

**2007 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, 2007, 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, 2007, and the respective changes in financial position 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 January 7, 2008, 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 combining nonmajor funds financial statements 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.*

January 7, 2008

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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, 2007.

## Financial Highlights

- On a government-wide basis, the City's net assets decreased by \$134,592 for the fiscal year, primarily due to depreciation of fixed assets in the utility operations.
- The City's combined net assets total \$13,704,889 at September 30, 2007. Of this amount, \$4,793,323 is available (unrestricted) to finance ongoing governmental programs and \$854,599 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: 1) government-wide financial statements; 2) fund financial statements; and 3) 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.

|  | <u>Government-wide Statements</u>  | <u>Proprietary Fund Statements</u>   | <u>Fund Statements</u>   |
|--|--|--|--|
| 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 governmental activities of the City include the following:

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 and the nonmajor governmental fund is presented in a columnar fashion. Individual fund data for each of these nonmajor funds is provided in the format of combining statements beginning on page 33.

### **Major Governmental Funds:**

- General
- Capital Projects
- Debt Service

### **Special Revenue:**

- State Gas Tax
- Gas Tax
- Fire Department Tax

The City adopts annual appropriated budgets for the general and debt service funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets. 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 annual appropriated budgets for its proprietary fund. Budgetary comparison statements for the proprietary fund are included within the report to demonstrate compliance with these budgets.

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 \$13,704,889 at the close of the fiscal year.



## Management's Discussion and Analysis (Continued)

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 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 \$10,148,074 up \$216,290 from the prior year. Transfers from business activities accounted for the increase, earning approximately \$1,725,118 prior to the transfer of \$2,076,000 to governmental activities. As a result, business-type activities reflect decreases in net assets of \$350,882. 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, 2007 and 2006:

### Condensed Statement of Net Assets

City of Evergreen  
Evergreen, Alabama  
September 30, 2007

|                             | <u>Governmental</u>  | <u>Business-Type</u> | <u>Total</u>         |
|-----------------------------|----------------------|----------------------|----------------------|
|                             | <u>Activities</u>    | <u>Activities</u>    |                      |
| <b>Assets</b>               |                      |                      |                      |
| Current and Other Assets    | \$ 6,334,068         | \$ 5,552,933         | \$ 11,887,001        |
| Capital Assets              | 8,198,151            | 2,702,216            | 10,900,367           |
| <b>Total Assets</b>         | <b>\$ 14,532,219</b> | <b>\$ 8,255,149</b>  | <b>\$ 22,787,368</b> |
| <br>                        |                      |                      |                      |
| Current and Other           |                      |                      |                      |
| Liabilities                 | \$ 339,145           | \$ 1,007,191         | \$ 1,346,336         |
| Long-term liabilities       | 4,045,000            | \$ 3,691,143         | 7,736,143            |
| <b>Total Liabilities</b>    | <b>\$ 4,384,145</b>  | <b>\$ 4,698,334</b>  | <b>\$ 9,082,479</b>  |
| <br>                        |                      |                      |                      |
| <b>Net Assets</b>           |                      |                      |                      |
| Invested in Capital Assets, |                      |                      |                      |
| net of related debt         | \$ 4,479,990         | \$ 2,702,216         | \$ 7,182,206         |
| Restricted                  | 874,761              |                      | 874,761              |
| Unrestricted                | 4,793,323            | \$ 854,599           | 5,647,922            |
| <b>Total Net Assets</b>     | <b>\$ 10,148,074</b> | <b>\$ 3,556,815</b>  | <b>\$ 13,704,889</b> |

# Management's Discussion and Analysis (Continued)

## Condensed Statement of Net Assets

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2006

|  | Governmental Business-Type |                     |                      |
|--|----------------------------|---------------------|----------------------|
|  | Activities                 | Activities          | Total                |
| <b>Assets</b>                                      |                            |                     |                      |
| Current and Other Assets                           | \$ 6,556,678               | \$ 1,938,164        | \$ 8,494,842         |
| Capital Assets                                     | 7,254,909                  | 2,977,398           | 10,232,307           |
| <b>Total Assets</b>                                | <b>\$ 13,811,587</b>       | <b>\$ 4,915,562</b> | <b>\$ 18,727,149</b> |
| <br>   |                            |                     |                      |
| <b>Current and Other</b>                           |                            |                     |                      |
| Liabilities  | \$ 267,919                 | \$ 981,722          | \$ 1,249,641         |
| Long-term liabilities                              | 3,611,884                  | \$ 26,143           | 3,638,027            |
| <b>Total Liabilities</b>                           | <b>\$ 3,879,803</b>        | <b>\$ 1,007,865</b> | <b>\$ 4,887,668</b>  |
| <br>   |                            |                     |                      |
| <b>Net Assets</b>                                  |                            |                     |                      |
| Invested in Capital Assets,<br>net of related debt | \$ 3,538,025               | \$ 2,977,398        | \$ 6,515,423         |
| Restricted   | 1,409,725                  |                     | 1,409,725            |
| Unrestricted                                       | 4,984,034                  | \$ 930,299          | 5,914,333            |
| <b>Total Net Assets</b>                            | <b>\$ 9,931,784</b>        | <b>\$ 3,907,697</b> | <b>\$ 13,839,481</b> |

## 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, 2007 and 2006:

#### Condensed Statement of Activities

**City of Evergreen  
Evergreen, Alabama  
For the year ended September 30, 2007**

|                                       | <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>        |
|---------------------------------------|--|---|---------------------|
| <b>Revenues</b>                       |  |   |                     |
| Program Revenues:                     |  |   |                     |
| Charges for services                  | \$ 272,558                               | \$ 6,041,390                              | \$ 6,313,948        |
| Operating Grants and Contributions    | 163,210                                  |   | 163,210             |
| Capital grants and contributions      | 40,117                                   |   | 40,117              |
| General Revenues                      |  |   |                     |
| Sales taxes                           | 854,098                                  |   | 854,098             |
| Property taxes                        | 266,557                                  |   | 266,557             |
| Unrestricted grants and contributions | 544,087                                  |   | 544,087             |
| Other Income                          | 277,585                                  | 33,865                                    | 311,450             |
| Transfers                             | 2,076,000                                | (2,076,000)                               |                     |
| <b>Total Revenues</b>                 | <b>\$ 4,494,212</b>                      | <b>\$ 3,999,255</b>                       | <b>\$ 8,493,467</b> |
| Program Activities:                   |  |   |                     |
| Governmental Activities:              |  |   |                     |
| General Government                    | \$ 624,697                               |   | \$ 624,697          |
| Public Safety                         | 1,215,113                                |   | 1,215,113           |
| Public Works                          | 1,264,443                                |   | 1,264,443           |
| Civic Improvement                     | 514,832                                  |   | 514,832             |
| Culture and Recreation                | 394,252                                  |   | 394,252             |
| Interest Charges                      | 189,863                                  |   | 189,863             |
| Unallocated Depreciation              | 74,722                                   |   | 74,722              |
| Business-type Activities              |  |   |                     |
| Utility expenses                      |  | 4,350,137                                 | 4,350,137           |
| <b>Total Expenses</b>                 | <b>\$ 4,277,922</b>                      | <b>\$ 4,350,137</b>                       | <b>\$ 8,628,059</b> |
| <b>Net Increase (Decrease)</b>        | <b>\$ 216,290</b>                        | <b>\$ (350,882)</b>                       | <b>\$ (134,592)</b> |

