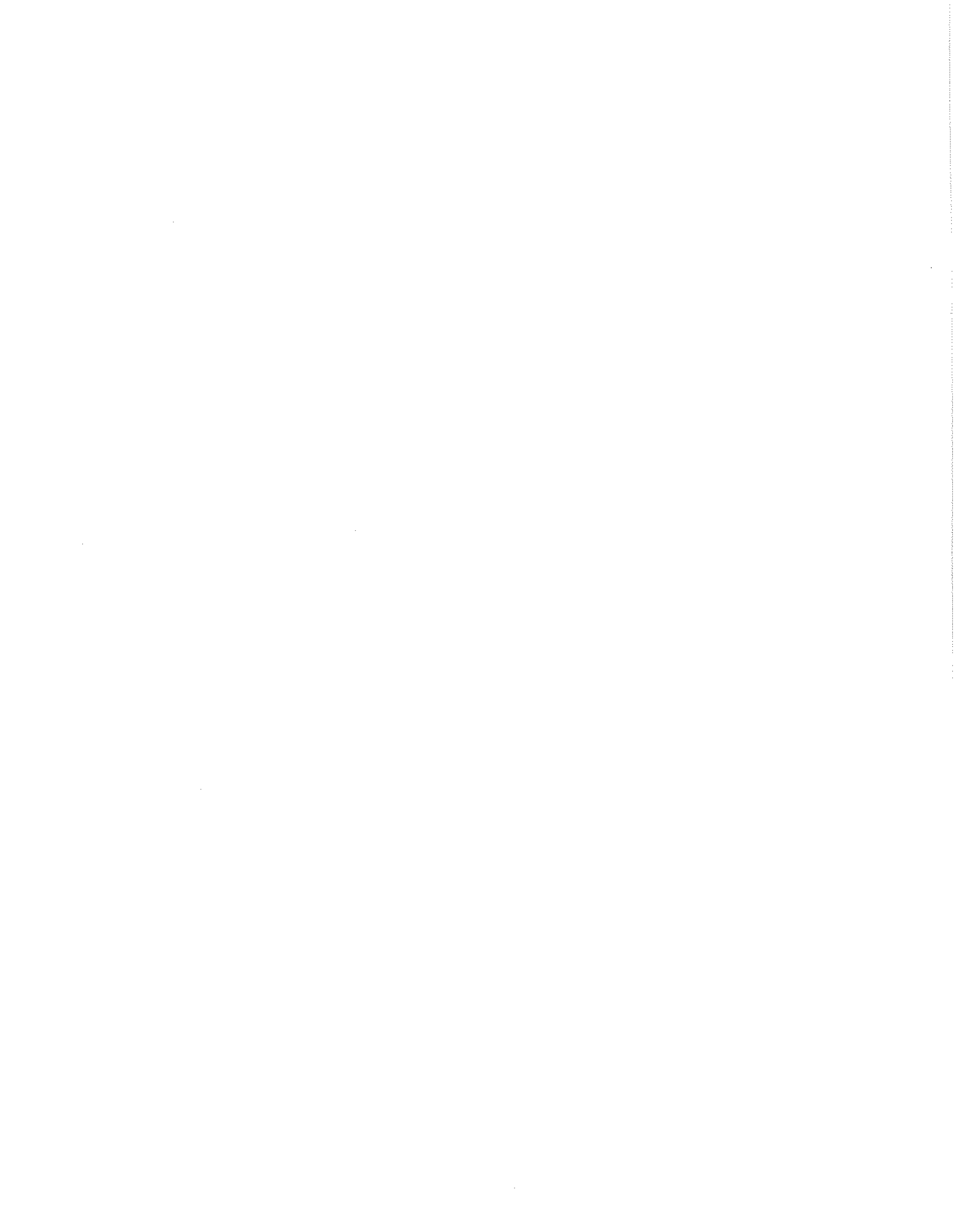


**2009 Financial Statements**

**City of Evergreen**

**Evergreen, Alabama**



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## Independent Accountants' Report

Mayor and City Council  
City of Evergreen  
Evergreen, Alabama

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, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Evergreen's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evergreen, Alabama, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2010, on our consideration of the City of Evergreen, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Managements' Discussion and Analysis, Budgetary Comparison and Schedule of Pension Funding information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evergreen's basic financial statements. The combining nonmajor funds financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Evergreen, Alabama. The combining nonmajor funds financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Albridge, Borden and Company, P.C.*

May 27, 2010

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City of Evergreen  
Evergreen, Alabama  
September 30, 2009

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## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

As management of the City of Evergreen, we offer readers of the City of Evergreen's financial statements this narrative overview and analysis of the financial activities of the City of Evergreen for the fiscal year ended September 30, 2009.

### Financial Highlights

- On a government-wide basis, the City's net assets increased by \$534,356 for the fiscal year, primarily due to profitable results in the utility operations.
- The City's combined net assets total \$15,527,694 at September 30, 2009. Of this amount, \$5,102,400 is available (unrestricted) to finance ongoing governmental programs and \$923,501 is available in business-type activities.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Evergreen's basic financial statements. The City of Evergreen's basic financial statements comprise three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The following schedule summarizes the major features of the City's financial statements, including the portion of the city government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each statement.

	Government-wide Statements	Proprietary Fund Statements	Fund Statements
Scope	Entire City government and the City's component units	Activities the Board operates similar to private businesses: the water and sewer system	The activities of the City, such as police, fire, and parks
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses, and Changes in Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter



## Management's Discussion and Analysis (Continued)

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Evergreen's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will only result in cash flows in future fiscal periods (uncollected taxes and earned but unused vacation leave are two examples).

Both of the government-wide financial statements distinguish functions of the City of Evergreen that are principally supported by taxes and intergovernmental revenues (governmental activities).

The government-wide financial statements of the city are as follows:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, fire, public works, parks department, airport facility, library, general administration, and other civic operations. Property and sales taxes, state and federal grants, and transfers from the proprietary fund finance most of these activities.
- *Business-type activities* - The City's utility operations are included here, such as water, sewer, garbage and electric.

The government-wide financial statements can be found on pages 1 and 2 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 of Evergreen, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

#### Governmental Fund

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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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.

## Management's Discussion and Analysis (Continued)

Moreover, these latter statements provide a ready comparison to similar financial statements produced prior to the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 34.

The City maintains five 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 four funds considered major funds. The special revenue funds information is presented in a columnar fashion. Individual fund data for each of these special revenue funds is provided in the format of combining statements beginning on page 33.

### **Major Governmental Funds:**

- General
- Capital Projects
- Debt Service

### **Non-Major Funds:**

- State Gas Tax
- Gas Tax
- Fire Department Tax

The City adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found starting on page 3 of this report.

### **Proprietary Fund**

The Proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Evergreen uses the proprietary fund to account for its water, sewer, garbage and electric operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The City adopts an annual appropriated budget for its proprietary fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

The basic proprietary fund financial statements can be found on pages 8 through 10 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 11 of this report. Included in the notes is the City of Evergreen's progress in funding its obligation to provide pension benefits to its employees.

### **Government-Wide Financial Analysis**

#### **Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Evergreen, assets exceeded liabilities by \$15,527,694 at the close of the fiscal year.

A significant portion of the City of Evergreen's net assets is its investment in capital assets (e.g., land, buildings, machinery and utility system) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens consequently; these

## Management's Discussion and Analysis (Continued)

assets are not available for future spending. Although the City's investment in its 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 pay these liabilities. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report a positive balance in net assets for the City as a whole, as well as for its separate governmental and business-type activities. The same held true for the previous fiscal year. Net assets for Governmental activities rose to \$11,575,348 up \$429,861 from the prior year. Transfers from business activities accounted for the increase, earning approximately \$1,789,495 prior to the transfer of \$1,685,000 to governmental activities. As a result, business-type activities reflect an increase in net assets of \$104,495. The increases/decreases of revenues over/under operating expenses are reported in the statement of activities on page 2. Unrestricted net assets are those assets available to finance programs in the upcoming fiscal year and would increase when the portion of taxes and other revenues exceed operating expenses but are not invested in capital assets.

