	568,886
<b>TOTAL LIABILITIES</b>	<b>1,613,737</b>	<b>-</b>	<b>-</b>	<b>1,613,737</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - intergovernmental	300,000	-	-	300,000
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	45,095	-	-	45,095
Prepaid expenses	139,415	-	-	139,415
Note receivable	2,451,316	-	-	2,451,316
Restricted:				
Public safety	300,035	-	26,476	326,511
Public works	-	-	123,487	123,487
Capital projects	-	-	29,303	29,303
Unassigned	976,192	-	-	976,192
<b>TOTAL FUND BALANCES</b>	<b>3,912,053</b>	<b>-</b>	<b>179,266</b>	<b>4,091,319</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,825,790</b>	<b>\$ -</b>	<b>\$ 179,266</b>	<b>\$ 6,005,056</b>

See accompanying notes to financial statements.

## CITY OF EVERGREEN, ALABAMA

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2015

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

Total fund balances - governmental funds		\$ 4,091,319
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		19,964,454
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, 2015, were:		
Bonds, leases, and notes payable	\$ (11,580,793)	
Unamortized net discounts	78,799	
Accrued interest	(113,941)	
Compensated absences	(78,487)	
Postemployment benefits other than pensions	(291,653)	
Net pension liability	(1,258,981)	
Deferred outflows - employer retirement contribution	168,622	
Deferred inflows related to net pension liability	(107,658)	
Total long-term liabilities		<u>(13,184,092)</u>
Net position of governmental activities		<u>\$ 10,871,681</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, 2015

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 2,725,407	\$ -	\$ 143,754	\$ 2,869,161
Licenses and permits	458,612	-	10,891	469,503
Intergovernmental	1,104,017	-	-	1,104,017
Fines and forfeitures	55,748	-	-	55,748
Other revenues	178,167	-	-	178,167
Interest	8,520	1	17	8,538
Total revenues	<u>4,530,471</u>	<u>1</u>	<u>154,662</u>	<u>4,685,134</u>
<b>EXPENDITURES</b>				
Current operations:				
General government	1,178,468	-	-	1,178,468
Public safety	1,406,081	-	546	1,406,627
Public works	869,370	-	574	869,944
Civic improvement	1,098,712	-	-	1,098,712
Cultural and recreation	373,935	-	-	373,935
Capital outlay	1,723,666	-	18,956	1,742,622
Debt service:				
Principal retirement	250,294	1,880,000	9,764	2,140,058
Interest charges	142,222	310,033	723	452,978
Total expenditures	<u>7,042,748</u>	<u>2,190,033</u>	<u>30,563</u>	<u>9,263,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,512,277)</u>	<u>(2,190,032)</u>	<u>124,099</u>	<u>(4,578,210)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,948,624	2,190,032	10,488	4,149,144
Transfers out	(2,200,520)	-	(139,335)	(2,339,855)
Issuance costs	(53,360)	-	-	(53,360)
Proceeds from revenue warrants	1,460,000	-	-	1,460,000
Proceeds from notes payable	1,147,411	-	-	1,147,411
Discount on revenue warrants	(29,820)	-	-	(29,820)
Total other financing sources (uses)	<u>2,272,335</u>	<u>2,190,032</u>	<u>(128,847)</u>	<u>4,333,520</u>
Net change in fund balances	<u>(239,942)</u>	<u>-</u>	<u>(4,748)</u>	<u>(244,690)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>4,151,995</u>	<u>-</u>	<u>184,014</u>	<u>4,336,009</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,912,053</u>	<u>\$ -</u>	<u>\$ 179,266</u>	<u>\$ 4,091,319</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, 2015

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

Net change in fund balances - total governmental funds		\$	(244,690)
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.			1,790,249
Donation of capital assets shown as donated revenue on Statement of Activities, not reported in governmental funds			170,560
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(867,707)
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 warrants payable	\$	(1,460,000)	
Proceeds from issuance of notes payable		(1,147,411)	
Discounts on bonds		29,820	(2,577,591)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position.			
General obligation bonds and warrants		1,902,321	
Notes payable		217,522	
Capital leases		20,215	
Total repayments			2,140,058
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)
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		(2,196)	
Accrued interest		48	
Postemployment benefits other than pensions		(40,465)	
Net pension obligation		56,038	
Additional expenses			13,425
Change in net position of governmental activities		\$	418,880

See accompanying notes to financial statements.