# Management's Discussion and Analysis (Continued)

## Condensed Statement of Activities

City of Evergreen  
 Evergreen, Alabama  
 For the year ended September 30, 2006

|                                       | <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>        |
|---------------------------------------|--|---|---------------------|
| <b>Revenues</b>                       |  |   |                     |
| Program Revenues:                     |  |   |                     |
| Charges for services                  | \$ 228,975                               | \$ 5,357,481                              | \$ 5,586,456        |
| Operating grants and contributions    | 164,382                                  |   | 164,382             |
| Capital grants and contributions      | 160,976                                  |   | 160,976             |
| General Revenues                      |  |   |                     |
| Sales taxes                           | 868,854                                  |   | 868,854             |
| Property taxes                        | 277,112                                  |   | 277,112             |
| Unrestricted grants and contributions | 469,719                                  |   | 469,719             |
| Other Income                          | 304,397                                  | 34,717                                    | 339,114             |
| Transfers                             | 1,375,970                                | (1,375,970)                               | -                   |
| <b>Total Revenues</b>                 | <b>\$ 3,850,385</b>                      | <b>\$ 4,016,228</b>                       | <b>\$ 7,866,613</b> |
|                                       |  |   |                     |
| Program Activities:                   |  |   |                     |
| Governmental Activities:              |  |   |                     |
| General government                    | \$ 640,360                               |   | \$ 640,360          |
| Public safety                         | 1,064,991                                |   | 1,064,991           |
| Public works                          | 793,703                                  |   | 793,703             |
| Civic improvement                     | 321,860                                  |   | 321,860             |
| Culture and recreation                | 359,006                                  |   | 359,006             |
| Interest charges                      | 86,557                                   |   | 86,557              |
| Unallocated depreciation              | 75,245                                   |   | 75,245              |
| Business-type Activities              |  |   |                     |
| Utility expenses                      |  | 4,271,675                                 | 4,271,675           |
| <b>Total Expenses</b>                 | <b>\$ 3,341,722</b>                      | <b>\$ 4,271,675</b>                       | <b>\$ 7,613,397</b> |
| <b>Net Increase (Decrease)</b>        | <b>\$ 508,663</b>                        | <b>\$ (255,447)</b>                       | <b>\$ 253,216</b>   |

For the fiscal year ended September 30, 2007, net assets for governmental activities increased \$216,290 with the increase primarily coming from the business-type activities as shown in the transfer of \$2,076,000 from the proprietary fund.

The increase in net assets in governmental activities is related in great part to construction of assets, rather than accumulation of cash or other liquid assets.

## Management's Discussion and Analysis (Continued)

The decrease in net assets in business-type activities is due to \$700,000 increase in the amounts transferred to the general 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).

### Governmental Activities

#### Revenues

Governmental activities revenues totaled \$4,494,212 for fiscal year 2007, an increase of \$643,827 from 2006. The increase is attributable primarily to an increase in transfers from the business-type activities. 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 6% of governmental revenues.

#### Expenses

Governmental expenses totaled \$4,277,922 for the fiscal year. Of the expenditures, 42% or \$1,779,275 is related to streets and civic improvements, while 28% or \$1,215,113 is related to public safety for police, fire and municipal court services. General government expenses were 15% or \$624,697 while parks, recreation and culture expenses amounted to \$394,252 or 9%. Interest on long-term debt accounted for 4% or \$189,863 of governmental expenses. Overall, governmental activities expenses increased 28%, or \$936,200 from 2006.

### 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 \$6,041,390 in charges, \$4,817,917 or 80% comes from the City's electric operations, and \$974,255 or 16% comes from water and wastewater operation. The remaining charges \$249,218 or 4% are from the City's garbage operation.

#### Expenses

Electric services account for \$3,266,909 or 75% of the City's business-type activities while water and wastewater expenses totaled \$548,577 or 13%, depreciation costs were \$323,831 or 7%, garbage costs were \$108,585 or 2% and administrative costs were \$102,235 or 2% for a total of \$4,350,137.

### Financial Analysis of the City's Funds

#### **Governmental funds**

The combined fund balances of governmental funds for the fiscal year ended September 30, 2007, is \$6,122,028. This represents a \$364,609 decrease in fund balances, primarily due to expenditures associated with various road paving projects incurred during the current fiscal year. A review of some of the more significant funds follows.

#### General Fund

The fund balance of the General Fund increased \$58,665, primarily due to an increase in tax revenues during the 2007 fiscal year.

## Management's Discussion and Analysis (Continued)

### Debt Service

Debt Service Fund expenditures exceeded revenues by \$107,506 due to an increase in the interest portion of payments on long-term bonds payable as well as payments on notes payable associated with expenditures incurred in the prior year as part of the City's investment in the Conecuh Region Capital Improvement Cooperative District.

### General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the fiscal year ended September 30, 2007, 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, 2007

|   | Budget Amounts        |                       | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget |
|---|-----------------------|-----------------------|-----------------------------------|-------------------------------|
|   | Original              | Final                 |                                   | Positive<br>(Negative)        |
| <b>Revenues</b>   |                       |                       |                                   |                               |
| Taxes   | \$ 1,359,000          | \$ 1,359,000          | \$ 1,441,867                      | \$ 82,867                     |
| Licenses  | 124,000               | 124,000               | 159,206                           | 35,206                        |
| Fines and Costs   | 60,000                | 60,000                | 67,644                            | 7,644                         |
| Rental income   | 44,660                | 44,660                | 48,058                            | 3,398                         |
| Grant revenue   | 25,000                | 25,000                | 25,347                            | 347                           |
| Miscellaneous revenues                                  | 225,700               | 225,700               | 312,980                           | 87,280                        |
| <b>Total Revenues</b>                                   | <b>\$ 1,838,360</b>   | <b>\$ 1,838,360</b>   | <b>\$ 2,055,102</b>               | <b>\$ 216,742</b>             |
| <b>Expenditures</b>                                     |                       |                       |                                   |                               |
| <b>Current:</b>   |                       |                       |                                   |                               |
| General government                                      | \$ 850,550            | \$ 850,550            | \$ 1,024,437                      | \$ (173,887)                  |
| Public safety:  | 902,736               | 902,736               | 909,648                           | (6,912)                       |
| Public works  | 638,000               | 638,000               | 581,904                           | 56,096                        |
| Civic Improvement                                       | 298,000               | 298,000               | 408,981                           | (110,981)                     |
| Culture and recreation                                  | 281,300               | 281,300               | 292,761                           | (11,461)                      |
| Capital outlay  | 426,607               | 426,607               | 1,293,776                         | (867,169)                     |
| Debt service  | 192,398               | 192,398               | 1,840,911                         | (1,648,513)                   |
| <b>Total Expenditures</b>                               | <b>\$ 3,589,591</b>   | <b>\$ 3,589,591</b>   | <b>\$ 6,352,418</b>               | <b>\$ (2,762,827)</b>         |
| <b>Excess of Revenues over<br/>(under) Expenditures</b> | <b>\$ (1,751,231)</b> | <b>\$ (1,751,231)</b> | <b>\$ (4,297,316)</b>             | <b>\$ (2,546,085)</b>         |
| <b>Other Financing Sources</b>                          |                       |                       |                                   |                               |
| Transfers in  | \$ 1,600,000          | \$ 1,600,000          | \$ 2,200,000                      | \$ 600,000                    |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (151,231)</b>   | <b>\$ (151,231)</b>   | <b>\$ (2,097,316)</b>             | <b>\$ (1,946,085)</b>         |

## Management's Discussion and Analysis (Continued)

### Proprietary Fund

The total revenue increased \$685,790 from 2006 primarily as a result of a combined increase in electric, water, and wastewater revenues of \$684,502. The increase in these revenues is primarily due to a rate adjustment which was enacted and passed on to our citizens during the current year.

The total expenses went up \$78,462 from 2006 primarily as a result of unexpected repair projects to the water distribution system in the current year.