The following tables present condensed statements of the City's net assets at September 30, 2009 and 2008:

### Condensed Statement of Net Assets

City of Evergreen  
Evergreen, Alabama  
September 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 6,152,558	\$ 5,289,811	\$ 11,442,369
Capital assets	10,956,567	3,028,845	13,985,412
<b>Total assets</b>	17,109,125	8,318,656	25,427,781
Current and other liabilities	1,888,777	1,271,310	3,160,087
Long-term liabilities	3,645,000	3,095,000	6,740,000
<b>Total liabilities</b>	5,533,777	4,366,310	9,900,087
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,677,775	3,028,845	8,706,620
Restricted	843,173		843,173
Unrestricted	5,054,400	923,501	5,977,901
<b>Total net assets</b>	\$ 11,575,348	\$ 3,952,346	\$ 15,527,694

## Management's Discussion and Analysis (Continued)

### Condensed Statement of Net Assets

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2008

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Assets</b>			
Current and other assets	\$ 5,918,506	\$ 5,662,855	\$ 11,581,361
Capital assets	9,581,807	2,711,588	12,293,395
<b>Total assets</b>	<u>15,500,313</u>	<u>8,374,443</u>	<u>23,874,756</u>
Current and other liabilities	514,826	1,236,592	1,751,418
Long-term liabilities	3,840,000	3,290,000	7,130,000
<b>Total liabilities</b>	<u>4,354,826</u>	<u>4,526,592</u>	<u>8,881,418</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,827,729	2,711,588	8,539,317
Restricted	675,000		675,000
Unrestricted	4,642,758	1,136,263	5,779,021
<b>Total net assets</b>	<u>\$ 11,145,487</u>	<u>\$ 3,847,851</u>	<u>\$ 14,993,338</u>

## Management's Discussion and Analysis (Continued)

### Statement of Activities

Already noted was the statement of activities' purpose in presenting information in how the government's net assets changed during the most recent fiscal year. The following tables present condensed statements of the City's activities for the years ended September 30, 2009 and 2008:

#### Condensed Statement of Activities

City of Evergreen  
 Evergreen, Alabama  
 For the year ended September 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 394,570	\$ 6,915,213	\$ 7,309,783
Operating grants and contributions	274,411		274,411
Capital grants and contributions	747,134		747,134
General revenues			
Sales taxes	806,752		806,752
Property taxes	297,146		297,146
Unrestricted grants and contributions	397,753		397,753
Other income	350,072	72,865	422,937
Transfers	1,685,000	(1,685,000)	
<b>Total revenues</b>	<b>4,952,838</b>	<b>5,303,078</b>	<b>10,255,916</b>
Program activities:			
Governmental activities			
General government	1,182,263		1,182,263
Public safety	997,830		997,830
Public works	1,365,705		1,365,705
Civic improvement	502,799		502,799
Culture and recreation	313,033		313,033
Interest charges	161,347		161,347
Business-type activities			
Utility expenses		5,198,583	5,198,583
<b>Total expenses</b>	<b>4,522,977</b>	<b>5,198,583</b>	<b>9,721,560</b>
<b>Net increase</b>	<b>\$ 429,861</b>	<b>\$ 104,495</b>	<b>\$ 534,356</b>

## Management's Discussion and Analysis (Continued)

### Condensed Statement of Activities

City of Evergreen  
 Evergreen, Alabama  
 For the year ended September 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 436,474	\$ 6,804,172	\$ 7,240,646
Operating grants and contributions	160,765		160,765
Capital grants and contributions	977,053		977,053
General revenues			
Sales taxes	867,599		867,599
Property taxes	291,650		291,650
Unrestricted grants and contributions	357,999		357,999
Other income	253,971	128,754	382,725
Transfers	1,742,000	(1,742,000)	
<b>Total revenues</b>	<b>5,087,511</b>	<b>5,190,926</b>	<b>10,278,437</b>
Program activities:			
Governmental activities			
General government	645,179		645,179
Public safety	1,305,645		1,305,645
Public works	842,228		842,228
Civic improvement	640,918		640,918
Culture and recreation	422,149		422,149
Interest charges	159,026		159,026
Unallocated depreciation	74,953		74,953
Business-type activities			
Utility expenses		4,899,890	4,899,890
<b>Total expenses</b>	<b>4,090,098</b>	<b>4,899,890</b>	<b>8,989,988</b>
<b>Net increase</b>	<b>\$ 997,413</b>	<b>\$ 291,036</b>	<b>\$ 1,288,449</b>

For the fiscal year ended September 30, 2009, net assets for governmental activities increased \$429,861 with the increase primarily coming from the business-type activities as shown in the transfer of \$1,685,000 from the proprietary fund.

The basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service (i.e., public safety or road sales taxes).

## Management's Discussion and Analysis (Continued)

### Governmental Activities

#### Revenues

Governmental activities revenues totaled \$4,892,838 for fiscal year 2009, a decrease of \$194,673 from 2008. The decrease is attributable primarily to a decrease in grants and contributions not restricted to specific programs. With the exception of transfers from business-type activities, sales taxes represent the largest revenue source for the City. Charges for services include charges for services and solid waste fees. The charges for services category accounts for 8% of governmental revenues.

#### Expenses

Governmental expenses totaled \$4,522,977 for the fiscal year. Of the expenditures, 41% or \$1,868,504 is related to streets and civic improvements, while 22% or \$997,830 is related to public safety for police, fire and municipal court services. General government expenses were 26% or \$1,182,263 while parks, recreation and culture expenses amounted to \$313,033 or 7%. Interest on long-term debt accounted for 4% or \$161,347 of governmental expenses. Overall, governmental activities expenses increased 11%, or \$432,879 from 2008.

### Business-type Activities

#### Revenues

General revenues do not support the City's business-type activities; thus, the largest source of revenues comes from charges for services. Of the \$6,915,213 in charges, \$5,597,728 or 81% comes from the City's electric operations, and \$1,093,200 or 16% comes from water and wastewater operation. The remaining charges \$224,285 or 3% are from the City's garbage operation.

#### Expenses

Electric services account for \$3,992,799 or 77% of the City's business-type activities while water and wastewater expenses totaled \$695,456 or 13%, depreciation costs were \$276,289 or 5%, garbage costs were \$94,181 or 2% and administrative costs were \$139,858 or 3% for a total of \$5,198,583.

### Financial Analysis of the City's Funds

#### **Governmental Funds**

The combined fund balances of governmental funds for the fiscal year ended September 30, 2009, is \$6,009,565. This represents a \$408,666 increase in fund balances, primarily due to increases in certificates of deposit. A review of some of the more significant funds follows.

#### General Fund

The fund balance of the General Fund increased \$299,359, primarily due to an increase in transfers from the business-type activities and proceeds from long-term debt during the 2009 fiscal year.

#### Debt Service

Debt Service Fund expenditures exceeded revenues by \$357,471 due to less transfers from the general fund, thereby utilizing available reserve funds.

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the fiscal year ended September 30, 2009, can be found starting on page 26. A summarized schedule is presented below:

### Condensed Budgetary Comparison Schedules - General Fund

City of Evergreen  
 Evergreen, Alabama  
 For the Year Ended September 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,346,500	\$ 1,346,500	\$ 1,447,533	\$ 101,033
Licenses	220,000	220,000	217,411	(2,589)
Fines and costs	75,000	75,000	96,968	21,968
Rental income	44,660	44,660	64,581	19,921
Grant revenue	20,200	20,200	882,076	861,876
Airport revenue	70,000	70,000	77,002	7,002
Miscellaneous revenues	96,500	96,500	196,728	100,228
<b>Total revenues</b>	<b>1,872,860</b>	<b>1,872,860</b>	<b>2,982,299</b>	<b>1,109,439</b>
<b>Expenditures</b>				
Current:				
General government	1,141,350	1,141,350	1,191,535	(50,185)
Public safety	1,061,900	1,061,900	874,196	187,704
Public works	655,100	655,100	1,195,280	(540,180)
Civic improvement	218,000	218,000	418,775	(200,775)
Culture and recreation	309,300	309,300	279,159	30,141
Capital outlay	50,000	1,699,464	1,915,962	(216,498)
Debt service	350,513	350,513	357,471	(6,958)
<b>Total expenditures</b>	<b>3,786,163</b>	<b>5,435,627</b>	<b>6,232,378</b>	<b>(796,751)</b>
<b>Excess of expenses over revenues</b>	<b>(1,913,303)</b>	<b>(3,562,767)</b>	<b>(3,250,079)</b>	<b>312,688</b>
<b>Other financing sources</b>				
Transfers in	1,914,300	1,914,300	1,685,000	(229,300)
Proceeds from long-term debt	-	1,649,464	1,535,555	(113,909)
<b>Total other financing sources</b>	<b>1,914,300</b>	<b>3,563,764</b>	<b>3,220,555</b>	<b>(343,209)</b>
<b>Net change in fund balance</b>	<b>\$ 997</b>	<b>\$ 997</b>	<b>\$ (29,524)</b>	<b>\$ (30,521)</b>



## Management's Discussion and Analysis (Continued)

### Proprietary Fund

The total revenue increased \$122,409 from 2008 as a result of a combined increase in electric and miscellaneous revenues of \$166,669. The total expenses went up \$305,352 from 2008 primarily as a result of increases in operating expenses for the City's electric, wastewater, and administrative departments.

### Proprietary Fund Budgetary Highlights

A detailed budgetary comparison schedule for the fiscal year ended September 30, 2009, can be found starting on page 28. A summarized schedule is presented below:

#### Condensed Budgetary Comparison Schedules - Proprietary Fund

City of Evergreen  
Evergreen, Alabama  
For the Year Ended September 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for utility services	\$ 6,669,000	\$ 6,669,000	\$ 6,915,213	\$ 246,213
<b>Total operating revenues</b>	<b>6,669,000</b>	<b>6,669,000</b>	<b>6,915,213</b>	<b>246,213</b>
<b>Operating expenses</b>				
Personnel, operations and maintenance, utilities:	4,625,991	4,625,991	4,591,751	34,240
Administrative costs	147,700	147,700	139,858	7,842
<b>Total operating expenses</b>	<b>4,773,691</b>	<b>4,773,691</b>	<b>4,731,609</b>	<b>42,082</b>
Nonoperating revenue (expenses)	19,010	19,010	(74,014)	(93,024)
Transfers out	(1,914,300)	(1,914,300)	(1,685,000)	229,300
<b>Change in net assets</b>	<b>\$ 19</b>	<b>\$ 19</b>	<b>\$ 424,590</b>	<b>\$ 424,571</b>

### Capital Assets

At September 30, 2009, the City of Evergreen's investment in capital assets in governmental and business-type activities amounted to \$13,985,412 net of accumulated depreciation. This includes land, buildings, equipment, and infrastructure (roadways and bridges). New additions to capital assets included the ongoing construction of the library, infrastructure and airport development project as well as purchases of vehicles and equipment during the year.