# CITY OF EVERGREEN, ALABAMA

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

SEPTEMBER 30, 2015

	<b>Utility Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 91,174
Receivables, net	1,278,385
Inventory	410,960
Restricted assets:	
Cash and cash equivalents	537,492
Cash held by fiscal agent	1,804,981
Total current assets	<u>4,122,992</u>
<b>CAPITAL ASSETS</b>	
Land	19,301
Machinery and equipment	1,444,692
Utility system	12,204,295
Less accumulated depreciation	(9,388,558)
Total capital assets, net of accumulated depreciation	<u>4,279,730</u>
<b>TOTAL ASSETS</b>	<u>8,497,572</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred employer retirement contribution	<u>94,850</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	1,305,448
Other liabilities	32,026
Accrued interest payable	16,070
Compensated absences	41,233
Bonds and leases payable	443,535
Deposits payable	469,561
Total current liabilities	<u>2,307,873</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds and leases payable	3,748,051
Net pension liability	708,176
Total noncurrent liabilities	<u>4,456,227</u>
<b>TOTAL LIABILITIES</b>	<u>6,764,100</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred inflows related to pension	<u>60,558</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,386,605
Unassigned	(713,691)
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,672,914</u></u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b>Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Electric revenues	\$ 6,190,192
Garbage revenues	289,322
Sewer revenues	689,875
Water revenues	862,803
Miscellaneous revenue	34,816
Total operating revenues	<u>8,067,008</u>
<b>OPERATING EXPENSES</b>	
Personnel, operations and maintenance, utilities:	
Electric expenses	4,024,580
Garbage expenses	298,887
Sewer expenses	333,463
Water expenses	512,281
Depreciation and amortization	350,940
Administrative costs	333,373
Total operating expenses	<u>5,853,524</u>
<b>OPERATING INCOME</b>	<u>2,213,484</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>	
Interest income	1,387
Interest expense	(164,991)
Total nonoperating revenues (expense)	<u>(163,604)</u>
Income before transfers	2,049,880
Transfers out	(1,809,289)
Change in net position	<u>240,591</u>
<b>TOTAL NET POSITION - BEGINNING, AS ORIGINALLY STATED</b>	2,137,728
<b>EFFECT OF ADOPTION OF GASB 68</b>	<u>(705,405)</u>
<b>TOTAL NET POSITION - BEGINNING, AS RESTATED</b>	<u>1,432,323</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 1,672,914</u></u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 7,837,118
Payments to suppliers for goods and services	(4,555,111)
Payments to employees for services	(789,304)
Net cash provided by operating activities	<u>2,492,703</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash payments to other funds	<u>(1,910,725)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(92,566)
Principal payments on capital debt	(452,272)
Interest paid on capital debt	(166,268)
Net cash used in capital and related financing activities	<u>(711,106)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>1,387</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(127,741)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,561,388</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 2,433,647</u></u>
<b>DISPLAYED ON THE STATEMENT OF NET POSITION AS:</b>	
Cash and cash equivalents	\$ 91,174
Restricted assets:	
Cash and cash equivalents	537,492
Cash held by fiscal agent	1,804,981
	<u><u>\$ 2,433,647</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, 2015

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

	<b>Utility Fund</b>
	<hr/>
Operating income	\$ 2,213,484
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	350,940
Decrease in accounts receivable	27,720
Decrease in inventory	3,233
Decrease in accounts payable	168,222
Decrease in customer deposits	(25,919)
Decrease in deferred revenue	(231,691)
Decrease in net pension liability	(31,520)
Increase in compensated absences	11,844
Increase in other liabilities	6,390
	<hr/>
Net cash provided by operating activities	<u><u>\$ 2,492,703</u></u>

See accompanying notes to financial statements.