### Proprietary Fund Budgetary Highlights

A detailed budgetary comparison schedule for the fiscal year ended September 30, 2007, can be found starting on page 30. A summarized schedule is presented below:

#### Condensed Budgetary Comparison Schedules - Proprietary Fund

City of Evergreen  
Evergreen, Alabama  
For the Year Ended September 30, 2007

|  | Budget Amounts      |                     | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget |
|--|---------------------|---------------------|-----------------------------------|-------------------------------|
|  | Original            | Final               |                                   | Positive<br>(Negative)        |
| <b>Operating revenues</b>                            |                     |                     |                                   |                               |
| Charges for Utility Services                         | \$ 5,697,500        | \$ 5,697,500        | \$ 6,041,390                      | \$ 343,890                    |
| <b>Total operating revenues</b>                      | <b>\$ 5,697,500</b> | <b>\$ 5,697,500</b> | <b>\$ 6,041,390</b>               | <b>\$ 343,890</b>             |
| <b>Operating expenses</b>                            |                     |                     |                                   |                               |
| Personnel, operations and<br>maintenance, utilities: | \$ 4,016,200        | \$ 4,016,200        | \$ 4,469,538                      | \$ (453,338)                  |
| Administrative costs                                 | 95,700              | 95,700              | 102,978                           | (7,278)                       |
| <b>Total operating expenses</b>                      | <b>\$ 4,111,900</b> | <b>\$ 4,111,900</b> | <b>\$ 4,572,516</b>               | <b>\$ (460,616)</b>           |
| Nonoperating revenue                                 | \$ 23,700           | \$ 23,700           | \$ 33,865                         | \$ 10,165                     |
| Transfers out  | (1,600,000)         | (1,600,000)         | (2,076,000)                       | (476,000)                     |
| <b>Change in net assets</b>                          | <b>\$ 9,300</b>     | <b>\$ 9,300</b>     | <b>\$ (573,261)</b>               | <b>\$ (582,561)</b>           |

The propriety fund operating revenues exceeded expectations by \$343,890. This excess in revenues was due to a rate adjustment which was enacted and passed on to our citizens during the current year.

There was an unfavorable variance in expenditures totaling \$460,616, primarily due to the costs of unexpected repair projects to the water distribution system in the current year.

## Management's Discussion and Analysis (Continued)

### Capital Assets

At September 30, 2007, the City of Evergreen's investment in capital assets in governmental and business-type activities amounted to \$10,900,367 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 sewer project and airport development project as well as purchases of vehicles and equipment during the year.

### Debt Administration

For the year ended September 30, 2007, the City's long-term debt increased by an amount of \$5,625,000. The increase in debt for the fiscal year was due to the issues of the Series 2007 Electric Revenue bonds in the current year as well as the City's portion of the long-term debt issued by the Conecuh Region Capital Improvement Cooperative District. Proceeds from the electric revenue bond issue will be used to finance improvements to the City's electrical distribution infrastructure.

### 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 sales, real and personal 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 Larry W. Fluker, 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, 2007

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>Assets</b>                             |                            |                             |                      |
| Cash                                      | \$ 2,360,739               | \$ 310,161                  | \$ 2,670,900         |
| Certificates of deposit                   | 2,000,000                  |                             | 2,000,000            |
| Accounts receivable, net                  |                            | 854,233                     | 854,233              |
| Mortgage receivable                       | 336,064                    |                             | 336,064              |
| Prepaid expenses                          | 70,543                     |                             | 70,543               |
| Inventories                               | 19,473                     | 370,524                     | 389,997              |
| Other assets                              | 157,732                    | 106,610                     | 264,342              |
| Restricted assets:                        |                            |                             |                      |
| Cash                                      | 721,322                    | 3,911,405                   | 4,632,727            |
| Investments                               | 359,629                    |                             | 359,629              |
| Funds held in escrow                      | 308,566                    |                             | 308,566              |
| Capital assets:                           |                            |                             |                      |
| Land and construction in progress         | 2,682,173                  | 19,301                      | 2,701,474            |
| Buildings and improvements, net           | 1,296,334                  |                             | 1,296,334            |
| Utility system and related equipment, net |                            | 2,682,915                   | 2,682,915            |
| Equipment and vehicles, net               | 1,156,827                  |                             | 1,156,827            |
| Infrastructure, net                       | 3,062,817                  |                             | 3,062,817            |
| <b>Total Assets</b>                       | <b>14,532,219</b>          | <b>8,255,149</b>            | <b>22,787,368</b>    |
| <b>Liabilities</b>                        |                            |                             |                      |
| Accounts payable                          | 69,088                     | 410,938                     | 480,026              |
| Accrued expenses                          | 21,341                     | 11,888                      | 32,729               |
| Customer deposits                         |                            | 340,379                     | 340,379              |
| Deferred revenue                          |                            | 231,691                     | 231,691              |
| Interest payable                          | 26,893                     | 12,795                      | 39,688               |
| Long-term liabilities                     |                            |                             |                      |
| Portion due within one year:              |                            |                             |                      |
| Bonds and notes payable                   | 175,000                    | 185,000                     | 360,000              |
| Compensated absences                      | 46,823                     | 26,143                      | 72,966               |
| Portion due or payable after one year:    |                            |                             |                      |
| Bonds and notes payable                   | 4,045,000                  | 3,480,000                   | 7,525,000            |
| <b>Total Liabilities</b>                  | <b>4,384,145</b>           | <b>4,698,334</b>            | <b>9,082,479</b>     |
| <b>Net Assets</b>                         |                            |                             |                      |
| Invested in capital assets, net of debt   | 4,479,990                  | 2,702,216                   | 7,182,206            |
| Restricted for:                           |                            |                             |                      |
| Capital projects                          | 298,602                    |                             | 298,602              |
| Debt service                              | 359,632                    |                             | 359,632              |
| Road projects                             | 216,527                    |                             | 216,527              |
| Unrestricted                              | 4,793,323                  | 854,599                     | 5,647,922            |
| <b>Total Net Assets</b>                   | <b>\$ 10,148,074</b>       | <b>\$ 3,556,815</b>         | <b>\$ 13,704,889</b> |

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

# Statement of Activities

City of Evergreen  
Evergreen, Alabama  
September 30, 2007

| Functions/Programs   | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                       |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|  |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                         | Business-type Activities | Total                 |
| <b>Governmental Activities</b>                               |                     |                      |                                    |                                  |   |                          |                       |
| General government   | \$ 624,697          | 224,500              |                                    |                                  | \$ (400,197)                                    |                          | \$ (400,197)          |
| Public safety:   |                     |                      |                                    |                                  |   |                          |                       |
| Police   | 1,047,871           |                      |                                    |                                  | (1,047,871)                                     |                          | (1,047,871)           |
| Fire   | 72,095              |                      | 12,228                             |                                  | (59,867)  |                          | (59,867)              |
| Court  | 95,147              |                      |                                    |                                  | (95,147)  |                          | (95,147)              |
| Public works:  |                     |                      |                                    |                                  |   |                          |                       |
| Streets and sanitation                                       | 1,138,597           |                      | 125,635                            | 31,865                           | (981,097)                                       |                          | (981,097)             |
| Other  | 125,846             |                      |                                    |                                  | (125,846)                                       |                          | (125,846)             |
| Civic Improvement:   |                     |                      |                                    |                                  |   |                          |                       |
| Airport  | 308,190             | 206,783              |                                    | 8,252                            | (93,155)  |                          | (93,155)              |
| Economic development   | 206,642             |                      |                                    |                                  | (206,642)                                       |                          | (206,642)             |
| Culture and recreation                                       | 394,252             |                      | 25,347                             |                                  | (368,905)                                       |                          | (368,905)             |
| Interest charges   | 189,863             |                      |                                    |                                  | (189,863)                                       |                          | (189,863)             |
| Unallocated depreciation                                     | 74,722              |                      |                                    |                                  | (74,722)  |                          | (74,722)              |
| <b>Total government activities</b>                           | <b>\$ 4,277,922</b> | <b>\$ 431,283</b>    | <b>\$ 163,210</b>                  | <b>\$ 40,117</b>                 | <b>\$ (3,643,312)</b>                           |                          | <b>\$ (3,643,312)</b> |
| <b>Business-type activities</b>                              |                     |                      |                                    |                                  |   |                          |                       |
| Electric operations  | \$ 3,442,479        | \$ 4,817,917         |                                    |                                  |   | \$ 1,375,438             | \$ 1,375,438          |
| Garbage operations   | 112,792             | 249,218              |                                    |                                  |   | 136,426                  | 136,426               |
| Sewer operations   | 259,479             | 382,625              |                                    |                                  |   | 123,146                  | 123,146               |
| Water operations   | 535,387             | 591,630              |                                    |                                  |   | 56,243                   | 56,243                |
| <b>Total business-type activities</b>                        | <b>4,350,137</b>    | <b>6,041,390</b>     |                                    |                                  |   | <b>1,691,253</b>         | <b>1,691,253</b>      |
| <b>Total primary government</b>                              | <b>\$ 8,628,059</b> | <b>\$ 6,472,673</b>  | <b>\$ 163,210</b>                  | <b>\$ 40,117</b>                 | <b>\$ (3,643,312)</b>                           | <b>\$ 1,691,253</b>      | <b>\$ (1,952,059)</b> |
| General revenues:  |                     |                      |                                    |                                  |   |                          |                       |
| Sales taxes  |                     |                      |                                    |                                  | \$ 854,098                                      |                          | 854,098               |
| Property taxes   |                     |                      |                                    |                                  | 266,557   |                          | 266,557               |
| Grants and contributions not restricted to specific programs |                     |                      |                                    |                                  | 385,362   |                          | 385,362               |
| Other income   |                     |                      |                                    |                                  | 96,983  | 24,450                   | 121,433               |
| Earnings on investments                                      |                     |                      |                                    |                                  | 180,602   | 9,415                    | 190,017               |
| Transfers  |                     |                      |                                    |                                  | 2,076,000                                       | (2,076,000)              |                       |
| Total general revenues and transfers                         |                     |                      |                                    |                                  | <u>3,859,602</u>                                | <u>(2,042,135)</u>       | <u>1,817,467</u>      |
| <b>Change in net assets</b>                                  |                     |                      |                                    |                                  | 216,290   | (350,882)                | (134,592)             |
| <b>Net assets, beginning</b>                                 |                     |                      |                                    |                                  | 9,931,784                                       | 3,907,697                | 13,839,481            |
| <b>Net assets, ending</b>                                    |                     |                      |                                    |                                  | <u>\$ 10,148,074</u>                            | <u>\$ 3,556,815</u>      | <u>\$ 13,704,889</u>  |