### Debt Administration

For the year ended September 30, 2009, the City's long-term debt increased by an amount of \$1,146,081. The increase in debt for the fiscal year was due to proceeds from new loans to finance the library expansion and infrastructure improvements.

## Management's Discussion and Analysis (Continued)

### Economic Factors

The City of Evergreen's population of 3,630 represents just fewer than 26% of the county's population according to the most recent statistics available. The City's economy is based on a triad of healthcare, agriculture and industry.

The City's primary sources of revenue continue to arise from property taxes as well as income from electric, water, wastewater and garbage services.

### Contacting the City's Financial Management

This financial report is designed to familiarize our citizens, taxpayers and customers with the City's finances and to demonstrate the City's fiscal accountability for its operations. Questions concerning this report, or requests for additional financial information, should be directed to Pete Wolff, III, Mayor or Peggy Howell, City Clerk/Treasurer at 355 East Front Street, Evergreen, Alabama 36401 – (251) 578-1574.

## **Basic Financial Statements**

# Statement of Net Assets

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 1,941,493	\$ 573,109	\$ 2,514,602
Certificates of deposit	2,600,000		2,600,000
Accounts receivable, net	20,660	817,354	838,014
Note receivable	60,000		60,000
Mortgage receivable	336,064		336,064
Prepaid expenses	108,939		108,939
Inventories	12,043	356,819	368,862
Other assets	137,788	83,038	220,826
Restricted assets:			
Cash	627,005	3,459,491	4,086,496
Funds held in escrow	308,566		308,566
Capital assets:			
Land and construction in progress	3,857,820	19,301	3,877,121
Buildings and improvements, net	3,876,688		3,876,688
Utility system and related equipment, net		2,916,133	2,916,133
Equipment and vehicles, net	1,217,235	93,411	1,310,646
Infrastructure, net	2,004,824		2,004,824
<b>Total assets</b>	<b>17,109,125</b>	<b>8,318,656</b>	<b>25,427,781</b>
<b>Liabilities</b>			
Accounts payable	38,834	442,850	481,684
Accrued expenses	2,492	6,728	9,220
Customer deposits		342,723	342,723
Deferred revenue		231,691	231,691
Interest payable	24,748	12,795	37,543
Long-term liabilities			
Portion due within one year:			
Bonds and notes payable	1,776,218	195,000	1,971,218
Compensated absences	46,485	39,523	86,008
Portion due or payable after one year:			
Bonds and notes payable	3,645,000	3,095,000	6,740,000
<b>Total liabilities</b>	<b>5,533,777</b>	<b>4,366,310</b>	<b>9,900,087</b>
<b>Net assets</b>			
Invested in capital assets, net of debt	5,677,775	3,028,845	8,706,620
Restricted for:			
Capital projects	298,601		298,601
Debt service	4		4
Road projects	496,568		496,568
Unrestricted	5,102,400	923,501	6,025,901
<b>Total net assets</b>	<b>\$ 11,575,348</b>	<b>\$ 3,952,346</b>	<b>\$ 15,527,694</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Activities

City of Evergreen  
Evergreen, Alabama  
September 30, 2009

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
General government	\$ 1,182,263	\$ 317,568		\$ (864,695)		\$ (864,695)
Public safety:						
Police	814,080			(814,080)		(814,080)
Fire	123,670	\$ 16,602		(107,068)		(107,068)
Court	60,080			(60,080)		(60,080)
Public works:						
Streets and sanitation	1,286,018	122,867		(1,163,151)		(1,163,151)
Other	79,687			(79,687)		(79,687)
Civic improvement:						
Airport	92,465	77,002	\$ 374,184	358,721	1,604,929	358,721
Economic development	410,334	116,692		(293,642)		(293,642)
Culture and recreation	313,033	18,250		78,167		78,167
Interest charges	161,347			(161,347)		(161,347)
<b>Total governmental activities</b>	<b>4,522,977</b>	<b>274,411</b>	<b>747,134</b>	<b>(3,106,862)</b>		<b>(3,106,862)</b>
<b>Business-type activities</b>						
Electric operations	3,992,799	5,597,728			\$ 1,604,929	1,604,929
Garbage operations	94,181	224,285			130,104	130,104
Sewer operations	224,386	435,101			210,715	210,715
Water operations	471,070	653,099			187,029	187,029
Administration	139,858				(139,858)	(139,858)
Depreciation	276,289				(276,289)	(276,289)
<b>Total business-type activities</b>	<b>5,198,583</b>	<b>6,915,213</b>			<b>1,716,630</b>	<b>1,716,630</b>
<b>Total primary government</b>	<b>\$ 9,721,560</b>	<b>\$ 7,309,783</b>	<b>\$ 747,134</b>	<b>\$ (3,106,862)</b>	<b>\$ 1,716,630</b>	<b>\$ (1,390,232)</b>
<b>General revenues:</b>						
Sales taxes				\$ 806,752		\$ 806,752
Property taxes				297,146		297,146
Grants and contributions not restricted to specific programs				397,753		397,753
Other income				207,024	\$ 42,669	249,693
Earnings on investments				143,048	30,196	173,244
Transfers				1,685,000	(1,685,000)	
Total general revenues and transfers				3,536,723	(1,612,135)	1,924,588
<b>Change in net assets</b>				429,861	104,495	534,356
<b>Net assets, beginning</b>				11,145,487	3,847,851	14,993,338
<b>Net assets, ending</b>				\$ 11,575,348	\$ 3,952,346	\$ 15,527,694

The notes to the financial statements are an integral part of this statement.

# Balance Sheet - Governmental Funds

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2009

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,848,742		\$ 74,493	\$ 18,138	\$ 1,941,373
Certificates of deposit	2,600,000				2,600,000
Accounts receivable	20,660				20,660
Note receivable	60,000				60,000
Mortgage receivable	336,064				336,064
Prepaid expenses	108,939				108,939
Inventories	12,043				12,043
Other assets	36,121				36,121
Due from other funds	9,983				9,983
Restricted assets:					
Cash	142,553	4		484,568	627,125
Funds held in escrow			308,566		308,566
<b>Total assets</b>	5,175,105	4	383,059	502,706	6,060,874
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	38,834				38,834
Due to other funds			9,983		9,983
Wages and benefits payable	2,492				2,492
<b>Total liabilities</b>	41,326		9,983		51,309
<b>Fund balances</b>					
Reserved for prepaids and inventories	100,500				100,500
Reserved for road projects	12,000			484,568	496,568
Investment in long-term note receivable	48,000				48,000
Unreserved, reported in:					
Debt service fund		4			4
Capital projects fund			298,601		298,601
Unreserved & undesignated	4,973,279		74,475	18,138	5,065,892
<b>Total fund balances</b>	5,133,779	4	373,076	502,706	6,009,565
<b>Total liabilities and fund balances</b>	\$ 5,175,105	\$ 4	\$ 383,059	\$ 502,706	\$ 6,060,874

The notes to the financial statements are an integral part of this statement.

# Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

City of Evergreen  
Evergreen, Alabama  
September 30, 2009

Total fund balance - total governmental funds \$ 6,009,565

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

Capital assets of \$16,591,094 net of accumulated depreciation of \$5,634,527 are not financial resources and therefore, are not reported in the funds. 10,956,567

Bond issuance costs of \$132,062 net of accumulated amortization of \$30,395 are not financial resources and therefore, are not reported in the funds. 101,667

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the Statement of Net Assets. Balances are as follows:

Compensated absences	\$ 46,485
Accrued interest on debt	24,748
Bonds and notes payable	<u>5,421,218</u>
	<u><u>\$5,492,451</u></u>
Net assets of governmental activities	<u><u>\$ 11,575,348</u></u>

*Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*

City of Evergreen  
Evergreen, Alabama

For the year ended September 30, 2009

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,447,533			\$ 139,468	\$ 1,587,001
Licenses	217,411				217,411
Fines and costs	89,434				89,434
Fees				10,724	10,724
Rental income	64,581				64,581
Investment income	143,048				143,048
Grant revenue	882,076				882,076
Airport revenue	77,002				77,002
Miscellaneous revenues	196,728				196,728
<b>Total revenues</b>	<u>3,117,813</u>			<u>150,192</u>	<u>3,268,005</u>
<b>Expenditures</b>					
Current:					
General government	1,165,585				1,165,585
Public safety:					
Police	776,776				776,776
Fire	30,172			15,468	45,640
Court	60,080				60,080
Public works:					
Streets and sanitation	1,107,643				1,107,643
Other	78,699				78,699
Civic improvement:					
Airport	79,698				79,698
Economic development	338,870				338,870
Culture and recreation	278,950				278,950
Capital outlay	1,790,482				1,790,482
Debt service:					
Principal		\$ 199,474			199,474
Interest		157,997			157,997
<b>Total expenditures</b>	<u>5,706,955</u>	<u>357,471</u>		<u>15,468</u>	<u>6,079,894</u>
<b>Excess of revenues over (under) expenditures</b>	<u>\$ (2,589,142)</u>	<u>\$ (357,471)</u>		<u>\$ 134,724</u>	<u>\$ (2,811,889)</u>

The notes to the financial statements are an integral part of this statement.



*Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds (Continued)*

City of Evergreen  
Evergreen, Alabama

For the year ended September 30, 2009

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Other financing sources (uses)					
Transfers in (out)	\$ 1,352,946	\$ 357,471	\$ (25,417)		\$ 1,685,000
Proceeds from issuance of long-term debt	1,535,555				1,535,555
<b>Total other financing sources (uses)</b>	<b>2,888,501</b>	<b>357,471</b>	<b>(25,417)</b>		<b>3,220,555</b>
Net changes in fund balance	299,359		(25,417)	134,724	408,666
Fund balances, beginning	4,834,420	4	398,493	367,982	5,600,899
<b>Fund balances, ending</b>	<b>\$ 5,133,779</b>	<b>\$ 4</b>	<b>\$ 373,076</b>	<b>\$ 502,706</b>	<b>\$ 6,009,565</b>

*The notes to the financial statements are an integral part of this statement.*

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities*

City of Evergreen  
Evergreen, Alabama  
For the year ended September 30, 2009

Net change in *fund balances* - total governmental funds \$ 408,666

The change in *net assets* reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays \$1,790,482 exceeded depreciation expense \$415,722 in the current period. 1,374,760

Debt proceeds provide current financial resources to governmental funds and are reported as revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balance. (1,535,555)

The repayment of principal of long term debt is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. 199,474

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment combines the net change of the following items:

Accrued vacation leave	\$ (4,322)
Amortization of debt issuance costs	(9,812)
Accrued interest on debt	(3,350)
	<u>\$ (17,484)</u>

Change in net assets of governmental activities \$ 429,861

# Statement of Net Assets - Proprietary Fund

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2009

<b>Assets</b>	
Cash and cash equivalents	\$ 573,109
Accounts receivable, net	817,354
Inventories, at cost	356,819
<b>Total current assets</b>	<u>1,747,282</u>
<b>Restricted assets</b>	
Customer meter deposits	342,201
Bond funds	3,117,290
<b>Total restricted assets</b>	<u>3,459,491</u>
<b>Property and equipment</b>	
Land	19,301
Office equipment	93,411
Utility system	9,669,776
Utility equipment	1,021,189
Less: accumulated depreciation	<u>(7,774,832)</u>
<b>Total property and equipment</b>	<u>3,028,845</u>
<b>Other assets</b>	
Bond issue costs (net)	<u>83,038</u>
<b>Total assets</b>	<u><u>8,318,656</u></u>
<b>Liabilities and fund balance</b>	
<b>Current liabilities</b>	
Accounts payable	442,850
Accrued liabilities	6,728
Deferred revenue	231,691
<b>Total current liabilities</b>	<u>681,269</u>
<b>Payable from restricted assets</b>	
Accrued interest payable	12,795
Current portion of bonds payable	195,000
Customer deposits	342,723
<b>Total current liabilities payable from restricted assets</b>	<u>550,518</u>
<b>Noncurrent liabilities</b>	
Compensated absences	39,523
Bonds payable	3,095,000
<b>Total noncurrent liabilities</b>	<u>3,134,523</u>
<b>Total liabilities</b>	<u>4,366,310</u>
<b>Net assets</b>	
Invested in capital assets, net	3,028,845
Unrestricted	923,501
<b>Total net assets</b>	<u>3,952,346</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 8,318,656</u></u>

The notes to the financial statements are an integral part of this statement.

*Statement of Revenues, Expenses and Changes in Fund Net Assets -  
Proprietary Fund*

City of Evergreen  
Evergreen, Alabama  
For the year ended September 30, 2009

<b>Operating revenues</b>	
Electric revenues	\$ 5,597,728
Garbage revenues	224,285
Sewer revenues	435,101
Water revenues	658,099
Miscellaneous revenue	42,669
<b>Total operating revenues</b>	<u>6,957,882</u>
<b>Operating expenses</b>	
Personnel, operations and maintenance, utilities:	
Electric expenses	3,845,920
Garbage expenses	94,181
Sewer expenses	224,386
Water expenses	471,070
Depreciation and amortization	276,289
Administrative costs	139,858
<b>Total operating expenses</b>	<u>5,051,704</u>
<b>Operating income</b>	1,906,178
<b>Nonoperating revenues and expenses</b>	
Interest income	30,196
Interest expense	<u>(146,879)</u>
<b>Total nonoperating loss</b>	<u>(116,683)</u>
<b>Income before contributions, transfers &amp; special items</b>	1,789,495
Transfers out	<u>(1,685,000)</u>
<b>Change in net assets</b>	104,495
<b>Total net assets, beginning</b>	<u>3,847,851</u>
<b>Total net assets, ending</b>	<u>\$ 3,952,346</u>

*The notes to the financial statements are an integral part of this statement.*

## Statement of Cash Flows - Proprietary Fund

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2009

<b>Operating activities</b>	
Receipts from customers and users	\$ 7,028,113
Payments to suppliers	(4,020,822)
Payments to employees	(738,654)
<b>Net cash flow from operating activities</b>	<u>2,268,637</u>
<b>Capital financing activities</b>	
Purchase of fixed assets	(593,545)
Payments to long-term debt	(178,475)
<b>Net cash flows from noncapital financing activities</b>	<u>(772,020)</u>
<b>Noncapital financing activities</b>	
Transfers out	(1,685,000)
<b>Investing activities</b>	
Interest received	30,196
Interest paid	(146,879)
<b>Net cash from investing activities</b>	<u>(116,683)</u>
<b>Net change in cash and cash equivalents</b>	(305,066)
<b>Cash and cash equivalents, beginning</b>	<u>4,337,666</u>
<b>Cash and cash equivalents, ending</b>	<u><u>4,032,600</u></u>
<b>Displayed on the Statement of Net Assets as:</b>	
Cash and cash equivalents	573,109
Restricted assets:	
Customer deposits	342,201
Bond funds	3,117,290
	<u>4,032,600</u>
<b>Operating income</b>	\$ 1,906,178
<b>Adjustments to reconcile operating income to net cash from operating activities:</b>	
Depreciation	276,289
Gain from sale of fixed assets	
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:	
Change in assets and liabilities:	
Receivables	76,044
Inventories	(19,591)
Accounts payable	27,609
Accrued expenses	2,108
<b>Net cash provided by operating activities</b>	<u><u>\$ 2,268,637</u></u>

*The notes to the financial statements are an integral part of this statement.*

# Notes to Financial Statements

City of Evergreen  
Evergreen, Alabama  
September 30, 2009

## Note 1 – Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Evergreen, Alabama (the "City") operates under a mayor-council form of government. Its purpose is to provide services for the citizens of the City of Evergreen, Alabama, such as police and fire protection and public works. As required by accounting principles generally accepted in the United States of America, these financial statements present the City. The City provides library, public housing, education services, and gas distribution services through separate operating boards recognized as separate legal entities and, accordingly, those boards' financial statements and information are not included herein. (See Note 8)

### B. Government-wide and Fund Financial Statements

Financial information of the City, the primary government is presented as follows:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Basic Financial Statements:* Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities.

These statements report all of the non-fiduciary activities of the primary government. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be self-sustaining.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental funds.

### C. Measurement Focus, Basis of Accounting and Basis of 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 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financial sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, they are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Property taxes (if levied), city-levied other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Debt Service Fund* of the City accounts for the servicing of most long-term debt not being financed by the Proprietary Fund. Sources of funds for the servicing of the debt include general fund revenues.
- The *Capital Projects Fund* of the City accounts for the cost of constructing a variety of public works projects and related debt service, and the cost of various City departments' capital spending activities. Principal sources of revenue are municipal long-term debt proceeds and interest income.

The City reports the following major enterprise fund:

- The *Water, Sewer, and Electric Fund* accounts for water, sanitary sewer and electric services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds*, account for revenue sources that are legally restricted to expenditures for specific purposes and generally pertain to the operating activities of various City departments. Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.

All governmental funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principle Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Government Accounting Standards Board (GASB) pronouncements.

Proprietary Funds

- *Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense 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 Water, Sewer and Electric Enterprise Fund are charges to customers for services and benefit fees. Operating expenses for enterprise funds include the cost of the services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, and Net Assets**

Cash and Cash Equivalents - The City's cash and cash equivalents are considered to be cash on hand, demand deposit accounts as well as short-term investments with a maturity date three months from the date acquired by the City. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Receivables and Payables - All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."



