

**CITY OF EVERGREEN, ALABAMA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CITY OF EVERGREEN, ALABAMA**  
SEPTEMBER 30, 2018

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**CITY OF EVERGREEN, ALABAMA**  
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## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evergreen, Alabama (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### ***Auditors' Responsibility (continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) and Required Supplementary Information other than MD&A, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements included in other Supplementary Information, 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 and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

*Other Information (continued)*

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Computation of Legal Debt Margin and Computation of Direct and Overlapping Debt included in other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mobile, Alabama  
April 30, 2020

*Smith, Duke and Muchalew, LLP*

# **CITY OF EVERGREEN, ALABAMA**

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

## **FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

As management of the City of Evergreen (City), we offer readers of the City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$16.3 million (net position). Of this amount, \$2.1 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased principally due to improved operational results of the Utility Fund which increased beginning net position by \$1.0 million.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4.1 million, an increase of \$469,000 (13%) over the prior period. Approximately 50% of this amount is available for spending at the government's discretion (unassigned fund balance)
- At the close of the current fiscal year, unassigned fund balance for the general fund was \$2.0 million, or approximately 37% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$1.0 million (6%) during the current fiscal year. (See note 6 for an analysis of changes in long-term debt)

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

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

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

The government-wide financial statements can be found on pages 12 through 13 of this report.

### **Fund Financial Statements**

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

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



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

The City maintains 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 general fund which is considered to be a major fund. Data from the other 4 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 57 and 58 in the Supplementary Information section of this report.

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

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

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

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

The notes to the financial statements can be found on pages 22 through 51 of this report.

### **Other Information**

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

Required supplementary information can be found on pages 53 through 56 of this report.

Other supplementary information containing the combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 57 through 60 of this report.

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

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

At September 30, 2018, the City’s assets and deferred outflows of resources exceeded its liabilities and deferred inflow of resources by \$16.3 million, an increase of 10% from last year.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,744,181	\$ 4,649,660	\$ 3,346,512	\$ 2,950,861	\$ 8,090,693	\$ 7,600,521
Capital assets	21,416,471	21,605,121	5,347,357	5,725,510	26,763,828	27,330,631
Total Assets	26,160,652	26,254,781	8,693,869	8,676,371	34,854,521	34,931,152
Deferred employer retirement contributions	407,891	346,221	246,220	216,080	654,111	562,301
Current and other liabilities	1,634,176	1,783,863	1,990,121	2,403,456	3,624,297	4,187,319
Long-term liabilities	11,979,669	12,534,579	3,199,749	3,760,296	15,179,418	16,294,875
Total Liabilities	13,613,845	14,318,442	5,189,870	6,163,752	18,803,715	20,482,194
Deferred inflows related to pension	245,538	125,717	121,149	64,764	366,687	190,481
Net position:						
Net investment in capital assets	10,596,857	10,385,732	2,983,630	2,941,777	13,580,487	13,327,509
Restricted	671,549	638,789	-	-	671,549	638,789
Unrestricted	1,440,754	1,132,322	645,440	(277,842)	2,086,194	854,480
Total Net Position	\$ 12,709,160	\$ 12,156,843	\$ 3,629,070	\$ 2,663,935	\$ 16,338,230	\$ 14,820,778

The largest portion (83%) of the City’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion (4%) of the City’s net position represents resources that are subject to external restrictions on how they may be used. The remaining portion (13%) of the City’s net position represents its unrestricted funds and may be used to meet the City’s ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 366,842	\$ 400,371	\$ 8,262,299	\$ 7,656,369	\$ 8,629,141	\$ 8,056,740
Operating grants and contributions	142,671	441,202	-	-	142,671	441,202
Capital grants and contributions	206,261	1,660,498	-	-	206,261	1,660,498
General revenues:						
Property taxes	390,503	404,338	-	-	390,503	404,338
Sales and use taxes	1,604,914	1,415,787	-	-	1,604,914	1,415,787
Motor fuel taxes	1,587,854	1,583,996	-	-	1,587,854	1,583,996
Alcoholic beverage taxes	55,643	54,473	-	-	55,643	54,473
Lodging tax	26,901	25,707	-	-	26,901	25,707
Other income	63,866	61,205	-	30,409	63,866	91,614
Interest income	15,001	12,117	506	332	15,507	12,449
Intergovernmental - Reid State Technical College	-	-	-	412,489	-	412,489
Transfers	1,960,178	53,183	(1,960,178)	(53,183)	-	-
Total revenues	6,420,634	6,112,877	6,302,627	8,046,416	12,723,261	14,159,293
Expenses:						
General government	1,015,586	1,143,962	-	-	1,015,586	1,143,962
Public safety	1,776,278	1,847,176	-	-	1,776,278	1,847,176
Public works	1,390,182	1,268,947	-	-	1,390,182	1,268,947
Civic improvement	647,375	782,033	-	-	647,375	782,033
Cultural and recreation	662,351	648,382	-	-	662,351	648,382
Interest on long-term debt	376,545	379,288	-	-	376,545	379,288
Utility fund	-	-	5,337,492	6,335,000	5,337,492	6,335,000
Total expenses	5,868,317	6,069,788	5,337,492	6,335,000	11,205,809	12,404,788
Increase (decrease) in net position	552,317	43,089	965,135	1,711,416	1,517,452	1,754,505
Net position - beginning	12,156,843	12,113,754	2,663,935	1,502,077	14,820,778	13,615,831
Prior period adjustment	-	-	-	(549,558)	-	(549,558)
Net position - beginning as restated	12,156,843	12,113,754	2,663,935	952,519	14,820,778	13,066,273
Net position - ending	\$ 12,709,160	\$ 12,156,843	\$ 3,629,070	\$ 2,663,935	\$ 16,338,230	\$ 14,820,778

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

### Governmental Activities

During the current fiscal year, net position for governmental activities increased \$552,000 over the prior fiscal year, for a year ending balance of \$12.7 million. Consistent operational results contributed to the increase in net position.

## **Business-type Activities**

For the City's business-type activities, the results for the current fiscal year resulted in an increase in overall net position of \$965,000 a (36%) increase from the prior year for an ending balance of \$3.6 million.

Total revenues for the City were \$12.7 million for the year ended September 30, 2018. Governmental activities provided \$4.5 million (35%) while \$8.2 million (65%) of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$1.6 million (13%) of total revenue, from sales taxes and \$1.6 million (13%) of total revenue, from motor fuel taxes.

## **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

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

### **Governmental Funds**

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

At the current year end, the City's governmental funds reported combined fund balances of \$4.1 million, an increase of \$469,000 (12%) from the prior year. Approximately \$2.0 million (49%) of the combined fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$1.4 million or 35%), 2) legally required to be maintained intact (\$0); 3) restricted for particular purposes (\$672,000 or 16%), 4) committed for particular purposes (\$0); or 5) assigned for particular purposes (\$0).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2.0 million (56%), while total fund balance increased \$317,000 (9%) from the prior year to \$3.6 million.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 37% of total general fund expenditures, while total fund balance represents approximately 73% of that same amount.

## **Proprietary Fund**

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

Unassigned net position of the utilities fund at the end of the year was a \$645,000, an increase of \$923,000. The increase in overall net position for this fund was \$965,000.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

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

Total general fund revenues were \$4.4 million, a decrease of \$66,000 million (1%) over final budgeted revenues.