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

## Balance Sheet - Governmental Funds

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2007

|  | General<br>Fund     | Debt<br>Service   | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |                   |                     |                                   |                                |
| Cash and cash equivalents                  | \$ 2,249,030        |                   | \$ 74,494           | \$ 37,215                         | \$ 2,360,739                   |
| Certificates of deposit                    | 2,000,000           |                   |                     |                                   | 2,000,000                      |
| Mortgage receivable                        | 336,064             |                   |                     |                                   | 336,064                        |
| Prepaid expenses                           | 70,543              |                   |                     |                                   | 70,543                         |
| Inventories                                | 19,473              |                   |                     |                                   | 19,473                         |
| Other assets                               | 36,121              |                   |                     |                                   | 36,121                         |
| Due from other funds                       | 9,983               |                   |                     |                                   | 9,983                          |
| Restricted assets:                         |                     |                   |                     |                                   |                                |
| Cash                                       | 504,792             | \$ 3              |                     | 216,527                           | 721,322                        |
| Investments                                |                     | 359,629           |                     |                                   | 359,629                        |
| Funds held in escrow                       |                     |                   | 308,566             |                                   | 308,566                        |
| <b>Total Assets</b>                        | <b>\$ 5,226,006</b> | <b>\$ 359,632</b> | <b>\$ 383,060</b>   | <b>\$ 253,742</b>                 | <b>\$ 6,222,440</b>            |
| <b>Liabilities and Fund Balances</b>       |                     |                   |                     |                                   |                                |
| <b>Liabilities</b>                         |                     |                   |                     |                                   |                                |
| Accounts payable                           | \$ 69,088           |                   |                     |                                   | \$ 69,088                      |
| Due to other funds                         |                     |                   | \$ 9,983            |                                   | 9,983                          |
| Wages and benefits payable                 | 21,341              |                   |                     |                                   | 21,341                         |
| <b>Total Liabilities</b>                   | <b>\$ 90,429</b>    |                   | <b>\$ 9,983</b>     |                                   | <b>\$ 100,412</b>              |
| <b>Fund Balances</b>                       |                     |                   |                     |                                   |                                |
| Reserved for prepaids and inventories      | \$ 90,016           |                   |                     |                                   | \$ 90,016                      |
| Reserved for capital improvements          |                     |                   |                     | \$ 216,527                        | 216,527                        |
| Unreserved, reported in:                   |                     |                   |                     |                                   |                                |
| Debt service fund                          |                     | \$ 359,632        |                     |                                   | 359,632                        |
| Capital projects fund                      |                     |                   | \$ 298,602          |                                   | 298,602                        |
| Unreserved & undesignated                  | 5,045,561           |                   | 74,475              | 37,215                            | 5,157,251                      |
| <b>Total Fund Balances</b>                 | <b>\$ 5,135,577</b> | <b>\$ 359,632</b> | <b>\$ 373,077</b>   | <b>\$ 253,742</b>                 | <b>\$ 6,122,028</b>            |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 5,226,006</b> | <b>\$ 359,632</b> | <b>\$ 383,060</b>   | <b>\$ 253,742</b>                 | <b>\$ 6,222,440</b>            |

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, 2007**

Total fund balance - total governmental funds \$ 6,122,028

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

Capital assets of \$13,090,791 net of accumulated depreciation of \$4,864,133 are not financial resources and therefore, are not reported in the funds. 8,198,151

Bond issuance costs of \$132,062 net of accumulated amortization of \$10,451 are not financial resources and therefore, are not reported in the funds. 121,611

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     | \$ 46,823          |                    |
| Accrued interest on debt | 26,893             |                    |
| Bonds and notes payable  | <u>4,220,000</u>   |                    |
|                          | <u>\$4,293,716</u> | <u>(4,293,716)</u> |

Net assets of governmental activities \$ 10,148,074

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

City of Evergreen

Evergreen, Alabama

For the year ended September 30, 2007

|   | <u>General<br/>Fund</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-------------------------|-----------------------------|--|---|
| <b>Revenues</b>   |                         |                         |                             |  |   |
| Taxes   | \$ 1,441,867            |                         |                             | \$ 137,863                                 | \$ 1,579,730                            |
| Licenses  | 159,206                 |                         |                             |  | 159,206                                 |
| Fines and costs   | 54,428                  |                         |                             |  | 54,428                                  |
| Fees  |                         |                         |                             | 10,866                                     | 10,866                                  |
| Rental income   | 48,058                  |                         |                             |  | 48,058                                  |
| Investment income                                       | 164,095                 | \$ 16,508               |                             |  | 180,603                                 |
| Grant revenue   | 25,347                  |                         | \$ 8,252                    |  | 33,599                                  |
| Intergovernmental                                       | 6,878                   |                         |                             |  | 6,878                                   |
| Airport revenue   | 158,725                 |                         |                             |  | 158,725                                 |
| Miscellaneous revenues                                  | 154,255                 |                         |                             |  | 154,255                                 |
| <b>Total Revenues</b>                                   | <u>2,212,859</u>        | <u>16,508</u>           | <u>8,252</u>                | <u>148,729</u>                             | <u>2,386,348</u>                        |
| <b>Expenditures</b>                                     |                         |                         |                             |  |   |
| Current:  |                         |                         |                             |  |   |
| General government                                      | 611,050                 |                         |                             |  | 611,050                                 |
| Public safety:  |                         |                         |                             |  |   |
| Police  | 1,023,595               |                         |                             |  | 1,023,595                               |
| Fire  | 26,076                  |                         |                             | 10,615                                     | 36,691                                  |
| Court   | 95,147                  |                         |                             |  | 95,147                                  |
| Public works:   |                         |                         |                             |  |   |
| Streets and sanitation                                  | 584,628                 |                         |                             |  | 584,628                                 |
| Other   | 93,489                  |                         |                             |  | 93,489                                  |
| Civic improvement:                                      |                         |                         |                             |  |   |
| Airport   | 296,582                 |                         |                             |  | 296,582                                 |
| Economic development                                    | 138,781                 |                         |                             |  | 138,781                                 |
| Culture and recreation                                  | 362,502                 |                         |                             |  | 362,502                                 |
| Capital outlay  | 1,288,670               |                         | 8,252                       | 453,882                                    | 1,750,804                               |
| Debt service:   |                         |                         |                             |  |   |
| Principal   |                         | 1,631,884               |                             |  | 1,631,884                               |
| Interest  |                         | 209,027                 |                             |  | 209,027                                 |
| <b>Total Expenditures</b>                               | <u>4,520,520</u>        | <u>1,840,911</u>        | <u>8,252</u>                | <u>464,497</u>                             | <u>6,834,180</u>                        |
| <b>Excess of Revenues over<br/>(under) Expenditures</b> | <u>\$ (2,307,661)</u>   | <u>\$ (1,824,403)</u>   | <u>\$ -</u>                 | <u>\$ (315,768)</u>                        | <u>\$ (4,447,832)</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, 2007