# **CITY OF EVERGREEN, ALABAMA**

## **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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### **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 funds:

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

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

The City reports the following major enterprise fund:

**Utility Fund** – Accounts for water, sanitary sewer, 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.

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**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.

***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, 2015

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

#### *Assets, Liabilities, and Equity (Continued)*

##### **Receivables and Payables (Continued)**

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

##### **Inventories and Prepaid Items**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Fuel	\$ 27,812	\$ 6,479	\$ 34,291
Materials and supplies	17,283	404,481	421,764
Totals	<u>\$ 45,095</u>	<u>\$ 410,960</u>	<u>\$ 456,055</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, 2015

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### 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 Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. 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, 2015

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**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.

**New Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, that enhances previous standards and establishes accounting and financial reporting standards that require more extensive note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the net pension liability, deferred outflows of resources, deferred inflows of resources, and expenditures. Implementation of GASB No. 68 requires the measurement of the net pension liability to be measured as the portion of the present value of the total projected benefit payments to be provided through a pension plan to current active and inactive employees – the total pension liability – less the amount of the pension plan’s fiduciary net position. The provisions of this statement have been applied for the year ended September 30, 2015.

As a result of implementing GASB Statement No. 68, the following balances are reflected in 2015 in the statement of net position for the primary government.

Deferred employer retirement contribution	\$	263,471
Net pension liability		1,967,157
Deferred inflows related to pension		168,622

## CITY OF EVERGREEN, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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## 2. CASH AND CASH EQUIVALENTS

### *Custodial Credit Risk - Deposits*

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

As of September 30, 2015, none of the City's bank balance of \$5,381,197 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, 2015, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Utility Fund</b>	<b>Total</b>
Taxes	\$ 249,435	\$ 12,803	\$ -	\$ 262,238
Accounts	1,670	-	1,990,495	1,992,165
Intergovernmental	147,313	-	-	147,313
Interest	690	-	-	690
	399,108	12,803	1,990,495	2,402,406
Less allowance for uncollectible accounts	-	-	(712,110)	(712,110)
Total receivables	<u>\$ 399,108</u>	<u>\$ 12,803</u>	<u>\$ 1,278,385</u>	<u>\$ 1,690,296</u>

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

***Primary Government***

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,221,419	\$ 231,505	\$ -	\$ -	\$ 2,452,924
Construction in progress	1,197,102	1,389,412	-	(109,939)	2,476,575
Total capital assets, not being depreciated	<u>3,418,521</u>	<u>1,620,917</u>	<u>-</u>	<u>(109,939)</u>	<u>4,929,499</u>
Capital assets, being depreciated:					
Buildings	9,264,663	174,946	-	-	9,439,609
Machinery and equipment	3,930,809	130,489	-	69,730	4,131,028
Infrastructure	10,810,913	34,457	-	40,209	10,885,579
Total capital assets, being depreciated	<u>24,006,385</u>	<u>339,892</u>	<u>-</u>	<u>109,939</u>	<u>24,456,216</u>
Less accumulated depreciation for:					
Buildings	3,135,113	257,608	-	-	3,392,721
Machinery and equipment	2,611,831	302,180	-	-	2,914,011
Infrastructure	2,806,610	307,919	-	-	3,114,529
Total accumulated depreciation	<u>8,553,554</u>	<u>867,707</u>	<u>-</u>	<u>-</u>	<u>9,421,261</u>
Total capital assets, being depreciated, net	<u>15,452,831</u>	<u>(527,815)</u>	<u>-</u>	<u>109,939</u>	<u>15,034,955</u>
Governmental activities capital assets, net	<u>\$ 18,871,352</u>	<u>\$ 1,093,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,964,454</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 19,301	\$ -	\$ -	\$ -	\$ 19,301
Construction in progress	10,167	-	-	(10,167)	-
Total capital assets, not being depreciated	<u>29,468</u>	<u>-</u>	<u>-</u>	<u>(10,167)</u>	<u>19,301</u>
Capital assets, being depreciated:					
Machinery and equipment	1,353,524	81,002	-	10,167	1,444,693
Infrastructure	12,192,730	11,564	-	-	12,204,294
Total capital assets, being depreciated	<u>13,546,254</u>	<u>92,566</u>	<u>-</u>	<u>10,167</u>	<u>13,648,987</u>
Less accumulated depreciation for:					
Machinery and equipment	881,610	96,881	-	-	978,491
Infrastructure	8,156,669	253,398	-	-	8,410,067
Total accumulated depreciation	<u>9,038,279</u>	<u>350,279</u>	<u>-</u>	<u>-</u>	<u>9,388,558</u>
Total capital assets, being depreciated, net	<u>4,507,975</u>	<u>(257,713)</u>	<u>-</u>	<u>10,167</u>	<u>4,260,429</u>
Business-type activities capital assets, net	<u>\$ 4,537,443</u>	<u>\$ (257,713)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,279,730</u>