- Tax revenue of \$3.1 million was more than budgeted by \$472,000 million (18%). This was due to an increase in both sales tax and gasoline tax revenue over budgeted amounts.
- Intergovernmental revenue of \$433,000 million was less than budgeted by \$658,000 million. This was a result of timing related to the Safe Room Project, Airport Expansion projects, sewer projects and other smaller funding reimbursement grants.

A review of actual expenditures compared to the appropriations in the final budget yields several variances. Total general fund actual expenditures were \$5.6 million, a decrease of \$1.3 million (19%) under the budgeted amounts.

- General government expenditures of \$945,000 were less than budgeted by \$934,000. This was primarily due to final allocations between funds of workers comp insurance, liability insurance, payroll taxes and retirement expense with a combined total of \$810,000
- Public safety expenditures of \$1.6 million were more than budgeted by \$364,000 (32%). This was primarily due to an increase in payroll-related expenses \$245,000 (16%). The City budget allocated certain expenditures to general government which are now allocated by function. The effect is to increase functional expenses.
- Public works expenditures of \$946,000 were more than budgeted by \$86,000 (10%). This was primarily due to an increase in payroll related expenses of \$116,000 (13%).
- Civic improvement expenditures of \$392,000 were less than budgeted by \$160,000 (28%). The increase is primarily the result of certain incentives for economic development and the economic development director position was open for a portion of the year.
- Capital outlay expenditures of \$651,000 million were more than budgeted by \$1.6 million. This was due to the timing of costs related to various grant-related projects of \$1.6 million

- Other financing sources and uses of \$1.5 million were less than budgeted by \$1.6 million. This was due to actual transfers in of \$2.0 million were less than budgeted by \$710,000. In addition proceeds from long-term debt of \$286,000 were less than budgeted by \$900,000

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, was \$26.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and various utilities-related infrastructure. The total increase in capital assets for the current fiscal year was \$800,000 (3%), and was principally the result of new infrastructure facilities and equipment

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

- Grant project related to improvements at the Airport (\$122,000)
- Grant project related to completion of Safe Room (\$63,000)
- Pump station upgrades (103,000)
- City equipment, limb truck, sweeper, vehicle, air pack system (\$396,000)
- Administrative software (\$100,000)

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

### **Long-term Debt**

At the end of the current fiscal year, the City had total long-term debt outstanding of \$16.4 million. Of this amount, \$10.1 million (62%) is debt backed by the full faith and credit of the City. The remainder of the City's long-term obligations are pension related debt of \$2.1 million (13%), postemployment benefits other than pensions of \$383,000 (2%), notes payable of \$3.7 million (22%), and the value of compensated employee absences of \$162,000 (1%).

The City's total outstanding long-term debt decreased approximately \$900,000 during the current fiscal year. The principal reason for the change was scheduled debt payments of \$1.2 million reduced by an increase in capital leases of \$300,000 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of assessed property value in the entity's jurisdiction. The current debt limitation for the City is \$7.5 million. At September 30, 2018, the City's outstanding debt applicable to the limitation is \$5.4 million, which produced an excess of \$2.1 million available on the legal debt margin.

Additional information on the City's long-term debt can be found in Note 6 on pages 32 through 36 of this report. Additional information on the City's legal debt margin can be found on page 59 of this report.

## **THE OUTLOOK FOR NEXT YEAR**

Fiscal year (FY) 2018 was a positive year for the City of Evergreen by way of productive growth, as it was proposed in last year's forward looking statement. While maintaining a positive approach to the aggressive growth stance held by the City, it is evident that the City must also concentrate on continuing to manage departmental expenditures and projects in the coming fiscal year.

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

Also in planning for FY19, the City looks to continue to employ additional financial professionals in its goal to increase efficiency. Due to the accounting complexity created by the City's past few years of aggressive growth policy, the City administration understands the ultimate goal of sustained revenue increases must include a concerted accounting and financial management effort. The City is also looking at different avenues of a City-wide software upgrade. This along with personnel changes should help with the implantation of additional coverage and cash reserve policies.

In conclusion, the City of Evergreen is achieving its short-term goals and is currently looking at a major change in the current company that electricity is purchased from. This should save the City millions over the length of the contract. FY19 should show an even stronger revenue growth, along with decreases in capital investment.

## **REQUEST FOR INFORMATION**

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

## **FINANCIAL STATEMENTS**



**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,575,295	\$ 353,361	\$ 2,928,656
Receivables, net	616,694	1,423,277	2,039,971
Inventory	60,887	526,597	587,484
Prepaid items	105,972	-	105,972
Note receivable	1,205,028	-	1,205,028
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	180,302	467,761	648,063
Cash held by fiscal agent	3	575,516	575,519
Capital assets not being depreciated:			
Land	2,914,726	19,301	2,934,027
Construction in progress	1,901,565	98,256	1,999,821
Capital assets net of accumulated depreciation:			
Buildings	7,528,568	-	7,528,568
Machinery and equipment	1,056,573	1,114,771	2,171,344
Utility system	-	4,115,029	4,115,029
Infrastructure	8,015,039	-	8,015,039
<b>TOTAL ASSETS</b>	<b>26,160,652</b>	<b>8,693,869</b>	<b>34,854,521</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer retirement contributions	407,891	246,220	654,111
<b>LIABILITIES</b>			
Accounts payable	732,878	948,190	1,681,068
Accrued interest payable	95,381	11,348	106,729
Other current liabilities	118,362	19,335	137,697
Deposits payable	12,009	432,415	444,424
Noncurrent liabilities:			
Due within one year	675,546	578,833	1,254,379
Due in more than one year	11,979,669	3,199,749	15,179,418
<b>TOTAL LIABILITIES</b>	<b>13,613,845</b>	<b>5,189,870</b>	<b>18,803,715</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	245,538	121,149	366,687
<b>NET POSITION</b>			
Net investment in capital assets	10,596,857	2,983,630	13,580,487
Restricted for:			
Public safety	197,157	-	197,157
Public works	474,389	-	474,389
Debt service	3	-	3
Unrestricted	1,440,754	645,440	2,086,194
<b>TOTAL NET POSITION</b>	<b>\$ 12,709,160</b>	<b>\$ 3,629,070</b>	<b>\$ 16,338,230</b>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Function/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 1,015,586	\$ 171,314	\$ 118,810	\$ -
Public safety	1,776,278	59,161	23,436	-
Public works	1,390,182	10,885	425	81,898
Civic improvement	647,375	125,482	-	116,113
Cultural and recreation	662,351	-	-	8,250
Interest and fiscal charges on long-term debt	376,545	-	-	-
Total governmental activities	<u>5,868,317</u>	<u>366,842</u>	<u>142,671</u>	<u>206,261</u>
Business-type activities:				
Utility Fund	<u>5,337,492</u>	<u>8,262,299</u>	<u>-</u>	<u>-</u>
 Total primary government	 <u>\$ 11,205,809</u>	 <u>\$ 8,629,141</u>	 <u>\$ 142,671</u>	 <u>\$ 206,261</u>

**General Revenues**

Property taxes  
Sales taxes  
Motor fuel taxes  
Alcoholic beverage taxes  
Lodging tax  
Interest income  
Gain on disposition of assets  
Miscellaneous revenue

**Transfers**

Total general revenues and transfers  
Change in net position  
Net position - beginning  
Net position - ending