|   | <u>General<br/>Fund</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-------------------------|-----------------------------|--|---|
| <b>Other Financing Sources (Uses)</b>       |                         |                         |                             |  |   |
| Transfers in (out)                          | \$ 359,103              | \$ 1,716,897            |                             |  | \$ 2,076,000                            |
| Proceeds from issuance of long-term debt    | 2,007,223               |                         |                             |  | 2,007,223                               |
| <b>Total Other Financing Sources (Uses)</b> | <u>2,366,326</u>        | <u>1,716,897</u>        | <u>-</u>                    |  | <u>4,083,223</u>                        |
| <b>Net Changes in Fund Balance</b>          | 58,665                  | (107,506)               | -                           | (315,768)                                  | (364,609)                               |
| <b>Fund Balances, Beginning</b>             | <u>5,076,912</u>        | <u>467,138</u>          | <u>373,077</u>              | <u>569,510</u>                             | <u>6,486,637</u>                        |
| <b>Fund Balances, Ending</b>                | <u>\$ 5,135,577</u>     | <u>\$ 359,632</u>       | <u>\$ 373,077</u>           | <u>\$ 253,742</u>                          | <u>\$ 6,122,028</u>                     |

*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, 2007**

Net change in *fund balances* - total governmental funds \$ (364,609)

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 (\$1,296,922) exceeded depreciation expense (\$353,680) in the current period. 943,242

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. (2,007,223)

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. 1,631,884

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:

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Amortization of debt issuance costs | (10,451)      |               |
| Accrued interest on debt            | <u>23,447</u> | <u>12,996</u> |
|                                     | <u>12,996</u> |               |

Change in net assets of governmental activities \$ 216,290



# Statement of Net Assets - Proprietary Fund

City of Evergreen  
 Evergreen, Alabama  
 September 30, 2007

|   |                            |
|---|----------------------------|
| <b>Assets</b>   |                            |
| Cash and cash equivalents                                       | \$ 310,161                 |
| Accounts receivable, net  | 854,233                    |
| Inventories, at cost  | <u>370,524</u>             |
| <b>Total current assets</b>                                     | <u>1,534,918</u>           |
| <b>Restricted assets</b>  |                            |
| Customer meter deposits   | 339,976                    |
| Bond funds  | <u>3,571,429</u>           |
| <b>Total restricted assets</b>                                  | <u>3,911,405</u>           |
| <b>Property and equipment</b>                                   |                            |
| Land  | 19,301                     |
| Office equipment  | 85,649                     |
| Utility system  | 8,952,617                  |
| Utility equipment   | 865,130                    |
| Less: accumulated depreciation                                  | <u>(7,220,481)</u>         |
| <b>Total property and equipment</b>                             | <u>2,702,216</u>           |
| <b>Other assets</b>   |                            |
| Bond issue costs (net)  | 106,610                    |
| <b>Total Assets</b>   | <u><u>8,255,149</u></u>    |
| <b>Liabilities and Fund Balance</b>                             |                            |
| <b>Liabilities</b>  |                            |
| Accounts payable  | 410,938                    |
| Accrued liabilities   | 11,388                     |
| Deferred revenue  | <u>231,691</u>             |
| <b>Total current liabilities</b>                                | <u>654,017</u>             |
| <b>Payable from restricted assets</b>                           |                            |
| Accrued interest payable  | 12,795                     |
| Current portion of bonds payable                                | 185,000                    |
| Customer deposits   | <u>340,379</u>             |
| <b>Total current liabilities payable from restricted assets</b> | <u>538,174</u>             |
| <b>Noncurrent liabilities</b>                                   |                            |
| Compensated absences  | 26,143                     |
| Bonds payable   | <u>3,480,000</u>           |
| <b>Total noncurrent liabilities</b>                             | <u>3,506,143</u>           |
| <b>Total liabilities</b>  | <u>4,698,334</u>           |
| <b>Net Assets</b>   |                            |
| Invested in capital assets, net                                 | 2,702,216                  |
| Unrestricted  | <u>854,599</u>             |
| <b>Total Net Assets</b>   | <u>3,556,815</u>           |
| <b>Total Liabilities and Net Assets</b>                         | <u><u>\$ 8,255,149</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, 2007

|   |                     |
|---|---------------------|
| <b>Operating revenues</b>   |                     |
| Electric revenues   | 4,817,917           |
| Garbage revenues  | 249,218             |
| Sewer revenues  | 382,625             |
| Water revenues  | 591,630             |
| Miscellaneous revenue   | 24,450              |
| <b>Total operating revenues</b>                                   | <u>6,065,840</u>    |
| <b>Operating expenses</b>   |                     |
| Personnel, operations and maintenance, utilities:                 |                     |
| Electric expenses   | 3,266,909           |
| Garbage expenses  | 108,585             |
| Sewer expenses  | 154,637             |
| Water expenses  | 393,940             |
| Depreciation and amortization                                     | 323,831             |
| Administrative costs  | 102,235             |
| <b>Total operating expenses</b>                                   | <u>4,350,137</u>    |
| <b>Operating income</b>   | 1,715,703           |
| <b>Nonoperating revenue</b>                                       |                     |
| Interest income   | 9,415               |
| <b>Total nonoperating revenue</b>                                 | <u>9,415</u>        |
| <b>Income before contributions, transfers &amp; special items</b> | 1,725,118           |
| Transfers out   | <u>(2,076,000)</u>  |
| <b>Change in net assets</b>                                       | <u>(350,882)</u>    |
| <b>Total net assets, beginning</b>                                | 3,907,697           |
| <b>Total net assets, ending</b>                                   | <u>\$ 3,556,815</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, 2007**

|  |                            |
|--|----------------------------|
| <b>Operating activities</b>  |                            |
| Receipts from customers and users  | \$ 5,812,232               |
| Payments to suppliers  | (3,426,662)                |
| Payments to employees  | (613,798)                  |
| <b>Net cash flow from operating activities</b>   | <u>1,771,772</u>           |
| <br><b>Capital financing activities</b>  |                            |
| Purchase of fixed assets   | (48,649)                   |
| Proceeds from issuance of long-term debt   | 3,558,390                  |
| <b>Net cash flows from noncapital financing activities</b>                                   | <u>3,509,741</u>           |
| <br><b>Noncapital financing activities</b>   |                            |
| Transfers out  | (2,076,000)                |
| <br><b>Investing activities</b>  |                            |
| Interest received  | 9,415                      |
| <b>Net cash from investing activities</b>  | <u>9,415</u>               |
| <b>Net change in cash and cash equivalents</b>   | 3,214,928                  |
| <b>Cash and cash equivalents, beginning</b>  | <u>1,006,638</u>           |
| <b>Cash and cash equivalents, ending</b>   | <u><u>4,221,566</u></u>    |
| <br><b>Displayed on the Statement of Net Assets as:</b>                                      |                            |
| Cash and cash equivalents  | 310,161                    |
| Restricted assets:   |                            |
| Customer deposits  | 339,976                    |
| Bond funds   | 3,571,429                  |
|  | <u>4,221,566</u>           |
| <br><b>Operating income</b>  | <br>\$ 1,715,703           |
| <br><b>Adjustments to reconcile operating income to net cash from operating activities:</b>  |                            |
| Depreciation   | 323,831                    |
| Decrease (increase) in operating assets<br>and increase (decrease) in operating liabilities: |                            |
| Change in assets and liabilities:  |                            |
| Receivables  | (264,802)                  |
| Inventories  | (28,429)                   |
| Accounts payable   | 1,528                      |
| Accrued expenses   | 23,941                     |
| <b>Net cash provided by operating activities</b>   | <u><u>\$ 1,771,772</u></u> |

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

# Notes to Financial Statements

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City of Evergreen  
Evergreen, Alabama  
September 30, 2007

## 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.

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**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**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.