# CITY OF EVERGREEN, ALABAMA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

### 4. CAPITAL ASSETS (Continued)

#### *Primary Government (Continued)*

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

#### **Governmental Activities:**

General government	\$ 79,938
Public safety	146,970
Public works	427,324
Civic improvement	137,637
Cultural and recreation	75,838

Total depreciation expense - governmental activities	<u>\$ 867,707</u>
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<b>Business-type Activities</b>	<u><u>\$ 350,279</u></u>
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### 5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. There were no interfund balances as of September 30, 2015.

#### **Interfund Transfers**

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.

<u>Transfer Out</u>	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 2,190,032	\$ 10,488	\$ 2,200,520
Nonmajor Governmental Funds	139,335	-	-	139,335
Utility Fund	1,809,289	-	-	1,809,289
Totals	<u>\$ 1,948,624</u>	<u>\$ 2,190,032</u>	<u>\$ 10,488</u>	<u>\$ 4,149,144</u>

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**6. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2015, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>	<b>Due After One Year</b>
<b>Governmental activities:</b>						
General obligation bonds and warrants	\$ 9,045,707	\$ 1,460,000	\$ (1,902,321)	\$ 8,603,386	\$ 413,251	\$ 8,190,135
Less deferred amounts:						
For issuance discounts	(54,403)	(29,820)	5,424	(78,799)	(5,424)	(73,375)
Total general obligation bonds and warrants payable	8,991,304	1,430,180	(1,896,897)	8,524,587	407,827	8,116,760
Notes payable	2,047,518	1,147,411	(217,522)	2,977,407	213,150	2,764,257
Capital leases	20,215	-	(20,215)	-	-	-
Compensated absences	76,291	78,487	(76,291)	78,487	78,487	-
Net pension liability	1,254,054	117,512	(112,585)	1,258,981	168,750	1,090,231
Postemployment benefits other than pensions	251,188	40,465	-	291,653	-	291,653
Governmental activity long-term liabilities	12,640,570	2,814,055	(2,323,510)	13,131,115	868,214	12,262,901
<b>Business-type activities:</b>						
Revenue warrants	4,620,000	-	(425,000)	4,195,000	440,000	3,755,000
Less deferred amounts:						
Original issue discount	(12,566)	-	661	(11,905)	(661)	(11,244)
Total revenue warrants	4,607,434	-	(424,339)	4,183,095	439,339	3,743,756
Notes payable	18,089	-	(9,598)	8,491	4,196	4,295
Capital leases	17,673	-	(17,673)	-	-	-
Compensated absences	29,388	41,233	(29,388)	41,233	41,233	-
Net pension liability	705,405	66,100	(63,329)	708,176	-	708,176
Business-type activity long-term liabilities	5,377,989	107,333	(544,327)	4,940,995	484,768	\$ 4,456,227
Total long-term debt	\$ 18,018,559	\$ 2,921,388	\$ (2,867,837)	\$ 18,072,110	\$ 1,352,982	\$ 16,719,128

Long-term debt payable at September 30, 2015, is comprised of the following:

***General City Bonds and Warrants***

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

Series 2009 General Obligation Warrants, interest at 2.00% to 4.62%	\$ 1,645,000
Series 2009-A USDA General Obligation Warrants, interest at 4.125%	605,874
Series 2009-B USDA General Obligation Warrants, interest at 4.25%	282,512
Series 2012-A General Obligation Warrants, interest at 1.25%	1,535,000
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%	1,370,000
Total bonds and warrants	<u>\$ 8,603,386</u>



## CITY OF EVERGREEN, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

#### 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, 2015, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2016	\$ 413,251	\$ 324,882
2017	429,220	312,636
2018	450,230	299,222
2019	461,282	284,838
2020	492,376	269,159
2021-2025	2,209,980	1,082,253
2026-2030	2,595,087	651,959
2031-2035	1,358,151	138,217
2036-2040	<u>193,809</u>	<u>23,516</u>
Total	<u>\$ 8,603,386</u>	<u>\$ 3,386,682</u>

##### *Revenue Warrants*

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

Series 2007 Electrical Revenue Warrants, interest at 4.125% to 5.00%, secured by a pledge of the City's electrical distribution system revenue.	\$ 1,990,000
Series 2013 Water and Sewer Revenue Warrants, interest at 2.00% to 4.35%, secured by a pledge of the net system revenue of the City's utility system.	<u>2,205,000</u>
Total warrants	<u>\$ 4,195,000</u>

The annual debt service requirements to maturity, including principal and interest, for revenue warrants as of September 30, 2015, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2016	\$ 440,000	\$ 150,285
2017	450,000	136,360
2018	470,000	120,320
2019	485,000	106,200
2020	495,000	89,444
2021-2025	1,110,000	236,649
2026-2030	435,000	121,885
2030-2035	<u>310,000</u>	<u>27,188</u>
Total	<u>\$ 4,195,000</u>	<u>\$ 988,331</u>

## CITY OF EVERGREEN, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

##### *Notes Payable*

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

##### **Governmental Activities**

Note payable with BB&T used to fund costs related to police cars. The note has an interest rate of 2.87% and matures on March 2, 2016.	\$ 17,389
Note payable with BB&T used to fund costs related to a garbage truck. The note has an interest rate of 2.67% and matures on October 13, 2016.	28,629
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.	92,002
Note payable with Bancorp used to fund costs related to a sewer camera. The note has an interest rate of 2.24% and matures on May 20, 2017.	33,432
Note payable with Bancorp used to fund costs related to track loader. The note has an interest rate of 2.24% and matures on August 25, 2017.	49,170
Note payable with BB&T used to fund costs related to rescue equipment. The note has an interest rate of 2.41% and matures on April 12, 2017.	20,241
Note payable with BB&T used to fund costs related to a backhoe. The note has an interest rate of 2.41% and matures on April 12, 2017.	26,222
Note payable with BB&T used to fund costs related to three police cars. The note has an interest rate of 2.41% and matures on June 8, 2017.	31,711
Note payable with Bank of Evergreen used to fund costs related to the Shrimp Basket building. The note has an interest rate of 5.00% and matures on March 12, 2018.	907,883
Note payable with BB&T used to fund costs related to three pickup trucks. The note has an interest rate of 2.21% and matures on February 29, 2016.	8,933
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 January 13, 2017.	799,555
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.	84,950

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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

*Notes Payable (Continued)*

**Governmental Activities (Continued)**

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 May 29, 2017. \$ 592,732

Note payable with Bank of Evergreen used to fund costs related to the City projects. The note has an interest rate of 2.30% and matures on February 28, 2017. 284,558

Total \$ 2,977,407

**Business-type Activities**

Note payable with BB&T used to fund costs related to a pickup truck. The note has an interest rate of 2.27% and matures on July 15, 2017. \$ 8,491

The annual debt service requirements to maturity, including principal and interest, for notes payable as of September 30, 2015, are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year Ending September 30:				
2015	\$ 213,150	\$ 52,515	\$ 4,196	\$ 149
2016	1,824,881	47,107	4,295	53
2017	76,862	43,425	-	-
2018	62,021	40,613	-	-
2019	75,654	38,134	-	-
2020-2022	<u>744,839</u>	<u>127,128</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,997,407</u>	<u>\$ 348,922</u>	<u>\$ 8,491</u>	<u>\$ 202</u>

## **CITY OF EVERGREEN, ALABAMA**

### **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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#### **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](http://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, 2015

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### 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 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u><u>83,874</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, 2015

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#### 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, 2015, 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 9.57% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 9.10% of pensionable pay for Tier 1 employees, and 10.74% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 \$263,474 for the year ended September 30, 2015.