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<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (725,462)	\$ -	\$ (725,462)
(1,693,681)	-	(1,693,681)
(1,296,974)	-	(1,296,974)
(405,780)	-	(405,780)
(654,101)	-	(654,101)
(376,545)	-	(376,545)
<u>(5,152,543)</u>	<u>-</u>	<u>(5,152,543)</u>
<u>-</u>	<u>2,924,807</u>	<u>2,924,807</u>
<u>(5,152,543)</u>	<u>2,924,807</u>	<u>(2,227,736)</u>
390,503	-	390,503
1,604,914	-	1,604,914
1,587,854	-	1,587,854
55,643	-	55,643
26,901	-	26,901
15,001	506	15,507
23,032	-	23,032
40,834	-	40,834
1,960,178	(1,960,178)	-
<u>5,704,860</u>	<u>(1,959,672)</u>	<u>3,745,188</u>
552,317	965,135	1,517,452
<u>12,156,843</u>	<u>2,663,935</u>	<u>14,820,778</u>
<u>\$ 12,709,160</u>	<u>\$ 3,629,070</u>	<u>\$ 16,338,230</u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

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	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,097,046	\$ 478,249	\$ 2,575,295
Receivables - taxes	494,637	12,995	507,632
Receivables - other	109,062	-	109,062
Prepaid items	105,972	-	105,972
Inventory	60,887	-	60,887
Note receivable	1,205,028	-	1,205,028
Restricted assets:			
Cash and cash equivalents	180,302	-	180,302
Cash held by fiscal agent	-	3	3
<b>TOTAL ASSETS</b>	<b><u>\$ 4,252,934</u></b>	<b><u>\$ 491,247</u></b>	<b><u>\$ 4,744,181</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 529,330	\$ -	\$ 529,330
Other current liabilities	118,362	-	118,362
Deposits payable	12,009	-	12,009
<b>TOTAL LIABILITIES</b>	<b><u>659,701</u></b>	<b><u>-</u></b>	<b><u>659,701</u></b>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	60,887	-	60,887
Prepaid items	105,972	-	105,972
Note receivable	1,205,028	-	1,205,028
Restricted:			
Public safety	180,302	16,855	197,157
Public works	-	474,389	474,389
Debt service	-	3	3
Unassigned	2,041,044	-	2,041,044
<b>TOTAL FUND BALANCES</b>	<b><u>3,593,233</u></b>	<b><u>491,247</u></b>	<b><u>4,084,480</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,252,934</u></b>	<b><u>\$ 491,247</u></b>	<b><u>\$ 4,744,181</u></b>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

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

Total fund balances - governmental funds		\$ 4,084,480
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		21,416,471
Current liabilities, including accounts payable that are not due and payable with current financial resources and therefore not reported in governmental funds.		(203,548)
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2018, were:		
Bonds, leases, and notes payable	\$ (10,882,141)	
Unamortized net discounts	62,527	
Accrued interest	(95,381)	
Compensated absences	(105,103)	
Postemployment benefits other than pensions	(383,451)	
Net pension liability	(1,347,047)	
Deferred outflows - employer retirement contribution	407,891	
Deferred inflows related to net pension liability	(245,538)	
Total long-term liabilities		<u>(12,588,243)</u>
Net position of governmental activities		<u>\$ 12,709,160</u>

See accompanying notes to financial statements.

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**CITY OF EVERGREEN, ALABAMA**

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

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 3,073,822	\$ 151,606	\$ 3,225,428
Licenses and permits	512,428	10,885	523,313
Intergovernmental	433,207	-	433,207
Fines and forfeitures	58,838	-	58,838
Other revenues	283,653	10,250	293,903
Interest	15,000	2	15,002
Total revenues	<u>4,376,948</u>	<u>172,743</u>	<u>4,549,691</u>
<b>EXPENDITURES</b>			
Current operations:			
General government	945,468	-	945,468
Public safety	1,619,903	8,145	1,628,048
Public works	945,909	13,536	959,445
Civic improvement	392,307	-	392,307
Cultural and recreation	607,777	-	607,777
Capital outlay	651,157	49,758	700,915
Debt service:			
Principal retirement	266,339	425,000	691,339
Interest charges	148,862	252,384	401,246
Total expenditures	<u>5,577,722</u>	<u>748,823</u>	<u>6,326,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,200,774)</u>	<u>(576,080)</u>	<u>(1,776,854)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,960,178	728,573	2,688,751
Transfers out	(728,573)	-	(728,573)
Capital lease	284,941	-	284,941
Proceeds from notes payable	1,200	-	1,200
Total other financing sources (uses)	<u>1,517,746</u>	<u>728,573</u>	<u>2,246,319</u>
Net change in fund balances	<u>316,972</u>	<u>152,493</u>	<u>469,465</u>
<b>FUND BALANCES - BEGINNING</b>	<u>3,276,261</u>	<u>338,754</u>	<u>3,615,015</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,593,233</u>	<u>\$ 491,247</u>	<u>\$ 4,084,480</u>

See accompanying notes to financial statements.

# CITY OF EVERGREEN, ALABAMA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Net change in fund balances - total governmental funds		\$	469,465
Accounts payable not utilizing current financial resources included in governmental activities in the Statement of Activities			(203,548)
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.			700,915
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(884,605)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.			
Proceeds from issuance of notes payable	\$	(1,200)	
Proceeds from capital leases		<u>(284,941)</u>	(286,141)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position.			
General obligation bonds and warrants	\$	450,229	
Notes payable		190,944	
Capital leases		<u>50,166</u>	
Total repayments			691,339
Governmental funds report the effect of premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.			
Amortization			(5,424)
The net effect of transactions involving the sale and disposal of capital assets is to decrease net assets in the Statement of Activities.			(4,960)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Compensated absences		(4,139)	
Accrued interest		30,125	
Postemployment benefits other than pensions		18,532	
Net pension obligation		<u>30,758</u>	
Additional expenses			<u>75,276</u>
Change in net position of governmental activities		\$	<u>552,317</u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2018**

	<b>Utility Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 353,361
Receivables, net	1,423,277
Inventory	526,597
Restricted assets:	
Cash and cash equivalents	467,761
Cash held by fiscal agent	575,516
Total current assets	<u>3,346,512</u>
<b>CAPITAL ASSETS</b>	
Land	19,301
Construction in progress	98,256
Machinery and equipment	2,454,907
Utility system	13,276,865
Less accumulated depreciation	(10,501,972)
Total capital assets, net of accumulated depreciation	<u>5,347,357</u>
<b>TOTAL ASSETS</b>	<u>8,693,869</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred employer retirement contribution	<u>246,220</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	948,190
Other liabilities	19,335
Accrued interest payable	11,348
Compensated absences	57,287
Bonds, notes and leases payable	521,546
Deposits payable	432,415
Total current liabilities	<u>1,990,121</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds, notes and leases payable	2,417,697
Net pension liability	782,052
Total noncurrent liabilities	<u>3,199,749</u>
<b>TOTAL LIABILITIES</b>	<u>5,189,870</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	<u>121,149</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,983,630
Unassigned	645,440
<b>TOTAL NET POSITION</b>	<u>\$ 3,629,070</u>

See accompanying notes to financial statements.