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**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**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.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

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.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include taxes not restricted to specific programs.

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.

Cash and Investments - 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. Investments are stated at cost or amortized cost, which approximates fair value.

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**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

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

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."

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, 2007, the allowance for uncollectible accounts was \$271,145.

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 Debt Service Fund, certain funds were established to provide for the payment of principal and interest related to the General Obligation Warrants Series 2003 in accordance with the mortgage and trust indentures. These funds are held by Regions Bank in its first priority treasury money market fund. The total amount of these restricted funds at September 30, 2007 was \$359,629.

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 \$216,527 at September 30, 2007.

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 \$501,839 at September 30, 2007.

Notes to Financial Statements (Continued)  
 City of Evergreen  
 Evergreen, Alabama  
 September 30, 2007

**D. Assets, Liabilities, and Net Assets (Continued)**

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, 2007 was \$308,566.

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 \$3,571,429 at September 30, 2007.

In addition, meter deposits from customers are restricted in the City's Proprietary Fund and totaled \$339, 976 at September 30, 2007.

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           |



Notes to Financial Statements (Continued)  
 City of Evergreen  
 Evergreen, Alabama  
 September 30, 2007

Note 1- Summary of Significant Accounting Policies (Continued)

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                 |

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*.

Notes to Financial Statements (Continued)  
City of Evergreen  
Evergreen, Alabama  
September 30, 2007

Note 1- Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Certificates of Deposit

At September 30, 2007, the City's certificates of deposits are carried at cost, which approximates fair market value. The certificates of deposits bear interest at 5.50%, and have a maturity date of February 2012.

Note 3 - Capital assets

Capital asset activity for the year ended September 30, 2007 was as follows:

|   | Beginning<br>Balance | Additions        | Reclassifications | Ending<br>Balance    |
|---|----------------------|------------------|-------------------|----------------------|
| Land  | \$ 369,126           |                  |                   | \$ 369,126           |
| Construction in progress                          | 2,994,049            | 810,242          | (1,491,244)       | 2,313,047            |
| Buildings and improvements                        | 2,896,516            | 206,853          |                   | 3,103,369            |
| Equipment and vehicles                            | 2,322,023            | 279,827          |                   | 2,601,850            |
| Infrastructure                                    | 3,183,648            |                  | 1,491,244         | 4,674,892            |
| <b>Total capital assets</b>                       | <b>\$ 11,765,362</b> | <b>1,296,922</b> |                   | <b>\$ 13,062,284</b> |
| Less accumulated depreciation for:                |                      |                  |                   |                      |
| Buildings and improvements                        | \$ 1,682,965         | 124,070          |                   | \$ 1,807,035         |
| Equipment and vehicles                            | 1,290,318            | 154,705          |                   | 1,445,023            |
| Infrastructure                                    | 1,537,170            | 74,905           |                   | 1,612,075            |
| <b>Total accumulated depreciation</b>             | <b>\$ 4,510,453</b>  | <b>353,680</b>   |                   | <b>\$ 4,864,133</b>  |
| <b>Governmental activities fixed assets, net</b>  | <b>\$ 7,254,909</b>  | <b>943,242</b>   |                   | <b>\$ 8,198,151</b>  |
| Business-type activities:                         |                      |                  |                   |                      |
| Land  | \$ 19,301            |                  |                   | \$ 19,301            |
| Utility system and equipment                      | 9,854,747            | 48,649           |                   | 9,903,396            |
| <b>Total capital assets</b>                       | <b>9,874,048</b>     | <b>48,649</b>    |                   | <b>9,922,697</b>     |
| Less accumulated depreciation for:                |                      |                  |                   |                      |
| Utility system and equipment                      | \$ 6,896,650         | 323,831          |                   | \$ 7,220,481         |
| <b>Total accumulated depreciation</b>             | <b>\$ 6,896,650</b>  | <b>323,831</b>   |                   | <b>\$ 7,220,481</b>  |
| <b>Business-type activities fixed assets, net</b> | <b>\$ 2,977,398</b>  | <b>(275,182)</b> |                   | <b>\$ 2,702,216</b>  |

Notes to Financial Statements (Continued)  
 City of Evergreen  
 Evergreen, Alabama  
 September 30, 2007

Note 3 – Capital assets (Continued)

Construction in progress at September 30, 2007 consists of construction of sewer lines along Interstate 65/U.S. Highway 84.

Depreciation expense of \$353,680 of the Governmental activities infrastructure assets is not allocated to the functions. The depreciation expense for all other depreciable assets is charged to functions/programs of the primary government as follows:

|                                      |                          |
|--------------------------------------|--------------------------|
| General government                   | \$ 13,647                |
| Public Safety:                       |                          |
| Police                               | 24,276                   |
| Fire                                 | 35,403                   |
| Public Works:                        |                          |
| Streets and sanitation               | 100,087                  |
| Other                                | 492                      |
| Civic Improvement:                   |                          |
| Airport                              | 11,608                   |
| Economic development                 | 61,694                   |
| Culture and recreation               | 31,750                   |
| Total allocable depreciation expense | <u>\$ 278,957</u>        |
| Unallocated depreciation expense     | <u>74,723</u>            |
| Total depreciation expense           | <u><u>\$ 353,680</u></u> |

Depreciation expense of \$323,831 and administrative costs of \$102,235 of the Water, Sewer, and Electric Fund have been allocated on the government-wide financial statements as follows:

|                     | <u>Depreciation<br/>Expense</u> | <u>Administrative<br/>Costs</u> | <u>Totals</u>     |
|---------------------|---------------------------------|---------------------------------|-------------------|
| Electric operations | \$ 93,988                       | \$ 81,581                       | \$ 175,569        |
| Garbage operations  |                                 | 4,207                           | 4,207             |
| Sewer operations    | 98,383                          | 6,459                           | 104,842           |
| Water operations    | 131,460                         | 9,988                           | 141,448           |
|                     | <u>\$ 323,831</u>               | <u>\$ 102,235</u>               | <u>\$ 426,066</u> |

Notes to Financial Statements (Continued)  
 City of Evergreen  
 Evergreen, Alabama  
 September 30, 2007

Note 4 – Interfund Receivables, Payables, and Transfers

Transfers Out:

|   |                     |
|---|---------------------|
| From General fund to<br>Debt Service fund           | \$ 1,840,911        |
| From General fund to<br>Debt Service fund           | 124,014             |
| From Water, Sewer, Electric fund to<br>General fund | <u>2,076,000</u>    |
| Total   | <u>\$ 4,040,925</u> |

Transfers In:

|   |                     |
|---|---------------------|
| To Debt Service fund from<br>General fund               | \$ 1,840,911        |
| To General fund from<br>Debt Service fund               | 124,014             |
| To General Fund from<br>Water, Sewer, and Electric fund | <u>2,076,000</u>    |
| Total   | <u>\$ 4,040,925</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> |

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.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**Note 5 – Long-term debt (Continued)**

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, 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.