**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The City reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against the allowance account. Customers' receivables are considered delinquent when they have not paid their bill within twenty (20) days of the bill being mailed. All trade receivables are shown net of an allowance for uncollectible accounts. At September 30, 2009, the allowance for uncollectible accounts was \$302,852.

Amounts receivable from federal, state, county, and local governments are classified as "due from other governmental entities."

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Conecuh County tax collector and remitted to the City net of a collection fee ranging from 1 to 5 percent for the 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. The General Fund contains inventory for the Public Works Department. Inventory for the Proprietary Fund consists of items to maintain and repair electrical, water, and sewer delivery systems. 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 - Governmental Type Funds

In the City's Special Revenue Fund, the 7 cent and 4 cent gasoline taxes are restricted by law for various road maintenance and paving purposes. These funds totaled \$484,568 at September 30, 2009.

In the City's General Fund, certain funds are restricted for future economic development. These funds are related to the Special Obligation Bonds, Series 2006-A discussed in Note 5. These funds are held by First Commercial Bank of Birmingham and totaled \$142,426 at September 30, 2009.

In accordance with the trust indentures related to the general obligation water system warrants, Series 2001 SRF (State Revolving Fund), certain funds are held in escrow and are accounted for in the Capital Projects Fund. These funds are restricted for the payment of improvements to the water distribution system in accordance with the provisions of the special conditions agreement. The amount of the funds held in escrow by the Alabama Drinking Water Finance Authority at September 30, 2009 was \$308,566.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Restricted Assets - Business Type Funds

In the City's Proprietary Fund, certain funds related to the issuance of the Electric Warrants Series 2007, are restricted for improvement of the City's electric system (See Note 5). These funds are held by First Commercial Bank of Birmingham and totaled \$3,117,290 at September 30, 2009.

In addition, meter deposits from customers are restricted in the City's Proprietary Fund and totaled \$342,201 at September 30, 2009.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets tangible in nature, with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions whereas the infrastructure depreciation is unallocated. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	10-20
Automobiles	5
Office equipment	10
Computer equipment	5
Machinery	10
Utility systems	35
Utility equipment	10

Annual Leave - All classified and nonclassified employees in the City are eligible to earn vacation leave with pay in accordance with the following leave policy. Eligible employees earn vacation leave for continuous service according to the following schedule:

<u>Completed Service</u>	<u>Earned Leave per Year</u>
Zero through five years	Five days
Over five through fifteen years	Ten days
Over fifteen years	Fifteen days

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

The vacation leave for employees runs from January to December of each year. Eligible employees are credited one-twelfth of the vacation leave earned at the above rates for each calendar month in which he/she qualifies for vacation leave. Vacation leave must be earned before it is taken.

Persons hired on or before the 15<sup>th</sup> of the month earn vacation time for that month; and those hired after the 15<sup>th</sup> of the month begin earning vacation on the first day of the following month. A new employee will work and accrue vacation leave for six (6) months before he/she is eligible to take paid vacation. Normally, each employee is required to take his/her earned vacation in the year that it is earned. However, a total of twenty (20) days of unused vacation leave may be accumulated. Accumulated leave at the end of each calendar year that is in excess of twenty (20) days shall be forfeited by the employee. Vacation leave will be approved at the discretion of each department head, taking into consideration the needs of the city, the department, and the employee. Upon separation from city service, an individual will be paid for all unused accrued vacation leave at his/her current rate of pay.

Sick Leave - All classified and unclassified employees earn credit for paid sick leave at the rate of eight (8) hours for each calendar month worked in which he/she qualified for leave for a total of twelve (12) days per year. Employees need not use their accrued sick leave within a specified year and may accumulate sick leave up to a maximum of seventy-five (75) working days. Sick leave days will not be earned during any month an employee is in a nonpay status for more than ten (10) working days during the month. Employees who resign or retire are not entitled to payment for accrued, unused sick leave.

Deferred Revenue - Deferred revenues represent funds set aside by the City due to an agreement reached with Alabama Power Company. Under the agreement, Alabama Power will levy a minimum charge against a corporate customer based on a percentage of the maximum electricity use during the prior year. The City entered into an agreement with Evergreen Technologies for a billing surcharge and revenue collected from these surcharges has been deferred and will be recognized as revenue in the event Evergreen Technologies ceases operations in the City of Evergreen.

Long-term Obligations - In the government-wide financial statements, and the 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 Assets.

Net Assets - *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* consist of funds restricted for making debt payments, funds restricted by law for capital improvements and funds restricted by law for road projects. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt*.

Economic Dependency - The City receives a substantial amount of revenue in the form of sales tax. A significant reduction in the level of this support would have an adverse effect on the City's activities.

Use of Estimates - Preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates made by management. Actual results could differ from those estimates.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 2 – Certificates of Deposit**

At September 30, 2009, the City's certificates of deposits are carried at cost, which approximates fair market value. The certificates of deposits bear interest at 5% on \$2,000,000 and 1.9% on \$600,000, and have a maturity date of February 2012 and September 2010 respectively.

**Note 3 – Capital Assets**

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental activities:</b>				
Land	\$ 369,126			\$ 369,126
Construction in progress	3,107,352	\$ 381,342		3,488,694
Buildings and improvements	4,686,578	1,251,265		5,937,843
Equipment and vehicles	3,013,127	12,500		3,025,627
Infrastructure	3,624,429	145,374		3,769,803
<b>Total capital assets</b>	<b>14,800,612</b>	<b>1,790,481</b>		<b>16,591,093</b>
Less accumulated depreciation for:				
Buildings and improvements	1,933,884	127,271		2,061,155
Equipment and vehicles	1,598,207	210,185		1,808,392
Infrastructure	1,686,714	78,265		1,764,979
<b>Total accumulated depreciation</b>	<b>5,218,805</b>	<b>415,721</b>		<b>5,634,526</b>
<b>Governmental activities fixed assets, net</b>	<b>\$ 9,581,807</b>	<b>\$ 1,374,760</b>		<b>\$ 10,956,567</b>
<b>Business-type activities:</b>				
Land	\$ 19,301			\$ 19,301
Utility system and equipment	10,190,831	\$ 593,546		10,784,377
<b>Total capital assets</b>	<b>10,210,132</b>	<b>593,546</b>		<b>10,803,678</b>
Less accumulated depreciation for:				
Utility system and equipment	7,498,544	276,289		7,774,833
<b>Total accumulated depreciation</b>	<b>7,498,544</b>	<b>276,289</b>		<b>7,774,833</b>
<b>Business-type activities fixed assets, net</b>	<b>\$ 2,711,588</b>	<b>\$ 317,257</b>		<b>\$ 3,028,845</b>

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 3 – Capital Assets (Continued)**

Construction in progress at September 30, 2009 consists of construction of sewer lines along Interstate 65/U.S. Highway 84, renovations to landscaping and sidewalks throughout the City, and additions to the airport.

The depreciation expense for depreciable assets is charged to functions/programs of the primary government as follows:

General government	\$ 12,479
Public safety:	
Police	37,304
Fire	78,030
Public works:	
Streets and sanitation	178,375
Other	988
Civic improvement:	
Airport	12,805
Economic development	61,658
Culture and recreation	34,083
Total depreciation expense	<u>\$ 415,722</u>

**Note 4 – Interfund Receivables, Payables, and Transfers**

Transfers:

From General fund to	
Debt Service fund	\$ 362,325
From Debt Service fund to	
General fund	362,325
From Water, Sewer, Electric fund to	
General fund	<u>1,685,000</u>
Total	<u>\$ 2,409,650</u>

The interfund payables were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	<u>\$ 9,983</u>

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 4 – Interfund Receivables, Payables, and Transfers (Continued)**

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

**Note 5 – Long-Term Debt**

General Obligation Warrants

In 2001, the City of Evergreen issued General Obligation Water System Warrants, Series 2001-SRF, in the amount of \$995,000 bearing an interest rate of 3.85% per annum. The SRF (State Revolving Fund) is administered jointly by the Alabama Drinking Water Finance Authority and the Alabama Department of Environmental Management to provide funds to pay for the costs of acquiring, constructing and improving water works and related facilities in connection with the water works plant and distribution system. These warrants are a general obligation and pledge of the full faith and credit of the City.

In 2002, the City issued a General Obligation Sewer Warrant, Series 2002-SRF in the amount of \$780,000 bearing an interest rate of 3.50% per annum. This warrant is administered in similar fashion as the 2001-SRF previously mentioned. The purpose of this warrant is to pay costs of constructing or improving waste water treatment and collection facilities in connection with the waste water collection and treatment system. These warrants are a general obligation and pledge of the full faith and credit of the City.

In 2003, The City of Evergreen issued a General Obligation Warrant, Series, 2003-SRF, in the amount of \$930,000 for the purposes of (a) providing funds for the improvement of the City's sewer system, (b) currently refunding the City's Series 1995 General Obligation Warrants, and (c) paying the estimated costs of issuing the Series 2003 Warrants. These warrants are a general obligation and pledge of the full faith and credit of the City.