##### *Net Pension Liability*

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2013	\$	7,603,866
Entry age normal costs for October 1, 2013 – September 30, 2014	\$	205,753
Actual benefits and refunds for October 1, 2013 – September 30, 2014	\$	(485,845)
Total pension liability as of September 30, 2014	\$	7,803,569

## CITY OF EVERGREEN, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

##### *Actuarial Assumptions*

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.75 – 7.25%
Investment rate of return*	8.00%

\*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 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:

	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return*</b>
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
	<u>100.00%</u>	

\* Includes assumed rate of inflation of 2.5%

## CITY OF EVERGREEN, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

##### *Discount Rate*

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. 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*

	<b>Total Pension Liability (a)</b>	<b>Long-term Expected Rate (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance at September 30, 2013	<u>\$ 7,502,866</u>	<u>\$ 5,311,651</u>	<u>\$ 2,191,215</u>
Changes for the year:			
Service cost	205,753	-	205,753
Interest	580,795	-	580,795
Contributions - employer	-	231,756	(231,756)
Contributions - employee	-	133,831	(133,831)
Investment income	-	630,954	(630,954)
Benefit payments, including refunds of employee contributions	(485,845)	(485,845)	-
Transfers among employers	<u>-</u>	<u>14,065</u>	<u>(14,065)</u>
Net changes	<u>300,703</u>	<u>524,761</u>	<u>(224,058)</u>
Balance at September 30, 2014	<u><u>\$ 7,803,569</u></u>	<u><u>\$ 5,836,412</u></u>	<u><u>\$ 1,967,157</u></u>



# CITY OF EVERGREEN, ALABAMA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

### 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 8%, 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 (7%) or one percentage point higher (9%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
Plan's net pension liability	\$ 2,817,293	\$ 1,967,157	\$ 1,242,063

#### *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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 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](http://www.rsa-al.gov).

For the year ended September 30, 2015, the City recognized pension expense of \$3,706,876. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 168,216
Employer contributions subsequent to measurement date	263,472	-
	<u>\$ 263,472</u>	<u>\$ 168,216</u>

## CITY OF EVERGREEN, ALABAMA

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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#### 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,	
2016	\$ 42,054
2017	42,054
2018	42,054
2019	<u>42,054</u>
	<u>\$ 168,216</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, 2015

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**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

***Plan Description***

The City of Evergreen administers a single employer defined benefit healthcare plan for employees of the City. The plan provides 50% of the cost of the healthcare insurance premiums for qualified retirees who have a minimum of 25 creditable years of service with the City and have not reached the age of 65. The plan does not issue a publicly available financial report. At September 30, 2015, the plan had approximately 41 active participants and 3 retired members.

***Funding Policy***

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

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

Total member contributions were \$146,299 for active participants and \$7,608 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	\$ 36,562
Interest on net OPEB obligation	<u>11,511</u>
Annual OPEB cost	48,073
Contributions made	<u>(7,608)</u>
Increase in net OPEB obligation	40,465
Net OPEB obligation – beginning of year	<u>251,188</u>
Net OPEB obligation – end of year	<u>\$ 291,653</u>

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**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 2015 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2013	\$ 69,293	7.5%	\$ 217,777
9/30/2014	38,025	7.5%	251,188
9/30/2015	48,072	7.5%	291,653

***Funded Status and Funding Progress***

As of October 1, 2014, the actuarial accrued liability for benefits was \$251,777, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,753,659 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.14%.