Outstanding Debt

The amount of debt outstanding at September 30, 2007, and information related to it was as follows:

| Description     | Face Amount  | Final Maturity | Interest Rates (%) | Principal Maturities   | Ending Balance      | Within One Year   |
|-----------------|--------------|----------------|--------------------|------------------------|---------------------|-------------------|
| Series 2001 SRF | \$ 810,000   | 08/15/2020     | 3.85%              | \$40,000 to \$70,000   | \$ 730,000          | \$ 40,000         |
| Series 2002 SRF | \$ 695,000   | 08/15/2022     | 3.50%              | \$30,000 to \$55,000   | 635,000             | 30,000            |
| Series 2003 SRF | \$ 860,000   | 11/01/2022     | 2.25% to 5.00%     | \$35,000 to \$75,000   | 790,000             | 35,000            |
| Series 2006-A   | \$ 2,135,000 | 09/01/2027     | 3.75% to 4.25%     | \$70,000 to \$185,000  | 2,065,000           | 70,000            |
| Series 2007 EW  | \$ 3,665,000 | 09/01/2022     | 3.80% to 5.00%     | \$185,000 to \$315,000 | 3,665,000           | 185,000           |
| <b>Total</b>    |              |                |                    |                        | <b>\$ 7,885,000</b> | <b>\$ 360,000</b> |

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**Note 5 – Long-term debt (Continued)**

Future Debt Service

| Year Ending<br>September 30 | Principal | Interest  |
|-----------------------------|-----------|-----------|
| 2008                        | 360,000   | 318,076   |
| 2009                        | 380,000   | 304,889   |
| 2010                        | 395,000   | 291,127   |
| 2011                        | 410,000   | 274,048   |
| 2012                        | 420,000   | 195,299   |
| 2013-2023                   | 5,360,000 | 1,552,279 |
| 2024-2027                   | 560,000   | 57,902    |

Changes in Long-Term Liabilities

|                                 | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance   | Amounts<br>Due Within<br>One Year |
|---------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------------------|
| Series 2001 SRW                 | \$ 770,000           |                     | \$ (40,000)         | \$ 730,000          | \$ 40,000                         |
| Series 2002 SRW                 | 665,000              |                     | (30,000)            | 635,000             | 30,000                            |
| Series 2003 SRW                 | 825,000              |                     | (35,000)            | 790,000             | 35,000                            |
| Series 2006A                    |                      | 2,135,000           | (70,000)            | 2,065,000           | 70,000                            |
| Series 2007 Electric Warrants   |                      | 3,665,000           |                     | 3,665,000           | 185,000                           |
| <b>Total warrants and notes</b> | <b>\$ 2,260,000</b>  | <b>\$ 5,800,000</b> | <b>\$ (175,000)</b> | <b>\$ 7,885,000</b> | <b>\$ 360,000</b>                 |
| Compensated absences            | 46,823               |                     |                     | 46,823              |                                   |
| <b>Totals</b>                   | <b>\$ 2,306,823</b>  | <b>\$ 5,800,000</b> | <b>\$ (175,000)</b> | <b>\$ 7,931,823</b> | <b>\$ 360,000</b>                 |

**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.

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**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**Note 6 – Fund Equity Reserves and Designations (Continued)**

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, 2007, 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.

Litigation

The City is involved in various legal proceedings that normally occur in government operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

**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. 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 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.

**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**Note 9 - Pension Plan (Continued)**

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.

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, 2007, the City's annual pension cost of \$101,852 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2006, 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                 |



**Notes to Financial Statements (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**Note 9 – Pension Plan (Continued)**

\*Includes inflation at 4.50%

Trend Information for the Retirement System (latest available)

| Fiscal<br>Year<br>Ending | Annual<br>Pension<br>Cost<br>(APC) | Contributed | Obligation<br>(NPO) |
|--------------------------|------------------------------------|-------------|---------------------|
| 9/30/2001                | \$ 58,547                          | 100%        |                     |
| 9/30/2002                | 52,561                             | 100%        |                     |
| 9/30/2003                | 50,503                             | 100%        |                     |
| 9/30/2004                | 69,932                             | 100%        |                     |
| 9/30/2005                | 80,027                             | 100%        |                     |
| 9/30/2006                | 87,222                             | 100%        |                     |

**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.

**Note 11 – Subsequent Event**

The City received approval for a \$685,564 mortgage loan from the Economic Development Administration for 15 years in order to make improvements to the public library. An additional \$297,000 was to be provided towards construction by an EDI grant award. The library facilities are pledged as collateral along with a general obligation bond.

## **Required Supplementary Information**

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

City of Evergreen  
 Evergreen, Alabama  
 For the Year Ended September 30, 2007

|   | Budget Amounts        |                       | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget |
|---|-----------------------|-----------------------|-----------------------------------|-------------------------------|
|   | Original              | Final                 |                                   | Positive<br>(Negative)        |
| <b>Revenues</b>   |                       |                       |                                   |                               |
| Taxes   | \$ 1,359,000          | \$ 1,359,000          | \$ 1,441,867                      | \$ 82,867                     |
| Licenses  | 124,000               | 124,000               | 159,206                           | 35,206                        |
| Fines and Costs   | 60,000                | 60,000                | 67,644                            | 7,644                         |
| Rental income   | 44,660                | 44,660                | 48,058                            | 3,398                         |
| Grant revenue   | 25,000                | 25,000                | 25,347                            | 347                           |
| Airport revenue   | 150,000               | 150,000               | 158,725                           | 8,725                         |
| Miscellaneous revenues                                  | 75,700                | 75,700                | 154,255                           | 78,555                        |
| <b>Total Revenues</b>                                   | <b>\$ 1,838,360</b>   | <b>\$ 1,838,360</b>   | <b>\$ 2,055,102</b>               | <b>\$ 216,742</b>             |
| <b>Expenditures</b>                                     |                       |                       |                                   |                               |
| Current:  |                       |                       |                                   |                               |
| General government                                      | \$ 850,550            | \$ 850,550            | \$ 1,024,437                      | \$ (173,887)                  |
| Public safety:  |                       |                       |                                   |                               |
| Police  | 800,500               | 800,500               | 808,759                           | (8,259)                       |
| Fire  | 26,500                | 26,500                | 26,226                            | 274                           |
| Court   | 75,736                | 75,736                | 74,663                            | 1,073                         |
| Public works:   |                       |                       |                                   |                               |
| Streets and sanitation                                  | 562,000               | 562,000               | 507,144                           | 54,856                        |
| Other   | 76,000                | 76,000                | 74,760                            | 1,240                         |
| Civic improvement:                                      |                       |                       |                                   |                               |
| Airport   | 223,000               | 223,000               | 286,509                           | (63,509)                      |
| Economic development                                    | 75,000                | 75,000                | 122,472                           | (47,472)                      |
| Culture and recreation                                  | 281,300               | 281,300               | 292,761                           | (11,461)                      |
| Capital outlay  | 426,607               | 426,607               | 1,293,776                         | (867,169)                     |
| Debt service  | 192,398               | 192,398               | 1,840,911                         | (1,648,513)                   |
| <b>Total Expenditures</b>                               | <b>\$ 3,589,591</b>   | <b>\$ 3,589,591</b>   | <b>\$ 6,352,418</b>               | <b>\$ (2,762,827)</b>         |
| <b>Excess of Revenues over<br/>(under) Expenditures</b> | <b>\$ (1,751,231)</b> | <b>\$ (1,751,231)</b> | <b>\$ (4,297,316)</b>             | <b>\$ (2,546,085)</b>         |
| <b>Other Financing Sources</b>                          |                       |                       |                                   |                               |
| Transfers in  | \$ 1,600,000          | \$ 1,600,000          | \$ 2,200,000                      | \$ 600,000                    |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (151,231)</b>   | <b>\$ (151,231)</b>   | <b>\$ (2,097,316)</b>             | <b>\$ (1,946,085)</b>         |

*The notes to the financial statements 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, 2007

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   | \$ 2,055,102        |
| 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. | (6,338)             |
| The City does not budget for interest income earned on cash and investments.  | <u>164,095</u>      |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- General Fund.   | <u>\$ 2,212,859</u> |

**Uses of Resources:**

|   |                     |
|---|---------------------|
| Actual amounts (budgetary basis) from budgetary comparison schedule   | \$ 6,352,418        |
| Differences - Budget to GAAP:   |                     |
| The City budgets other operating expenditures on the cash basis, rather than on the modified accrual basis.           | <u>(1,831,898)</u>  |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- General Fund. | <u>\$ 4,520,520</u> |