In 2006, the Conecuh County Region Capital Improvement Cooperative District (the "District"), a joint venture agreement between the City of Evergreen and the Conecuh County Commission, issued \$2,135,000 Special Obligation Bonds, Series 2006-A. The City of Evergreen entered into an agreement with the District which obligates the City to budget and appropriate sufficient funds each fiscal year to make all required debt service payments of the Series 2006-A bonds. Therefore, the entire balance of the Series 2006-A bonds has been recorded as a liability on the City's accounting records.

In 2007, The City of Evergreen issued an Electric Warrant, Series, 2007, in the amount of \$3,665,000 for the purposes of providing funds for the improvement of the City's electrical system and paying the estimated costs of issuing the Series 2007 Warrants. The indebtedness evidenced and paid by this warrant is a special obligation of the City, payable solely out of the revenues derived by the City from the operation of the electric system. The City covenants to make and maintain rates and charges for the service supplied from the system and make collections from the users in order to produce revenues at least equal to the sum of all operating expense and 125% of the annual debt service requirement for such fiscal year.

Notes to Financial Statements (Continued)  
City of Evergreen  
Evergreen, Alabama  
September 30, 2009

Note 5 – Long-Term Debt (Continued)

Outstanding Debt

The amount of debt outstanding at September 30, 2009, and information related to it was as follows:

Description	Face Amount	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due
						Within One Year
Series 2001 SRF	\$ 810,000	08/15/2020	3.85%	\$40,000 to \$70,000	\$ 640,000	\$ 50,000
Series 2002 SRF	\$ 695,000	08/15/2022	3.50%	\$30,000 to \$55,000	565,000	35,000
Series 2003 SRF	\$ 860,000	11/01/2022	2.25% to 5.00%	\$35,000 to \$75,000	720,000	40,000
Series 2006-A	\$ 2,135,000	09/01/2027	3.75% to 4.25%	\$70,000 to \$185,000	1,920,000	75,000
Series 2007 EW	\$ 3,665,000	09/01/2022	3.80% to 5.00%	\$185,000 to \$315,000	3,290,000	195,000
Total					<u>\$ 7,135,000</u>	<u>\$ 395,000</u>

Future Debt Service

September 30	Principal	Interest
2010	\$ 405,000	\$ 287,876
2011	415,000	272,758
2012	430,000	257,123
2013	450,000	241,431
2014	465,000	223,509
2015-2027	4,970,000	1,144,948

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2001 SRW	\$ 685,000		\$ (45,000)	\$ 640,000	\$ 50,000
Series 2002 SRW	600,000		(35,000)	565,000	35,000
Series 2003 SRW	755,000		(35,000)	720,000	40,000
Series 2006A	1,995,000		(75,000)	1,920,000	75,000
Series 2007 Electric Warrants	3,480,000		(190,000)	3,290,000	195,000
Bank of Evergreen	50,137		(9,474)	40,663	40,663
Bank of Evergreen		\$ 935,555		935,555	935,555
Bank of Evergreen		600,000		600,000	600,000
Total warrants and notes	7,565,137	1,535,555	(389,474)	8,711,218	1,971,218
Compensated absences	74,281	11,727		86,008	
Totals	<u>\$ 7,639,418</u>	<u>\$ 1,547,282</u>	<u>\$ (389,474)</u>	<u>\$ 8,797,226</u>	<u>\$ 1,971,218</u>

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 5 – Long-Term Debt (Continued)**

The City has pledged a 2008 mini pumper truck as collateral to secure the note payable from the Bank of Evergreen. The note had a balance of \$40,663 at September 30, 2009. The proceeds from the note were used to purchase the truck, which had a book value of \$66,663 at September 30, 2009.

The City has pledged a CD with the Bank of Evergreen as collateral to secure a Line of Credit from the Bank of Evergreen. The City may draw funds up to \$1,049,464. As of September 30, 2009, the City has drawn \$935,555. This line of credit is being used for improvements to the library and subsequent to year end was paid using general obligation warrants issued by the United States department of Agriculture in Cooperation with the State of Alabama Economic Development Administration. (See Note 7)

The City has pledged a CD with the Bank of Evergreen as collateral to secure a note from the Bank of Evergreen. The note has a face value of \$600,000 bearing an interest rate of 2.90% per annum and is due within one year. This note is being used to fund costs related to the infrastructure and improvements relating to a street being designed, planned and constructed through an agreement with SI Hotels, LLC. (See Note 7)

**Note 6 – Fund Equity Reserves and Designations**

All Funds

*Reserved for debt service* – funds restricted for making debt service payments.

*Reserved for capital improvements* – monies restricted by law for capital improvements.

*Reserved for other* – other funds restricted by state or federal law for specific purposes.

General Fund

*Reserved for inventory and prepaids* – amount equal to inventory and prepaid expenditures which do not represent “available spendable resources” of the fund.

Special Revenue Fund

*Reserved for streets* – funds restricted by the State of Alabama for the specific purpose to repave roads of the City of Evergreen, Alabama.

Capital Projects Fund

*Reserved for capital improvements* – amounts that are restricted for capital outlay in accordance with the debt agreements.

**Note 7 – Contingent Liabilities and Commitments**

Grants

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. As of September 30, 2009, significant amounts of grant expenditures have not been audited by the grantor agencies but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.



**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 7 – Contingent Liabilities and Commitments (Continued)**

Grants – Continued

During the year ended September 30, 2008 the City received from the Economic Development Administration two 15 year mortgage loans in the amounts of \$685,564 and \$363,900 in order to make improvements to the public library. Proceeds from the loans had not been used as of September 30, 2009. An additional \$397,000 toward the construction of the library was provided by a \$297,000 Economic Development Initiative Grant and a \$100,000 Alabama Public School Initiative Grant. The library facilities are pledged as collateral along with a general obligation bond that was issued by the United States Department of Agriculture in cooperation with the Alabama Economic Administration subsequent to September 30, 2009.

Litigation

The City is involved in various legal proceedings that normally occur in government operations.

The City is a defendant in litigation that alleges the City is responsible for sewage back up into the plaintiff's house causing property damage. The case is set to go to trial in April 2010. In the event of an unfavorable outcome the damages against the City have a maximum limit of \$300,000. The City intends to vigorously defend its position in this matter.

The City is a defendant in litigation that alleges personal injury to the plaintiff that resulted from the plaintiff running into a City garbage truck being driven by a City employee. A trial date has not yet been set for the case. The damages are not expected to exceed \$40,000, and are also limited to the \$100,000 statutory cap. The City intends to vigorously defend its position in this matter. Subsequent to September 30, 2009, the case was settled and the City was liable for their insurance deductible of \$1,000.

The City is a defendant in litigation related to a workers compensation claim alleging personal injury to the plaintiff while employed with the City. As of September 30, 2009 a trial date has not been set. In the event of an unfavorable outcome the damages related to the case could range from \$15,000 to \$25,000. It is the City's intention to vigorously defend this matter as the City believes the claims are without merit.

Commitment

In August 2009, the City entered into an agreement with SI Hotels, LLC (the Company) to grant a maximum amount of \$600,000 to the Company to fund a portion or all of the costs of infrastructure and improvements relating to a street being designed, planned and constructed for access to a hotel being built by the Company. The terms of the aforementioned agreement with SI Hotels, LLC call for SI Hotels, LLC to reimburse the City \$60,000 which is payable in equal installments of \$12,000, the first installment being due and payable on the date that is one year from the funding of the Escrow account with the next four installments being due and payable on the same day of each of the next four calendar years. The \$60,000 has been included in accounts receivable.

**Note 8 – 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.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 8 – Related Organizations (Continued)**

The City Council appoints the members of the Evergreen Planning Commission, the Evergreen Board of Adjustments, the Evergreen Housing Authority Board, the Evergreen Industrial Development Board, the Evergreen and Conecuh County Library Board and the South Alabama Gas District. These activities have not been consolidated in the financial statements of the City.

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 "District") for the purposes of developing, promoting, and supporting economic development projects within Conecuh County, Alabama. The District has a Board of Directors comprised of a total of four members, with two members being appointed by the Conecuh County Commission and two members being appointed by the City. The City's portion of these activities has been included in the financial statement. (See Note 5)

**Note 9 – Pension Plan**

Plan Description

The City of Evergreen's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City's pension plan is affiliated with the Employees' Retirement System of Alabama (ERS), an agent multiple-employer pension plan administered by the Retirement Systems of Alabama.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for ERS.

That report may be obtained by writing to Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150 or by calling (334) 832-4140.

Substantially all employees are members of the ERS. Membership is mandatory for covered employees of the City of Evergreen. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service.

Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. These methods are (1) Minimum Guaranteed and, (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama, 1945, for the purpose of providing retirement allowances and other specified benefits for the State employees, State police, and on an elective basis to all cities, counties, towns, and quasi public organizations. The responsibility for general administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama, 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost of Living Adjustments granted to retirees.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 9 – Pension Plan (Continued)**

Funding Policy

The City's pension plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 0.33%, which is 0.066 times the employee rate. The contribution requirements of pension plan members are established by the Code of Alabama, and the contribution requirements of the City are established and may be amended by the ERS.

Annual Pension Cost

For the year ended September 30, 2009, the City's annual pension cost of \$142,582 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2007, actuarial valuation.