**CITY OF EVERGREEN, ALABAMA**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	<u>Utility Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Electric revenues	\$ 6,276,888
Garbage revenues	285,023
Sewer revenues	683,842
Water revenues	927,348
Miscellaneous revenue	89,198
Total operating revenues	<u>8,262,299</u>
<b>OPERATING EXPENSES</b>	
Personnel, operations and maintenance, utilities:	
Electric expenses	3,262,789
Garbage expenses	249,635
Sewer expenses	383,547
Water expenses	579,359
Depreciation and amortization	476,409
Administrative costs	261,923
Total operating expenses	<u>5,213,662</u>
<b>OPERATING INCOME</b>	<u>3,048,637</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>	
Interest income	506
Interest expense	(123,830)
Total nonoperating revenues (expense)	<u>(123,324)</u>
Income before transfers	2,925,313
Transfers out	(1,960,178)
Change in net position	<u>965,135</u>
<b>TOTAL NET POSITION - BEGINNING</b>	<u>2,663,935</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 3,629,070</u></u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 8,098,126
Payments to suppliers for goods and services	(4,339,259)
Payments to employees for services	(961,007)
Net cash provided by operating activities	<u>2,797,860</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash payments to other funds	<u>(1,960,178)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(98,256)
Principal payments on capital debt	(505,408)
Interest paid on capital debt	(124,655)
Net cash used in capital and related financing activities	<u>(728,319)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>506</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	109,869
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,286,769</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,396,638</u></u>
<b>DISPLAYED ON THE STATEMENT OF NET POSITION AS:</b>	
Cash and cash equivalents	\$ 353,361
Restricted assets:	
Cash and cash equivalents	467,761
Cash held by fiscal agent	575,516
	<u><u>\$ 1,396,638</u></u>

See accompanying notes to financial statements.

**CITY OF EVERGREEN, ALABAMA**  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

	<u>Utility Fund</u>
Operating income	\$ 3,048,637
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	476,409
Increase in accounts receivable	(102,025)
Increase in inventory	(183,757)
Decrease in accounts payable	(368,244)
Decrease in customer deposits	(62,148)
Decrease in net pension liability	(15,594)
Increase in other liabilities	4,582
Net cash provided by operating activities	<u>\$ 2,797,860</u>

See accompanying notes to financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

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

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

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

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

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

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

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

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

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

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

The City's bonds and warrants have specific reporting requirements. These requirements include the completion of the annual audited financial statements within a specific number of days prior to year-end. The City was not in compliance with this reporting requirement for 2018.

***Management Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

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

**Cash and Cash Equivalents**

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

**Receivables and Payables**

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

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

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Assets, Liabilities, and Equity (Continued)*

**Receivables and Payables (Continued)**

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

**Inventories and Prepaid Items**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fuel	\$ 42,392	\$ 7,225	\$ 49,617
Materials and supplies	18,495	519,372	537,867
Totals	<u>\$ 60,887</u>	<u>\$ 526,597</u>	<u>\$ 587,484</u>

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

**Restricted Assets**

Certain proceeds from the City's Series 2007 Electrical Revenue Warrants, the Series 2013 Water and Sewer Warrants, and the Series 2012-A and 2012-B General Obligation Warrants, as well as certain resources set aside for their repayment, are classified as restricted on the statement of net position because their use is limited by applicable bond covenants. Other restricted assets include utility customer deposits and cash bonds held related to court procedures, because their use is limited to their designated purpose.

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

*Assets, Liabilities, and Equity (Continued)*

**Capital Assets**

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

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

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

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

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

**Compensated Absences**

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

**Pension**

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



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

*Assets, Liabilities, and Equity (Continued)*

**Pension (Continued)**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources include pension-related deferred outflows, which result from the City's Employees' Pension Plan (Pension Plan). Pension-related deferred outflows represent differences between expected and actual experience, changes in assumptions and amounts resulting from timing differences of contributions made subsequent to the Pension Plan measurement dates but as of the date of the basic financial statements, and are recognized over a closed period and are amortized over the remaining average service life of all participating active and inactive employees.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable grant revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

*Assets, Liabilities, and Equity (Continued)*

**Long-Term Obligations**

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

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

**Fund Equity**

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

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

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

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

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

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Assets, Liabilities, and Equity (Continued)*

**Fund Equity (Continued)**

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

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

**2. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk - Deposits*

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

As of September 30, 2018, none of the City’s bank balance of \$4,441,689 was exposed to custodial credit risk. All of the City’s bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

**3. RECEIVABLES**

Receivables as of September 30, 2018, for the government’s individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Utility Fund</b>	<b>Total</b>
Taxes	\$ 494,637	\$ 12,995	\$ -	\$ 507,632
Accounts	64,901	-	1,735,331	1,800,232
Intergovernmental	43,470	-	-	43,470
Interest	691	-	-	691
	<u>603,699</u>	<u>12,995</u>	<u>1,735,331</u>	<u>2,352,025</u>
Less allowance for uncollectible accounts	-	-	(312,054)	(312,054)
Total receivables	<u>\$ 603,699</u>	<u>\$ 12,995</u>	<u>\$ 1,423,277</u>	<u>\$ 2,039,971</u>

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018, was as follows:

***Primary Government***

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,914,726	\$ -	\$ -	\$ -	\$ 2,914,726
Construction in progress	2,887,307	304,935	-	(1,290,677)	1,901,565
Total capital assets, not being depreciated	<u>5,802,034</u>	<u>304,935</u>	<u>-</u>	<u>(1,290,677)</u>	<u>4,816,291</u>
Capital assets, being depreciated:					
Buildings	10,461,145	-	-	1,290,677	11,751,822
Machinery and equipment	4,102,163	395,980	(33,068)	-	4,465,075
Infrastructure	12,112,889	-	-	-	12,112,889
Total capital assets, being depreciated	<u>26,676,197</u>	<u>395,980</u>	<u>(33,068)</u>	<u>1,290,677</u>	<u>28,329,786</u>
Less accumulated depreciation for:					
Buildings	3,930,285	292,969	-	-	4,223,254
Machinery and equipment	3,194,674	241,936	(28,108)	-	3,408,502
Infrastructure	3,748,150	349,700	-	-	4,097,850
Total accumulated depreciation	<u>10,873,109</u>	<u>884,605</u>	<u>(28,108)</u>	<u>-</u>	<u>11,729,606</u>
Total capital assets, being depreciated, net	<u>15,803,088</u>	<u>(488,625)</u>	<u>(4,960)</u>	<u>1,290,677</u>	<u>16,600,180</u>
Governmental activities capital assets, net	<u>\$ 21,605,122</u>	<u>\$ (183,690)</u>	<u>\$ (4,960)</u>	<u>\$ -</u>	<u>\$ 21,416,471</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 19,301	\$ -	\$ -	\$ -	\$ 19,301
Construction in progress	91,471	98,256	-	(91,471)	98,256
Total capital assets, not being depreciated	<u>110,772</u>	<u>98,256</u>	<u>-</u>	<u>(91,471)</u>	<u>117,557</u>
Capital assets, being depreciated:					
Machinery and equipment	2,454,907	-	-	-	2,454,907
Infrastructure	13,185,394	-	-	91,471	13,276,865
Total capital assets, being depreciated	<u>15,640,301</u>	<u>-</u>	<u>-</u>	<u>91,471</u>	<u>15,731,772</u>
Less accumulated depreciation for:					
Machinery and equipment	1,136,950	203,186	-	-	1,340,136
Infrastructure	8,888,613	273,223	-	-	9,161,836
Total accumulated depreciation	<u>10,025,563</u>	<u>476,409</u>	<u>-</u>	<u>-</u>	<u>10,501,972</u>
Total capital assets, being depreciated, net	<u>5,614,738</u>	<u>(476,409)</u>	<u>-</u>	<u>91,471</u>	<u>5,229,800</u>
Business-type activities capital assets, net	<u>\$ 5,725,510</u>	<u>\$ (378,153)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,347,357</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