*The notes to the financial statements 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, 2007

|   | Budget Amounts        |                      | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget |
|---|-----------------------|----------------------|-----------------------------------|-------------------------------|
|   | Original              | Final                |                                   | Positive<br>(Negative)        |
| <b>Charges for services:</b>  |                       |                      |                                   |                               |
| Electric revenues   | \$ 4,847,000          | 4,847,000            | \$ 4,817,917                      | \$ (29,083)                   |
| Garbage revenues  | 250,000               | 250,000              | 249,218                           | (782)                         |
| Sewer revenues  | 217,500               | 217,500              | 382,625                           | 165,125                       |
| Water revenues  | 383,000               | 383,000              | 591,630                           | 208,630                       |
| <b>Total operating revenue</b>  | <u>\$ 5,697,500</u>   | <u>\$ 5,697,500</u>  | <u>\$ 6,041,390</u>               | <u>\$ 343,890</u>             |
| <b>Operating expenses</b>   |                       |                      |                                   |                               |
| Personnel, operations and maintenance, utilities:                     |                       |                      |                                   |                               |
| Electric expenses   | \$ 3,407,000          | \$ 3,407,000         | \$ 3,559,550                      | \$ (152,550)                  |
| Garbage expenses  | 133,000               | 133,000              | 112,792                           | 20,208                        |
| Sewer expenses  | 168,200               | 168,200              | 261,856                           | (93,656)                      |
| Water expenses  | 308,000               | 308,000              | 535,340                           | (227,340)                     |
| Administrative costs  | 95,700                | 95,700               | 102,978                           | (7,278)                       |
| <b>Total operating expenses</b>                                       | <u>\$ 4,111,900</u>   | <u>\$ 4,111,900</u>  | <u>\$ 4,572,516</u>               | <u>\$ (460,616)</u>           |
| <b>Nonoperating revenue (expenses)</b>                                |                       |                      |                                   |                               |
| Interest income   | \$ 2,700              | \$ 2,700             | \$ 9,415                          | \$ 6,715                      |
| Miscellaneous revenue   | 21,000                | 21,000               | 24,450                            | 3,450                         |
| <b>Total nonoperating revenue (expenses)</b>                          | <u>\$ 23,700</u>      | <u>\$ 23,700</u>     | <u>\$ 33,865</u>                  | <u>\$ 10,165</u>              |
| <b>Income before contributions, transfers &amp;<br/>special items</b> |                       |                      |                                   |                               |
| Transfers out   | <u>\$ (1,600,000)</u> | <u>\$(1,600,000)</u> | <u>\$ (2,076,000)</u>             | <u>\$ (476,000)</u>           |
| <b>Change in net assets</b>   | <u>\$ 9,300</u>       | <u>\$ 9,300</u>      | <u>\$ (573,261)</u>               | <u>\$ (582,561)</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  | \$ 4,572,516        |
| Differences - Budget to GAAP:  |                     |
| Add (deduct) other reconciling items to adjust from budgetary basis to accrual basis:                                  |                     |
| Change in accounts payable   | (546,210)           |
| The City does not budget for depreciation expense  | 323,831             |
| <b>Total expenses as reported on the Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund.</b> | <u>\$ 4,350,137</u> |

The notes to the financial statements 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, 2007**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>( a ) | Actuarial Accrued<br>Liability (AAL)<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>( a/b ) | Covered<br>Payroll<br>( c ) | UAAL as a<br>Percentage Of<br>Covered Payroll<br>( (b-a) / c ) |
|--------------------------------|--|--|------------------------------------|----------------------------|-----------------------------|--|
| 9/30/1999                      | \$ 4,045,971                             | \$ 3,527,936   | (518,035)                          | 114.7%                     | \$ 1,487,001                | -34.8%   |
| 9/30/2000                      | 4,347,612                                | 3,646,303  | (701,309)                          | 119.2%                     | 1,726,343                   | -40.6%   |
| 9/30/2001                      | 4,407,016                                | 4,013,404  | (393,612)                          | 109.8%                     | 1,637,636                   | -24.0%   |
| 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%  |

# Notes to Required Supplementary Information

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City of Evergreen  
Evergreen, Alabama  
September 30, 2007

## 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.

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**Notes to Required Supplementary Information (Continued)**  
**City of Evergreen**  
**Evergreen, Alabama**  
**September 30, 2007**

**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, 2007:

|                        |    |           |
|------------------------|----|-----------|
| Public safety:         |    |           |
| Police                 | \$ | 8,259     |
| Civic improvement:     |    |           |
| Airport                |    | 63,509    |
| Economic development   |    | 47,472    |
| Culture and recreation |    | 11,461    |
| Capital outlay         |    | 867,169   |
| Debt service           |    | 1,648,513 |

The excess expenditures were provided by available fund balance in the General fund.

The Proprietary fund incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2007:

|                      |    |         |
|----------------------|----|---------|
| Electric expenses    | \$ | 152,550 |
| Sewer expenses       |    | 93,656  |
| Water expenses       |    | 227,340 |
| Administrative costs |    | 7,278   |

The excess expenditures were provided by available fund balance in the Proprietary fund and 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, 2007

|  | Special Revenue Funds |                   |                             | Total                             |
|--|-----------------------|-------------------|-----------------------------|-----------------------------------|
|  | State Gas<br>Tax Fund | Gas Tax<br>Fund   | Fire Department<br>Tax Fund | Nonmajor<br>Governmental<br>Funds |
| <b>Assets</b>                              |                       |                   |                             |                                   |
| Cash and cash equivalents                  | \$ 63,539             | \$ 152,988        | \$ 37,215                   | \$ 253,742                        |
| <b>Total Assets</b>                        | <u>63,539</u>         | <u>152,988</u>    | <u>37,215</u>               | <u>253,742</u>                    |
| <b>Fund Balances</b>                       |                       |                   |                             |                                   |
| Reserved for capital improvements          | 63,539                | 152,988           |                             | 216,527                           |
| Unreserved & undesignated                  |                       |                   | 37,215                      | 37,215                            |
| <b>Total Fund Balances</b>                 | <u>63,539</u>         | <u>152,988</u>    | <u>37,215</u>               | <u>253,742</u>                    |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 63,539</u>      | <u>\$ 152,988</u> | <u>\$ 37,215</u>            | <u>\$ 253,742</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, 2007

|   | Special Revenue Funds |                   |                             | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------|-------------------|-----------------------------|--|
|   | State Gas<br>Tax Fund | Gas Tax<br>Fund   | Fire Department<br>Tax Fund |  |
| <b>Revenues</b>   |                       |                   |                             |  |
| Taxes   | \$ 65,643             | \$ 59,992         | \$ 12,228                   | \$ 137,863                                 |
| Petroleum inspection fee  | 10,866                |                   |                             | 10,866                                     |
| <b>Total Revenues</b>   | <u>76,509</u>         | <u>59,992</u>     | <u>12,228</u>               | <u>148,729</u>                             |
| <b>Expenditures</b>   |                       |                   |                             |  |
| Current:  |                       |                   |                             |  |
| Public safety:  |                       |                   |                             |  |
| Fire  |                       |                   | 10,615                      | 10,615                                     |
| Public works:   |                       |                   |                             |  |
| Capital outlay - infrastructure   | 354,370               | 99,512            |                             | 453,882                                    |
| <b>Total Expenditures</b>   | <u>354,370</u>        | <u>99,512</u>     | <u>10,615</u>               | <u>464,497</u>                             |
| <b>Excess of Revenues over (under)<br/>Expenditures - Net Changes in<br/>Fund Balance</b> | (277,861)             | (39,520)          | 1,613                       | (315,768)                                  |
| <b>Fund Balances, Beginning</b>   | <u>341,400</u>        | <u>192,508</u>    | <u>35,602</u>               | <u>569,510</u>                             |
| <b>Fund Balances, Ending</b>  | <u>\$ 63,539</u>      | <u>\$ 152,988</u> | <u>\$ 37,215</u>            | <u>\$ 253,742</u>                          |

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

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

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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 of  
The 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, 2007, which collectively comprise the City of Evergreen's basic financial statements and have issued our report thereon dated January 7, 2008. 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.

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 responses (items 07-01 and 07-02) 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 07-01 and 07-02 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*.

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.*

January 7, 2008

## *Schedule of Findings and Responses*

**City of Evergreen  
Evergreen, Alabama  
For the year ended September 30, 2007**

**07-01**

***Criteria:***

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

***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.

**07-02**

***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.

## *Schedule of Findings and Responses (Continued)*

**City of Evergreen**

**Evergreen, Alabama**

**For the year ended September 30, 2007**

***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 Prior Audit Findings*

City of Evergreen  
Evergreen, Alabama  
For the year ended September 30, 2007

### **Finding:**

**06-01** Partially corrected this year

**06-02** Not corrected this year.