Actuarial Methods and Assumptions:

Valuation Date:	9/30/06
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percent Open
Remaining Amortization Period:	20 years
Asset Valuation Method:	5-yr Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	8.00%*
Projected Salary Increases:	4.61% - 7.75%*
Cost of Living Adjustments:	None

\*Includes inflation at 4.50%

Trend Information for the Retirement System (latest available)

Fiscal Year Ending	Annual Pension Cost (APC)	Contributed	Obligation (NPO)
9/30/2002	\$ 52,561	100%	\$0
9/30/2003	50,503	100%	0
9/30/2004	69,932	100%	0
9/30/2005	80,027	100%	0
9/30/2006	87,222	100%	0
9/30/2007	105,963	100%	0
9/30/2008	125,388	100%	0

**Note 10 – Risk Management**

The City is exposed to various risks of loss in the performance of its governmental functions. The City protects against risks of loss through the purchase of insurance from Alabama Municipal Insurance Corporation and the Municipal Worker's Compensation program. Insurance expenditures are allocated within various departments of the General Fund and to other funds of the City based on payroll and other experience factors. No changes in insurance coverages occurred compared to the previous year nor has the City experienced any insurance settlements in excess of insurance coverages over the past three years.

## **Required Supplementary Information**

*Required Supplementary Information  
Budgetary Comparison Schedules - General Fund*

City of Evergreen  
Evergreen, Alabama  
For the Year Ended September 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,346,500	\$ 1,346,500	\$ 1,447,533	\$ 101,033
Licenses	220,000	220,000	217,411	(2,589)
Fines and costs	75,000	75,000	96,968	21,968
Rental income	44,660	44,660	64,581	19,921
Grant revenue	20,200	20,200	882,076	861,876
Airport revenue	70,000	70,000	77,002	7,002
Miscellaneous revenues	96,500	96,500	196,728	100,228
<b>Total revenues</b>	<u>1,872,860</u>	<u>1,872,860</u>	<u>2,982,299</u>	<u>1,109,439</u>
<b>Expenditures</b>				
Current:				
General government	1,141,350	1,141,350	1,191,535	(50,185)
Public safety:				
Police	964,500	964,500	783,861	180,639
Fire	38,000	38,000	30,255	7,745
Court	59,400	59,400	60,080	(680)
Public works:				
Streets and sanitation	572,500	572,500	1,116,496	(543,996)
Other	82,600	82,600	78,784	3,816
Civic improvement:				
Airport	128,000	128,000	79,905	48,095
Economic development	90,000	90,000	338,870	(248,870)
Culture and recreation	309,300	309,300	279,159	30,141
Capital outlay	50,000	1,699,464	1,915,962	(216,498)
Debt service	350,513	350,513	357,471	(6,958)
<b>Total expenditures</b>	<u>3,786,163</u>	<u>5,435,627</u>	<u>6,232,378</u>	<u>(796,751)</u>
<b>Excess of expenses over revenues</b>	<u>(1,913,303)</u>	<u>(3,562,767)</u>	<u>(3,250,079)</u>	<u>312,688</u>
<b>Other financing sources</b>				
Transfers in	1,914,300	1,914,300	1,685,000	(229,300)
Proceeds from issuance of long-term debt		1,649,464	1,535,555	(113,909)
<b>Total other financing sources</b>	<u>1,914,300</u>	<u>3,563,764</u>	<u>3,220,555</u>	<u>(343,209)</u>
<b>Net change in fund balance</b>	<u>\$ 997</u>	<u>\$ 997</u>	<u>\$ (29,524)</u>	<u>\$ (30,521)</u>

The notes to the required supplementary information are an integral part of this schedule.

*Required Supplementary Information*  
*Budgetary Comparison Schedules - General Fund (Continued)*

**City of Evergreen**  
**Evergreen, Alabama**  
**For the Year Ended September 30, 2009**

**The explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures are as follows:**

**Sources of Resources:**

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 2,982,299
Differences - Budget to GAAP:	
The City budgets on the cash basis of accounting instead of modified accrual basis of accounting. Revenues that are both measurable and available are considered revenues for GAAP statements but is not a current resource for budgetary purposes.	(7,534)
The City does not budget for interest income earned on cash and investments.	<u>143,048</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund.	<u>\$ 3,117,813</u>

**Uses of Resources:**

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 6,232,378
Differences - Budget to GAAP:	
The City budgets other operating expenditures on the cash basis, rather than on the modified accrual basis.	<u>(525,423)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund.	<u>\$ 5,706,955</u>

*The notes to the required supplementary information are an integral part of this schedule.*

*Required Supplementary Information*  
*Budgetary Comparison Schedules - Proprietary Fund*

City of Evergreen  
 Evergreen, Alabama  
 For the Year Ended September 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Charges for services:</b>				
Electric revenues	\$ 5,314,000	\$ 5,314,000	\$ 5,597,728	\$ 283,728
Garbage revenues	250,000	250,000	224,285	(25,715)
Sewer revenues	435,500	435,500	435,101	(399)
Water revenues	669,500	669,500	658,099	(11,401)
<b>Total operating revenue</b>	<u>6,669,000</u>	<u>6,669,000</u>	<u>6,915,213</u>	<u>246,213</u>
<b>Operating expenses</b>				
Personnel, operations and maintenance, utilities:				
Electric expenses	3,794,136	3,794,136	3,802,114	(7,978)
Garbage expenses	103,000	103,000	94,181	8,819
Sewer expenses	216,000	216,000	224,386	(8,386)
Water expenses	512,855	512,855	471,070	41,785
Administrative costs	147,700	147,700	139,858	7,842
<b>Total operating expenses</b>	<u>4,773,691</u>	<u>4,773,691</u>	<u>4,731,609</u>	<u>42,082</u>
<b>Nonoperating revenue (expenses)</b>				
Interest income			30,196	30,196
Interest expense			(146,879)	(146,879)
Miscellaneous revenue	19,010	19,010	42,669	23,659
<b>Total nonoperating revenue (expenses)</b>	<u>19,010</u>	<u>19,010</u>	<u>(74,014)</u>	<u>(93,024)</u>
<b>Income before contributions, transfers &amp; special items</b>				
Transfers out	(1,914,300)	(1,914,300)	(1,685,000)	229,300
<b>Change in net assets</b>	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ 424,590</u>	<u>\$ 424,571</u>

**The explanation of differences between budgetary revenues and expenses and GAAP revenues and expenses are as follows:**

**Operating expenses:**

Actual amounts (budgetary basis) from budgetary comparison schedule \$ 4,731,609

**Differences - Budget to GAAP:**

Add (deduct) other reconciling items to adjust from budgetary basis to accrual basis:

Change in accounts payable	43,806
The City does not budget for depreciation expense	<u>276,289</u>

Total expenses as reported on the Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund.

\$ 5,051,704

*The notes to the required supplementary information are an integral part of this schedule.*

*Required Supplementary Information*  
*Schedule of Funding Progress - Pension Plan*

City of Evergreen

Evergreen, Alabama

For the Year Ended September 30, 2009

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 )
9/30/2002	4,454,134	4,136,300	(317,834)	107.7%	1,712,997	-18.6%
9/30/2003	4,562,682	4,495,673	(67,009)	101.5%	1,781,211	-3.8%
9/30/2004	4,681,207	4,589,428	(91,779)	102.0%	1,701,834	-5.4%
9/30/2005	4,841,708	5,263,547	421,839	92.0%	1,747,346	24.1%
9/30/2006	4,999,442	5,648,349	648,907	88.5%	1,920,050	33.8%
9/30/2007	5,169,186	5,940,459	771,273	87.0%	1,827,767	42.2%
9/30/2008	5,189,435	6,144,130	954,695	84.5%	1,914,163	49.9%

*The notes to the required supplementary information are an integral part of this schedule.*



# Notes to Required Supplementary Information

City of Evergreen  
Evergreen, Alabama  
September 30, 2009

## Note 1 - Stewardship, Compliance and Accountability

### A. Budgetary Information

An annual budget is adopted for the General fund and the Water, Sewer, and Electric fund on the cash basis that is not consistent with accounting principles generally accepted in the United States of America (GAAP). All budgeting comparisons presented in this report are on a non-GAAP budgetary basis (see below). Annual budgets are not adopted for the Special Revenue fund, and Capital Projects fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements of the annually budgeted funds:

1. Around July 1, instructions and budget workpapers are distributed to departments and a revenue estimate for the following fiscal year is prepared.
2. Between August 1 and September 1, the following steps occur:
  - Departments return copies of completed budget request forms to the City Administrator.
  - The Mayor and budget staff begin independent departmental reviews and prepare recommended changes to departmental budgets.
  - The Mayor submits recommended departmental changes to individual departments affected.
  - Departments incorporate recommended budget changes and update budget schedules.
  - The Mayor's recommended budget is finalized for submission to the City Council.
3. Between September 1 and September 30 these final steps occur:
  - The Mayor presents the proposed budget to the City Council.
  - The City Council takes final action for approval of the operating budget by the beginning date of the fiscal year.

The annual budget is prepared by department. For the General fund that includes operating City departments, the Mayor, or appointed City staff, is authorized to make budget transfers by objects within the activity categories of each department: personal services, operating expenses and capital outlay. The legal level of budgetary control is by activity for General fund departments. No budget amendments were made and/or approved by the City Council during the year. The budget amounts are reflected in these financial statements.