**4. CAPITAL ASSETS (Continued)**

*Primary Government (Continued)*

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

**Governmental Activities:**

General government	\$ 69,785
Public safety	166,131
Public works	434,907
Civic improvement	137,016
Cultural and recreation	<u>76,766</u>

Total depreciation expense - governmental activities	<u><u>\$ 884,605</u></u>
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<b>Business-type Activities</b>	<u><u>\$ 476,409</u></u>
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**5. INTERFUND BALANCES**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2018, is shown below:

**Interfund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 728,573	\$ 728,573
Utility Fund	1,960,178	-	<u>\$ 1,960,178</u>
Totals	<u>\$ 1,960,178</u>	<u>\$ 728,573</u>	<u>\$ 2,688,751</u>

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

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**6. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds and warrants	\$ 7,760,915	\$ -	\$ (450,229)	\$ 7,310,686	\$ 461,281
Less deferred amounts:					
For issuance discounts	<u>(67,951)</u>	<u>-</u>	<u>5,424</u>	<u>(62,527)</u>	<u>-</u>
Total general obligation bonds and warrants payable	7,692,964	-	(444,805)	7,248,159	461,281
Notes payable	3,419,646	1,200	(190,944)	3,229,902	22,427
Capital leases	106,778	284,941	(50,166)	341,553	86,735
Compensated absences	100,964	105,103	(100,964)	105,103	105,103
Net pension liability	1,435,954	105,365	(194,272)	1,347,047	-
Postemployment benefits other than pensions	<u>401,984</u>	<u>57,748</u>	<u>(76,281)</u>	<u>383,451</u>	<u>-</u>
Governmental activity long-term liabilities	<u>13,158,290</u>	<u>554,357</u>	<u>(1,057,432)</u>	<u>12,655,215</u>	<u>675,546</u>
<b>Business-type activities:</b>					
Revenue warrants	3,305,000	-	(470,000)	2,835,000	485,000
Less deferred amounts:					
Original issue discount	<u>(10,583)</u>	<u>-</u>	<u>661</u>	<u>(9,922)</u>	<u>-</u>
Total revenue warrants	3,294,417	-	(469,339)	2,825,078	485,000
Capital leases	149,573	-	(35,408)	114,165	36,546
Compensated absences	53,502	57,287	(53,502)	57,287	57,287
Net pension liability	<u>823,891</u>	<u>50,701</u>	<u>(92,540)</u>	<u>782,052</u>	<u>-</u>
Business-type activity long-term liabilities	<u>4,321,383</u>	<u>107,988</u>	<u>(650,789)</u>	<u>3,778,582</u>	<u>578,833</u>
Total long-term debt	<u>\$ 17,479,673</u>	<u>\$ 662,345</u>	<u>\$ (1,708,221)</u>	<u>\$ 16,433,797</u>	<u>\$ 1,254,379</u>

Long-term debt payable at September 30, 2018, is comprised of the following:

***General City Bonds and Warrants***

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

Series 2009 General Obligation Warrants, interest at 2.00% to 4.62%	\$ 910,000
Series 2009-A USDA General Obligation Warrants, interest at 4.125%	558,169
Series 2009-B USDA General Obligation Warrants, interest at 4.25%	267,517
Series 2012-A General Obligation Warrants, interest at 1.25%	1,365,000
Series 2012-B General Obligation Warrants, interest at 1.25%	3,155,000
Series 2015-A Revenue Bonds, interest at 2.00% to 2.80%	<u>1,055,000</u>
Total bonds and warrants	<u>\$ 7,310,686</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*General City Bonds and Warrants (Continued)*

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2018, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2019	461,281	273,314
2020	492,377	256,523
2021	538,518	237,192
2022	359,706	224,453
2023	420,945	213,392
2024-2028	2,370,180	838,955
2029-2033	2,374,864	311,479
2034-2038	254,476	45,696
2039	<u>38,339</u>	<u>2,813</u>
Total	<u>\$ 7,310,686</u>	<u>\$ 2,403,817</u>

*Revenue Warrants*

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

Series 2007 Electrical Revenue Warrants, interest at 4.125% to 5.00%, secured by a pledge of the City's electrical distribution system revenue.	\$ 1,205,000
Series 2013 Water and Sewer Revenue Warrants, interest at 2.00% to 4.35%, secured by a pledge of the net system revenue of the City's utility system.	<u>1,630,000</u>
Total warrants	<u>\$ 2,835,000</u>

The annual debt service requirements to maturity, including principal and interest, for revenue warrants as of September 30, 2018, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2019	485,000	106,199
2020	495,000	89,444
2021	435,000	72,265
2022	445,000	55,589
2023	75,000	38,890
2024-2028	405,000	153,340
2029-2038	<u>495,000</u>	<u>65,638</u>
Total	<u>\$ 2,835,000</u>	<u>\$ 581,365</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Notes Payable*

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

**Governmental Activities**

Note payable with BB&T used to fund costs related to a fire truck. The note has an interest rate of 3.03%. The note matured and was refinanced on February 14, 2022. See Note 17.	\$ 51,188
Note payable with Bank of Evergreen used to fund costs related to the City projects. The note has an interest rate of 5.00%. The note matured and was refinanced in February 2020. See Note 17.	1,297,114
Note payable with Bank of Evergreen used to fund costs related to the City projects. The note has an interest rate of 3.50%. The note matured and was refinanced in February 2020. See Note 17.	200,237
Note payable with Bank of Evergreen used to fund costs related to the Liberty Hill Project. The note has an interest rate of 2.30%. The note matured and was refinanced in February 2020.	798,706
Note payable with BB&T used to fund costs related to three police trucks. The note has an interest rate of 2.31%. The note matured and was refinanced on January 10, 2019. See Note 17.	8,805
Note payable with Bank of Evergreen used to fund costs related to the Liberty Hill Project. The note has an interest rate of 5.00%. The note matured and was refinanced in February 2020. See Note 17.	590,010
Note payable with Bank of Evergreen used to fund costs related to the City projects. The note has an interest rate of 6.50%. The note matured and was refinanced in February 2020. See Note 17.	<u>283,842</u>
Total	<u>\$ 3,229,902</u>



**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Notes Payable (Continued)*

**Governmental Activities (Continued)**

The annual debt service requirements to maturity, including principal and interest, for notes payable as of September 30, 2018, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2019	\$ 22,427	\$ 73,738
2020	3,184,382	48,869
2021	14,917	516
2022	<u>8,176</u>	<u>90</u>
Total	<u>\$ 3,229,902</u>	<u>\$ 123,213</u>

*Capital Leases*

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

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 450,107
Less accumulated depreciation	<u>82,622</u>
Total	<u>\$ 367,485</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Capital Leases (Continued)*

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

	<b><u>Governmental Activities</u></b>
Year ending September 30:	
2019	\$ 96,559
2020	96,627
2021	<u>169,320</u>
Total minimum lease payments	362,506
Less amount representing interest	<u>20,953</u>
Present value of minimum lease payments	<u>\$ 341,553</u>