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 & 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](http://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, 2015, was 24 years.

## **CITY OF EVERGREEN, ALABAMA**

### **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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#### **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. Therefore, the balance of the series 2012-A bonds in the amount of \$1,370,000 has been recorded as a liability at September 30, 2015.

#### **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 2015, the City received \$207,696, 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.

## **CITY OF EVERGREEN, ALABAMA**

### **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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#### **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 2015, the City incurred costs of \$997,110, related to the Liberty Hill project. As of September 30, 2015, the City had received title to lots 2, 3 and 4 from the EC District with a cost of \$813,508. This amount reduced the balance due to the City. The remaining balance of \$2,446,316 is recorded as a loan receivable at September 30, 2015.

#### **15. FUNDING AGREEMENT**

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

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

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

#### **16. SUBSEQUENT EVENTS**

In November 2016, the City entered into a note payable with a bank in the amount of \$350,120. The note has an interest rate of 3.20% and matured on February 13, 2017. The proceeds from the note were used to fund a road repair project.

In May 2017, the City entered into a note payable with a bank in the amount of \$1,500,120. The note has an interest rate of 5.00% and matures on November 18, 2017. The proceeds from the note were used to pay down an amount due to Alabama Power.

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**17. ACCOUNTING CHANGES AND RESTATEMENTS**

Net position as of October 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68 as amended by Statement No. 71.

Net position as previously reported at September 30, 2014	\$ 13,844,583
Prior period adjustment:	
Net pension liability (measurement date September 30, 2013)	<u>(1,959,459)</u>
Net position as restated, October 1, 2014	<u>\$ 11,885,124</u>

**18. EFFECT OF NEW PRONOUNCEMENTS**

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

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

The GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68 in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

The GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.



## **CITY OF EVERGREEN, ALABAMA**

### **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

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

The GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments in June 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF EVERGREEN, ALABAMA

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<b>Year Ended *</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Actual Covered Employee Payroll</b>	<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Fiduciary Net Position as a Percentage of Total Pension Liability</b>
09/30/14	0.042%	\$ 1,967,157	\$ 2,753,659	71.4%	74.79%

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

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<b>Year Ended</b>	<b>Statutorily Required Contribution</b>	<b>Actual Employer Contributions</b>	<b>Contributions Excess / (Deficiency)</b>	<b>Actual Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
09/30/14	<u>\$ 231,756</u>	<u>\$ 263,473</u>	<u>\$ 31,717</u>	<u>\$ 2,753,659</u>	<u>9.57%</u>

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

### 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%

\* 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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,924,000	\$ 1,924,000	\$ 2,725,407	\$ 801,407
Licenses and permits	220,000	220,000	458,612	238,612
Intergovernmental	20,200	20,200	1,104,017	1,083,817
Fines and forfeitures	80,000	80,000	55,748	(24,252)
Other revenues	116,575	116,575	178,167	61,592
Interest	-	-	8,520	8,520
Total revenues	2,360,775	2,360,775	4,530,471	2,169,696
<b>EXPENDITURES</b>				
Current operations:				
General government	1,377,300	1,377,300	1,178,468	198,832
Public safety:				
Police	993,000	993,000	1,240,963	(247,963)
Fire	50,177	50,177	64,078	(13,901)
Court	60,000	60,000	101,040	(41,040)
Public works:				
Street and sanitation	635,000	635,000	725,168	(90,168)
Other	83,700	83,700	144,202	(60,502)
Civic improvement:				
Airport	80,000	80,000	106,785	(26,785)
Economic development	150,000	150,000	991,927	(841,927)
Cultural and recreation	300,900	300,900	373,935	(73,035)
Capital outlay	17,500	17,500	1,723,666	(1,706,166)
Debt service:				
Principal retirement	-	-	250,294	(250,294)
Interest charges	-	-	142,222	(142,222)
Total expenditures	3,747,577	3,747,577	7,042,748	(3,295,171)
Deficiency of revenues under expenditures	(1,386,802)	(1,386,802)	(2,512,277)	(1,125,475)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,020,000	2,020,000	1,948,624	(71,376)
Transfers out	(553,960)	(553,960)	(2,200,520)	(1,646,560)
Issuance costs	-	-	(53,360)	(53,360)
Proceeds from revenue warrants	-	-	1,460,000	1,460,000
Proceeds from notes payable	-	-	1,147,411	1,147,411
Discount on revenue warrants	-	-	(29,820)	(29,820)
Total other financing sources (uses)	1,466,040	1,466,040	2,272,335	806,295
Net change in fund balances	79,238	79,238	(239,942)	(319,180)
<b>FUND BALANCES - BEGINNING</b>	4,151,995	4,151,995	4,151,995	-
<b>FUND BALANCES - ENDING</b>	\$ 4,231,233	\$ 4,231,233	\$ 3,912,053	\$ (319,180)