**Notes to Required Supplementary Information (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2009**

**Note 1 - Stewardship, Compliance and Accountability (Continued)**

**B. Excess of Expenditures Over Appropriations**

The General fund incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2009:

General government	\$	50,185
Public safety:		
Court		680
Civic improvement:		
Economic development		248,870
Capital outlay		216,498
Debt service		6,958

The excess expenditures were provided by additional grant revenue received over budgeted amounts, loan proceeds, previously issued Series 2006A bond proceeds and available reserves in fund balance.

The Proprietary fund incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2009:

Electric expenses	\$	7,978
Sewer		8,386

The excess expenditures were provided by additional revenue received over budgeted amounts.

**Note 2 - Pension Plan**

The City of Evergreen's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A schedule of funding progress is presented herein.

## **Supplemental Information**

# Combining Balance Sheet - Nonmajor Governmental Funds

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 214,206	\$ 270,362	\$ 18,138	\$ 484,568
Restricted cash				
<b>Total assets</b>	<u>214,206</u>	<u>270,362</u>	<u>18,138</u>	<u>502,706</u>
<b>Fund balances</b>				
Reserved for road projects	214,206	270,362		484,568
Unreserved & undesignated			18,138	18,138
<b>Total fund balances</b>	<u>214,206</u>	<u>270,362</u>	<u>18,138</u>	<u>502,706</u>
<b>Total liabilities and fund balances</b>	<u>\$ 214,206</u>	<u>\$ 270,362</u>	<u>\$ 18,138</u>	<u>\$ 502,706</u>

The notes to the financial statements are an integral part of this statement.

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds*

City of Evergreen  
Evergreen, Alabama

For the year ended September 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund	
<b>Revenues</b>				
Taxes	\$ 64,478	\$ 58,388	\$ 16,602	\$ 139,468
Petroleum inspection fee	10,724			10,724
<b>Total revenues</b>	<u>75,202</u>	<u>58,388</u>	<u>16,602</u>	<u>150,192</u>
<b>Expenditures</b>				
Current:				
Public safety:				
Fire			15,468	15,468
Public works:				
Capital outlay - infrastructure			15,468	15,468
<b>Total expenditures</b>			<u>15,468</u>	<u>15,468</u>
<b>Excess of revenues over (under) expenditures - net changes in fund balance</b>	75,202	58,388	1,134	134,724
<b>Fund balances, beginning</b>	<u>139,004</u>	<u>211,974</u>	<u>17,004</u>	<u>367,982</u>
<b>Fund balances, ending</b>	<u>\$ 214,206</u>	<u>\$ 270,362</u>	<u>\$ 18,138</u>	<u>\$ 502,706</u>

The notes to the financial statements are an integral part of this statement.

# Schedule of Expenditures of Federal Awards

City of Evergreen  
 Evergreen, Alabama  
 As of September 30, 2009

Federal Grantor/ Pass-Through Grantor Program	Program Title	CFDA Number	Grant Number	Expenditures
United States Department of Justice	Justice Assistance Grant Program	ARRA 16.XXX		\$ 11,512
<b>United States Department of Labor</b>				
Passed through National Senior Citizen Education and Research Center and Alabama Tombigbee Regional Planning Commission	Senior Community Service Employment Program	17.235	AD-16177-07-60	18,250
<b>United States Department of Transportation</b>				
Passed through State of Alabama Department of Transportation	Airport Improvement Program	20.106	30-01-0092-002-2003	14,475
Passed through State of Alabama Department of Transportation	Airport Improvement Program	20.106	3-01-0092-004-2006	168,125
Passed through State of Alabama Department of Transportation	Airport Improvement Program	20.106	3-01-0092-006-2009	172,874
<b>United States Department of Housing and Urban Development</b>				
Passed through State of Alabama Department of Economic and Community Affairs	Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-06-SP-AL-0034	262,950
<b>Total Federal Financial Assistance</b>				<b>\$ 648,186</b>

Notes to Schedule:

- The City follows the modified accrual basis of accounting in preparing this schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.
- The City did not have any noncash awards during the fiscal year.

Mayer W. Aldridge, CPA (1883-1970)  
John R. Borden, CPA (1916-1994)

## PARTNERS

Dave G. Borden, CPA, ABV  
James E. Blake, CPA  
William L. Cox, CPA, CVA  
Richard N. Yon, CPA  
Rhonda L. Sibley, CPA  
W. Dane Floyd, CPA, ABV, CVA  
Jeffrey T. Windham, CPA, CVA  
B. David Chandler, CPA

## PRINCIPALS

Bonnee Barrow Bailey, CPA, CVA  
Leigh McCalla Dykes, CPA  
Ashley Conner Lough, CPA  
Roger A. Spain, CPA, CFA, ABV, CVA

Independent Accountants' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Mayor and City Council  
City of Evergreen  
Evergreen, Alabama

We have audited 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, as of and for the year ended September 30, 2009, which collectively comprise the City of Evergreen's basic financial statements and have issued our report thereon dated May 27, 2010. 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.

*Internal Control over Financial Reporting*

In planning and performing our audit, we considered the City of Evergreen's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Evergreen's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Evergreen's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that we consider to be significant deficiencies. However, as discussed below, we identified certain deficiencies in Internal Control over Financial Reporting that we consider significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (items 09-01 and 09-02) to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider both items 09-01 and 09-02 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Evergreen's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit the City's responses and accordingly we express no opinion on them.

This report is intended solely for the information and use of the City council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Albridge, Borden and Company, P.C.*

May 27, 2010



Mayer W. Aldridge, CPA (1883-1970)  
John R. Borden, CPA (1916-1994)

## SHAREHOLDERS

Dave G. Borden, CPA, ABV  
James E. Blake, CPA  
William L. Cox, CPA, CVA  
Richard N. Yon, CPA  
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Leigh McCalla Dykes, CPA  
Ashley Conner Lough, CPA  
Roger A. Spain, CPA, CFA, ABV, CVA

Independent Accountants' Report on Compliance With Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance in Accordance With OMB  
Circular A-133

Mayor and City Council  
City of Evergreen  
Evergreen, Alabama

Compliance

We have audited the compliance of the City of Evergreen, Alabama with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the City council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Albridge, Borden and Company, P.C.*

May 27, 2010

# Schedule of Findings and Questioned Costs

City of Evergreen  
Evergreen, Alabama  
For the year ended September 30, 2009

## Section I - Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued: **UNQUALIFIED**

Internal control over financial reporting:

Any material weakness(es) identified?  Yes  No

Any significant deficiencies identified not considered to be material weaknesses?  Yes  None reported

Any noncompliance material to financial statements noted?  Yes  No

### Federal Awards

Internal Control over major programs:

Any material weakness(es) identified?  Yes  No

Any significant deficiencies identified not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: **UNQUALIFIED**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: **\$ 300,000**

Auditee qualified as low-risk auditee?  Yes  No

## Section II - Financial Statement Findings

09-01

### Criteria:

Management of the City should ensure accurate loan documentation is maintained in the City's records and determine the collectability of notes receivable.

## *Schedule of Findings and Questioned Costs (Continued)*

City of Evergreen

Evergreen, Alabama

For the year ended September 30, 2009

### ***Condition:***

The City is currently unable to produce documentation in regards to a mortgage note receivable with the Industrial Development Board of the City of Evergreen. The balance of this note has not been repaid.

### ***Cause:***

The document has been misplaced.

### ***Effect:***

There is some question as to whether this balance is a receivable or appropriation.

### ***Recommendation:***

The City should research the minutes and execute an updated note agreement. Additionally, the matter of making this an appropriation should be considered. However, such action could evidence that the Industrial Development Board should be consolidated.

### ***Response:***

Management agrees and will initiate discussions with the Industrial Development Board to resolve the matter.

09-02

### ***Criteria:***

A strong internal control system is designed to include an assessment that the external financial statements including note disclosures and overall presentation are materially accurate and complete in accordance with generally accepted accounting principles. Current standards state that the internal control system can not rely upon the auditor for a control procedure.

### ***Condition:***

The City does not currently have someone in management or on the Town Council that has the necessary expertise and training to make certain assertions to make this assessment.

### ***Cause:***

Standards were changed to clarify management's responsibility for external reporting.

### ***Effect:***

Management's control over external reporting is limited to the Administrator's review of the year end entries and drafts of the financial statements.

### ***Recommendation:***

We recommend that the City determine if a Council member can provide this service or recruit someone from the community with governmental financial reporting expertise to assist in reviewing the financial statements.

### ***Response:***

Management will evaluate this condition and make a decision before the next fiscal year end.

***Schedule of Findings and Questioned Costs (Continued)***

**City of Evergreen**

**Evergreen, Alabama**

**For the year ended September 30, 2009**

**Section III - Federal Award Findings and Questioned Costs**

No matters reported

## ***Schedule of Prior Audit Findings***

**City of Evergreen**

**Evergreen, Alabama**

**For the year ended September 30, 2009**

### **Finding:**

**08-01** Not corrected this year (shown as 09-01)

**08-02** Not corrected this year (shown as 09-02)