<b><u>Asset</u></b>	<b><u>Business-type Activities</u></b>
Machinery and equipment	\$ 183,924
Less accumulated depreciation	<u>54,169</u>
Total	<u>\$ 129,755</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

	<b><u>Business-type Activities</u></b>
Year ending September 30:	
2019	\$ 39,747
2020	39,747
2021	31,075
2022	<u>9,781</u>
Total minimum lease payments	120,350
Less amount representing interest	<u>6,185</u>
Present value of minimum lease payments	<u>\$ 114,165</u>

**7. EMPLOYEES' RETIREMENT PLAN**

***Plan Description***

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

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

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

***Benefits Provided***

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

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Benefits Provided (Continued)*

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

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

The ERS serves approximately 909 local participating employers. These participating employers include cities, counties, and other public entities. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

	<u>ERS</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	23,853	29
Terminated employees entitled to but not yet receiving benefits	1,401	1
Non-vested inactive members who have not contributed for more than 5 years	7,154	18
Active members	55,941	82
Post-DROP retired members still in active service	168	-
	<u>88,517</u>	<u>130</u>

*Contributions*

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation.

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

***Contributions (Continued)***

State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2018, the City's active employee contribution rate was 5% of covered payroll for Tier 1 employees and 6% of covered employee payroll for Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 9.55% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 was 8.9% of pensionable pay for Tier 1 employees, and 5.94% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$286,801 for the year ended September 30, 2018.

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using the standard rollforward technique in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2016	\$ 8,571,660	\$ 8,748,316
(b) Discount rate	7.75%	7.75%
(c) Entry age normal cost for the period October 1, 2016 to September 30, 2017	247,587	247,587
(d) Transfers among employees	-	(28,342)
(e) Actual benefit payments and refunds for October 1, 2016 to September 30, 2017	<u>(521,837)</u>	<u>(521,837)</u>
(f) Total pension liability as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 8,941,492</u>	<u>\$ 9,103,497</u>
(g) Difference between expected and actual		\$ 162,005
(h) Less liability transferred for immediate recognition		<u>(28,342)</u>
(i) Experience (gain)/loss		<u>\$ 190,347</u>

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Contributions (Continued)*

*Net Pension Liability*

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2016	\$ 8,571,660
Entry age normal costs for October 1, 2016 – September 30, 2017	\$ 247,587
Actual benefits and refunds for October 1, 2016 – September 30, 2017	\$ (521,837)
Total pension liability as of September 30, 2017	\$ 9,103,497

*Actuarial Assumptions*

The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 7.25%
Investment rate of return*	8.00%
*Net of pension plan investment expense	

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Project with Scale BB to 2020 with an adjustment of 13% at all ages for females.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective the beginning of fiscal year 2016.

# CITY OF EVERGREEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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## 7. EMPLOYEES' RETIREMENT PLAN (Continued)

### *Actuarial Assumptions (Continued)*

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

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

\* Includes assumed rate of inflation of 2.5%

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Discount Rate*

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

*Changes in Net Pension Liability*

	<b>Total Pension Liability (a)</b>	<b>Long-term Expected Rate (b)</b>	<b>Net Pension Liability (a)-(b)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at September 30, 2016	\$ 8,571,660	\$ 6,311,816	\$ 2,259,844
Changes for the year:			
Service cost	247,587	-	247,587
Interest	644,082	-	644,082
Difference between expected and actual experience	190,347	-	190,347
Contributions - employer	-	242,731	(242,731)
Contributions - employee	-	170,622	(170,622)
Investment income	-	799,409	(799,409)
Benefit payments, including refunds of employee contributions	(521,837)	(521,837)	-
Transfers among employers	(28,342)	(28,342)	-
	<u>531,837</u>	<u>662,583</u>	<u>(130,746)</u>
Net changes			
Balance at September 30, 2017	<u>\$ 9,103,497</u>	<u>\$ 6,974,399</u>	<u>\$ 2,129,098</u>



**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Plan's net pension liability	\$ 3,144,751	\$ 2,129,098	\$ 1,264,808

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated May 30, 2018 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

For the year ended September 30, 2018, the City recognized pension expense of \$240,462. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience on pension plan investments	\$ 169,656	\$ 153,850
Changes in assumptions	197,643	-
Net difference between projected and actual earnings on pension plan investments	-	212,837
Employer contributions subsequent to measurement date	286,812	-
	<u>\$ 654,111</u>	<u>\$ 366,687</u>

**CITY OF EVERGREEN, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

*Pension Plan Fiduciary Net Position (Continued)*

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

Year ending September 30,	
2019	\$ (12,556)
2020	29,498
2021	(48,890)
2022	(25,870)
2023	31,445
Thereafter	<u>9,063</u>
	<u>\$ (17,310)</u>

**8. RISK MANAGEMENT**

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

**9. CONTINGENT LIABILITIES**

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

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

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

*Plan Administration*

The City of Evergreen administers a single employer defined benefit post-employment healthcare plan for employees of the City. The plan does not include the pension benefits discussed in Note 9. The City Clerk is responsible for administration of the plan in accordance with City Ordinance and oversight by the Mayor. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. Therefore, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a publicly available financial report.

*Plan Membership*

As of September 30, 2018 the plan membership data is as follows:

Active employees	82
Retirees	<u>3</u>
Total	<u><u>85</u></u>

*Benefits Provided*

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

*Benefit Changes After Measurement Date*

The OPEB liability was computed as of September 30, 2018 and therefor there are no benefit changes occurring subsequent to the measurement date.

*Contributions*

Employees do not contribute to the plan during their active service. As of September 30, 2018 the City contributes \$128 for active participants and requires monthly contributions of \$248 from retired participants. Total member contributions were \$7,096 for retirees.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Actuarial Assumptions*

The OPEB calculation was determined by the alternative measurement method as allowed by GASB for plans with less than 100 members rather than an actuarial valuation. The valuation was calculated at September 30, 2018. Thus, the City's year end was their measurement date. The following assumptions applied to all periods in the measurement, unless otherwise specified.

*Actuarial cost method* - The Unit Cost Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized over the maximum permissible period, which is 30 years. The remaining amortization period at September 30, 2018, was 22 years.

*Salary increases* – Not applicable.

*Inflation* – 2.44%

*Municipal bond rate* – 4.18% based on the Bond Buyer General Obligation 20-Bond Municipal Index

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

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums is based on the most recent projections as of the calculation date made by the Office of the Actuary at the Centers for Medicare and Medicaid Services, as published in National Health Care Expenditure Projections: 2019-2027, published in September 2018 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). 4.4% to 5.9% in 2023, declining to 5.5% for the remaining years.

The following changes in assumptions have been made since the prior measurement date:

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums for the prior measurement date, September 30, 2016, was based on the projections as of the calculation date made by the Office of the Actuary at the Centers for Medicare and Medicaid Services, as published in National Health Care Expenditure Projections: 2017-2026, published in September 2016 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). 5.1% down to 4.9% in 2022, declining to 4.6% for the remaining years.

*Employee attrition* – Certain employees terminated prior to meeting the requirements for benefits as well as those who continued to work past the age of 65 and therefore, became ineligible.

**CITY OF EVERGREEN, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

The following table illustrates the changes in OPEB liability for the year ended September 30, 2018.