## **SUPPLEMENTARY INFORMATION**

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

SEPTEMBER 30, 2015

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	<b>Special Revenue</b>				
	<b>State Gas Tax Fund</b>	<b>Gas Tax Fund</b>	<b>Fire Department Tax Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 69,318	\$ 41,366	\$ 26,476	\$ -	\$ 137,160
Receivables - taxes	7,042	5,761	-	-	12,803
Restricted assets:					
Cash held by fiscal agent	-	-	-	29,303	29,303
<b>TOTAL ASSETS</b>	<u>\$ 76,360</u>	<u>\$ 47,127</u>	<u>\$ 26,476</u>	<u>\$ 29,303</u>	<u>\$ 179,266</u>
<b>FUND BALANCES</b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ 26,476	\$ -	\$ 26,476
Public works	76,360	47,127	-	-	123,487
Capital projects	-	-	-	29,303	29,303
<b>TOTAL FUND BALANCES</b>	<u>\$ 76,360</u>	<u>\$ 47,127</u>	<u>\$ 26,476</u>	<u>\$ 29,303</u>	<u>\$ 179,266</u>

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**CITY OF EVERGREEN, ALABAMA**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue				
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 65,338	\$ 59,632	\$ 18,784	\$ -	\$ 143,754
Licenses and permits	10,891	-	-	-	10,891
Interest	-	-	-	17	17
Total revenues	76,229	59,632	18,784	17	154,662
<b>EXPENDITURES</b>					
Current operations:					
Public safety	-	-	546	-	546
Public works	284	290	-	-	574
Capital outlay	-	-	18,956	-	18,956
Debt service:					
Principal retirement	-	-	9,764	-	9,764
Interest charges	-	-	723	-	723
Total expenditures	284	290	29,989	-	30,563
Excess of revenues over expenditures	75,945	59,342	(11,205)	17	124,099
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	10,488	-	10,488
Transfers out	(69,335)	(70,000)	-	-	(139,335)
Total other financing sources (uses)	(69,335)	(70,000)	10,488	-	(128,847)
Net change in fund balances	6,610	(10,658)	(717)	17	(4,748)
<b>FUND BALANCES - BEGINNING</b>	69,750	57,785	27,193	29,286	184,014
<b>FUND BALANCES - ENDING</b>	\$ 76,360	\$ 47,127	\$ 26,476	\$ 29,303	\$ 179,266

**CITY OF EVERGREEN, ALABAMA**  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2015

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Assessed Value		\$ 37,469,320
Legal Debt Margin		
Debt Limitation - 20% of Assessed Value		\$ 7,493,864
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 25,588,960	
Less: Debt attributable to the improvement of electric systems and payable from the revenues of such systems	(4,195,000)	
Less: Debt associated with Amendment 772	<u>(14,760,000)</u>	
Total Debt Applicable to Limitation		<u>6,633,960</u>
Legal Debt Margin		<u>\$ 859,904</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, 2015**

<b>Jurisdiction</b>	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>Percentage Applicable to Government</b>	<b>Amount Applicable to Government</b>
<b>Direct</b>			
City of Evergreen:			
General obligations including capital leases	<u>\$ 25,588,960</u>	100.00%	<u>\$ 25,588,960</u>