Balance at September 30, 2017	<u>\$ 401,984</u>
Changes for the year:	
Service cost	37,189
Interest on net OPEB liability	20,559
Effect of assumptions changes or inputs	(71,694)
Benefit payments	<u>(4,587)</u>
Net Change	<u>(18,533)</u>
Balance at September 30, 2018	<u>\$ 383,451</u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.***

The following presents the total OPEB liability of the City calculated using the discount rate of 4.18%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.18%) and one percentage point higher (5.18%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 415,619	\$ 383,451	\$ 364,311

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City’s total OPEB liability would be if it were calculated using trend rates that are One percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 350,292	\$ 383,451	\$ 423,508

# **CITY OF EVERGREEN, ALABAMA**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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## **11. RELATED ORGANIZATIONS**

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

## **12. JOINT VENTURE**

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

The CR District issued special obligation bonds, series 2006-A and 2006-B which were refunded in 2015, replaced by Series 2015-A and 2015-B in the amounts \$1,460,000 and \$1,850,000 respectively. The City entered into an agreement with the CR District which obligates the City to budget and appropriate sufficient funds each fiscal year to make all required debt service payments of the series 2012-A bonds (replaced by series 2015-A bonds). Therefore, the balance of the series 2015-A bonds in the amount of \$1,055,000 has been recorded as a liability at September 30, 2018.

## **13. JOINTLY GOVERNED ORGANIZATIONS**

The City in conjunction with the City of Monroeville, Alabama created the South Alabama Gas District, whose board is composed of two appointments from each municipality. In addition to these four members, a fifth member is appointed on a rotating basis from four municipalities participating in the gas district. South Alabama Gas District was incorporated under the provisions of the State of Alabama to provide natural gas and propane services in Conecuh, Monroe, Escambia, Clark, Butler, Covington, Wilcox, Washington, Mobile, Baldwin, and Choctaw counties, Alabama. During 2018, the City received \$310,041, from the South Alabama Gas District, in the form of a franchise tax and distribution of profits.

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

**14. RELATED PARTY TRANSACTIONS**

In November 2012, the City purchased land which was the future site of the economic development project known as Liberty Hill. Subsequently, the City entered into an agreement with the Evergreen Conecuh Capital Improvement Cooperative District (EC District) where the City would sell the Liberty Hill land, at the original purchase price of \$2,312,241. The EC District would also reimburse the City for any costs related to the Liberty Hill project that occurred. During fiscal year 2018, the City incurred costs of \$289,778, related to the Liberty Hill project. In prior years, the City received title to lots 2, 3 and 4 from the EC District with a cost of \$813,508. As of September 30, 2018, the balance of the note receivable totaled \$1,205,028.

**15. FUNDING AGREEMENT**

On June 1, 2013, the EC District, a public corporation, issued the Series 2013-A Revenue Bonds and the Series 2013-B Revenue Bonds (Federally Taxable) in the amount of \$5,300,000 and \$3,700,000, respectively. In February 2017, the District issued Series 2017A in the amount of \$3,400,000 and Series 2017B in the amount of \$600,000. The proceeds of these bonds were to be used to acquire the Liberty Hill land from the City (See Note 14), and fund capital improvements on such property.

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

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

**16. EFFECT OF NEW PRONOUNCEMENTS**

In fiscal year 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires governments to report a liability on the face of the financial statements and include more extensive note disclosures and required supplementary information. The adoption of the GASB announcement did not require a change in accounting principle.

**16. EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)**

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

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

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

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

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

GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from debt. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2019

GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2021.



**16. EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)**

GASB Statement No. 90, *Majority Equity Interests*. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Additionally, this Statement requires that governments use acquisition value to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of acquisition of a component unit in which the primary government acquired a 100 percent equity interest. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30,

**17. SUBSEQUENT EVENTS**

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

In February 2019, the City entered into a 60-month capital lease with BancorpSouth for the purchase of six Chevrolet Tahoes in the amount of \$246,218 with an interest rate of 4%.

In April 2019, the City entered into a 120-month capital lease with Republic First National Corporation for the purchase of a Pierce Pumper Fire Truck in the amount of \$468,623 with an interest rate of 4%

In April 2019, the City enter into three 48-month capital leases with Kubota Leasing for the purchase of equipment in the combined amount of \$138,740, including interest

In February 2020, the City issued \$3,326,861 taxable general obligation warrants with an interest rate of 4.7%. The proceeds of these warrants were utilized to pay off certain notes payable in the same amount. The terms of the warrants require 12 monthly payments, beginning March 2020, of principal and interest in the amount of \$30,000. Beginning March 2021, payments of interest and principal increase to \$40,000 and in March 2022 monthly payments of principal and interest increase to \$50,000 thereafter until April 2027.

In January 2020, a novel strain of coronavirus was reported to have spread from other countries to the United States. The spread of this virus began to cause some business disruptions through the reductions of certain revenues, such as sales tax, gas taxes, lodging taxes and charges to customers for utility sales and services. While disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the City expects this matter to negatively impact its operating results beginning with the 2020 fiscal year. However, the related financial impact and duration cannot be reasonably estimated at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EVERGREEN, ALABAMA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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<b>Year Ended *</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Actual Covered Employee Payroll</b>	<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Fiduciary Net Position as a Percentage of Total Pension Liability</b>
09/30/14	0.042%	\$ 1,967,157	\$ 2,753,659	71.44%	74.79%
09/30/15	0.044%	2,392,099	3,105,176	77.04%	70.57%
09/30/16	0.039%	2,259,844	3,300,259	68.47%	73.64%
09/30/17	0.038%	2,129,098	3,002,870	70.90%	76.61%

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

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

**CITY OF EVERGREEN, ALABAMA**

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE CITY’S EMPLOYEE PENSION PLAN  
 LAST 10 FISCAL YEARS

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contributions Excess / (Deficiency)</u>	<u>Actual Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
09/30/14	\$ 231,756	\$ 263,473	\$ 31,717	\$ 2,753,659	9.57%
09/30/15	225,450	281,393	55,943	3,105,176	9.06%
09/30/16	276,043	258,566	(17,477)	3,300,259	7.83%
09/30/17	242,731	286,811	44,080	3,002,870	9.55%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

***Methods and Assumptions Used to Determine Contribution Rates***

Actuarial cost method.....	Entry Age
Amortization method.....	Level percent closed
Remaining amortization period.....	23.5 years
Asset valuation method.....	Five year smoothed market
Inflation.....	3.00%
Salary increases.....	3.75% - 7.25%
Investment rate of return.....	8.00%, net of pension plan investment expense, including inflation

**CITY OF EVERGREEN, ALABAMA**  
 SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY  
 LAST 10 FISCAL YEARS

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	<b>2017</b>
Balance at September 30, 2017	<u>\$ 401,984</u>
Changes for the year:	
Service cost	37,189
Interest on net OPEB liability	20,559
Effect of assumptions changes or inputs	(71,694)
Benefit payments	<u>(4,587)</u>
Net Change	<u>(18,533)</u>
Balance at September 30, 2018	<u>\$ 383,451</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

***OPEB Plan***

The total OPEB liability amount presented for the 2018 fiscal year was determined as of the fiscal yearend. No assets have been accumulated in a trust that meets the criteria in GASBN No.75, paragraph 4, to pay benefits.

***Actuarial Assumptions***

The OPEB calculation was determined by the alternative measurement method as allowed by GASB for plans with less than 100 members rather than an actuarial valuation. The valuation was as of September 30, 2018, the measurement date.

***Actuarial cost method*** - The Unit Cost Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized over the maximum permissible period, which is 30 years. The remaining amortization period at September 30, 2018, was 22 years.

***Salary increases*** – Not applicable.

***Inflation*** – 2.44%

***Municipal bond rate*** – 4.18% based on the Bond Buyer General Obligation 20-Bond Municipal Index

**CITY OF EVERGREEN, ALABAMA**  
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY  
LAST 10 FISCAL YEARS

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

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

***Healthcare cost trend rate*** – The expected rate of increase in healthcare insurance premiums is based on the most recent projections as of the calculation date made by the Office of the Actuary at the Centers for Medicare and Medicaid Services, as published in National Health Care Expenditure Projections: 2019-2027, published in September 2018 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). 4.4% to 5.9% in 2023, declining to 5.5% for the remaining years.

The following changes in assumptions have been made since the prior measurement date:

***Healthcare cost trend rate*** – The expected rate of increase in healthcare insurance premiums for the prior measurement date, September 30, 2016, was based on the projections as of the calculation date made by the Office of the Actuary at the Centers for Medicare and Medicaid Services, as published in National Health Care Expenditure Projections: 2017-2026, published in September 2016 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). 5.1% down to 4.9% in 2022, declining to 4.6% for the remaining years.

***Employee attrition*** – Certain employees terminated prior to meeting the requirements for benefits as well as those who continued to work past the age of 65 and therefore, became ineligible.

# CITY OF EVERGREEN, ALABAMA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,601,537	\$ 2,601,537	\$ 3,073,822	\$ 472,285
Licenses and permits	463,014	463,014	512,428	49,414
Intergovernmental	1,091,368	1,091,368	433,207	(658,161)
Fines and forfeitures	84,471	84,471	58,838	(25,633)
Other revenues	190,645	190,645	283,653	93,008
Interest	11,624	11,624	15,000	3,376
Total revenues	<u>4,442,659</u>	<u>4,442,659</u>	<u>4,376,948</u>	<u>(65,711)</u>
<b>EXPENDITURES</b>				
Current operations:				
General government	1,879,416	1,879,416	945,468	933,948
Public safety:				
Police	1,080,276	1,080,276	1,496,205	(415,929)
Fire	77,725	77,725	84,376	(6,651)
Court	97,540	97,540	39,322	58,218
Public works:				
Street and sanitation	702,440	702,440	840,099	(137,659)
Other	156,496	156,496	105,810	50,686
Civic improvement:				
Airport	113,913	113,913	207,483	(93,570)
Economic development	438,638	438,638	184,824	253,814
Cultural and recreation	331,885	331,885	607,777	(275,892)
Capital outlay	1,594,278	1,594,278	651,157	943,121
Debt service:				
Principal retirement	247,168	247,168	266,339	(19,171)
Interest charges	126,905	126,905	148,862	(21,957)
Total expenditures	<u>6,846,680</u>	<u>6,846,680</u>	<u>5,577,722</u>	<u>1,268,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,404,021)</u>	<u>(2,404,021)</u>	<u>(1,200,774)</u>	<u>1,203,247</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,668,409	2,668,409	1,960,178	(708,231)
Transfers out	(715,776)	(715,776)	(728,573)	(12,797)
Capital lease	-	-	284,941	284,941
Proceeds from note payable	1,183,895	1,183,895	1,200	(1,182,695)
Total other financing sources (uses)	<u>3,136,528</u>	<u>3,136,528</u>	<u>1,517,746</u>	<u>(1,618,782)</u>
Net change in fund balances	732,507	732,507	316,972	(415,535)
<b>FUND BALANCES - BEGINNING</b>	<u>3,276,261</u>	<u>3,276,261</u>	<u>3,276,261</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,008,768</u>	<u>\$ -</u>	<u>\$ 3,593,233</u>	<u>\$ (415,535)</u>

**SUPPLEMENTARY INFORMATION**



**CITY OF EVERGREEN, ALABAMA**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue			Debt Service Fund	Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 237,579	\$ 223,815	\$ 16,855	\$ -	\$ 478,249
Receivables - taxes	7,252	5,743	-	-	12,995
Restricted assets:					
Cash held by fiscal agent	-	-	-	3	3
<b>TOTAL ASSETS</b>	<u>\$ 244,831</u>	<u>\$ 229,558</u>	<u>\$ 16,855</u>	<u>\$ 3</u>	<u>\$ 491,247</u>
<b>FUND BALANCES</b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ 16,855	\$ -	\$ 16,855
Public works	244,831	229,558	-	-	474,389
Debt service	-	-	-	3	3
<b>TOTAL FUND BALANCES</b>	<u>\$ 244,831</u>	<u>\$ 229,558</u>	<u>\$ 16,855</u>	<u>\$ 3</u>	<u>\$ 491,247</u>

**CITY OF EVERGREEN, ALABAMA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			Debt Service Fund	Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund		
<b>REVENUES</b>					
Taxes	\$ 68,106	\$ 61,993	\$ 21,507	\$ -	\$ 151,606
Licenses and permits	10,885	-	-	-	10,885
Other revenue			10,250		10,250
Interest	-	-	-	2	2
Total revenues	<u>78,991</u>	<u>61,993</u>	<u>31,757</u>	<u>2</u>	<u>172,743</u>
<b>EXPENDITURES</b>					
Current operations:					
Public safety	-	-	8,145	-	8,145
Public works	248	13,288	-	-	13,536
Capital outlay	-	-	49,758	-	49,758
Debt service:					
Principal retirement	-	-	-	425,000	425,000
Interest charges	-	-	-	252,384	252,384
Total expenditures	<u>248</u>	<u>13,288</u>	<u>57,903</u>	<u>677,384</u>	<u>748,823</u>
Excess of revenues over expenditures	<u>78,743</u>	<u>48,705</u>	<u>(26,146)</u>	<u>(677,382)</u>	<u>(576,080)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	11,240	40,000	677,333	728,573
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>11,240</u>	<u>40,000</u>	<u>677,333</u>	<u>728,573</u>
Net change in fund balances	<u>78,743</u>	<u>59,945</u>	<u>13,854</u>	<u>(49)</u>	<u>152,493</u>
<b>FUND BALANCES - BEGINNING</b>	<u>166,088</u>	<u>169,613</u>	<u>3,001</u>	<u>52</u>	<u>338,754</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 244,831</u>	<u>\$ 229,558</u>	<u>\$ 16,855</u>	<u>\$ 3</u>	<u>\$ 491,247</u>

**CITY OF EVERGREEN, ALABAMA**  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2018

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Assessed Value		<u>\$ 37,549,120</u>
Legal Debt Margin		
Debt Limitation - 20% of Assessed Value		\$ 7,509,824
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 21,831,305	
Less: Debt attributable to the improvement of electric systems and payable from the revenues of such systems	(2,835,000)	
Less: Debt associated with Amendment 772	<u>(13,575,000)</u>	
Total Debt Applicable to Limitation		<u>5,421,305</u>
Legal Debt Margin		<u>\$ 2,088,519</u>

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

**CITY OF EVERGREEN, ALABAMA**

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

SEPTEMBER 30, 2018

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<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
<b>Direct</b>			
City of Evergreen:			
General obligations including capital leases	<u>\$ 21,831,305</u>	100.00%	<u>\$ 21,831,305</u>