

CITY OF EVERGREEN, ALABAMA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF EVERGREEN, ALABAMA
SEPTEMBER 30, 2011

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evergreen, Alabama (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Warren Averett, LLC

Montgomery, Alabama
January 31, 2012

CITY OF EVERGREEN

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, 2011

The Management's Discussion and Analysis (MD&A) offers readers of the City of Evergreen's (the City) financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2011. It is our intent that these comments provide all parties interested in the City's financial condition a better understanding of the City's operations and financial position.

The City reports its annual financial statements in a format required by the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- As of September 30, 2011, the City's net assets (assets minus liabilities) totaled \$15,731,254, an increase of \$104,012 over the September 30, 2010, figure.
- Total net assets for governmental activities are comprised of the following:
 - (1) Capital assets net of related debt of \$9,084,799, include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$2,408,179 are restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net assets of \$4,238,276 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total net assets for governmental activities decreased by \$18,198, thus bringing the total down to \$11,310,792 for fiscal year 2011.
- Total net assets for business-type activities increased by \$122,210, thus bringing the total to \$4,420,462 for fiscal year 2011.
- The general fund unassigned fund balance, as of September 30, 2011, was \$3,853,483, or 82.43% of total general fund expenditures.

- The City's total bond and capital lease debt decreased by \$381,339 (3.41%) during the current fiscal year.
- The City entered into one capital lease agreement this year for the purchase of a backhoe.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities. Government-wide statements are separated into two major categories: 1) governmental activities that are principally supported by taxes and intergovernmental revenues, and 2) business-type activities that are supported by user fees and charges. Governmental activities include administrative functions, streets, garbage, public safety, public works, recreation, community development, and the cemetery funds. The sole business-type activity of the City is the Utility Fund.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Again, this year we have added prior year information to analyze how the City's financial position has changed.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, requiring that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow.

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 the same functions as those reported under the government-wide statement of net assets and statement of activities. However, unlike the

government-wide financial statements, governmental fund financial statements focus on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the year and is a narrower focus than the government-wide financial statements.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare 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 reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. A budgetary comparison statement is provided for the general fund to demonstrate compliance with the budget. Budgetary variances for the general fund are discussed in some detail later in this section.

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 Enterprise Fund for the City is the Utility Fund. Enterprise funds are used to report business-type activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The City's net assets totaled \$15,731,254, as of September 30, 2011. The following table reflects the condensed government-wide statement of net assets:

Statement of Net Assets						
As of September 30						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 6,976,997	\$ 7,137,285	\$ 3,105,678	\$ 3,752,896	\$ 10,082,675	\$ 10,890,181
Capital assets	12,733,194	12,810,528	5,205,701	4,712,654	17,938,895	17,523,182
Total Assets	<u>19,710,191</u>	<u>19,947,813</u>	<u>8,311,379</u>	<u>8,465,550</u>	<u>28,021,570</u>	<u>28,413,363</u>
Current and other liabilities	1,704,449	1,562,422	1,158,238	1,277,298	2,862,687	2,839,720
Long-term liabilities	6,694,950	7,056,401	2,732,679	2,890,000	9,427,629	9,946,401
Total Liabilities	<u>8,399,399</u>	<u>8,618,823</u>	<u>3,890,917</u>	<u>4,167,298</u>	<u>12,290,316</u>	<u>12,786,121</u>
Net assets:						
Invested in capital assets, net of related debt	6,225,581	6,279,309	2,859,218	2,895,302	9,084,799	9,174,611
Restricted	2,408,179	2,533,936	-	-	2,408,179	2,533,936
Unrestricted	2,677,032	2,515,745	1,561,244	1,402,950	4,238,276	3,918,695
Total Net Assets	<u>\$ 11,310,792</u>	<u>\$ 11,328,990</u>	<u>\$ 4,420,462</u>	<u>\$ 4,298,252</u>	<u>\$ 15,731,254</u>	<u>\$ 15,627,242</u>

The City's total assets were \$28,021,570 as of September 30, 2011. Of this amount, \$17,938,895 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$4,685,255 is accounted for in cash and cash equivalents, \$1,410,021 in accounts receivable, \$516,411 in inventory, \$994,507 in restricted cash and cash equivalents, \$2,080,290 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2011, the City had outstanding liabilities of \$12,290,316, of which \$9,427,629 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding, approximately \$1,553,080 was due within one year, with the remainder due at various dates before 2041.

Included in current and other liabilities in the above table are \$612,716 in accounts payable and other current liabilities and \$69,499 in accrued interest payable, \$231,691 in deferred revenue and \$395,701 in customer deposits.

The largest portion of the City's net assets reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, investments in capital 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 of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represents \$2,408,179 or 15.31% of total net assets. The remaining \$4,238,276 or 26.94% of total net assets may be used to meet the City's ongoing obligations to its citizens and creditors for all activities.

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

	Changes in Net Assets As of September 30					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 287,617	\$ 281,600	\$ 6,953,215	\$ 6,485,267	\$ 7,240,832	\$ 6,766,867
Operating grants and contributions	160,252	92,665	-	-	160,252	92,665
Capital grants and contributions	198,122	607,106	-	-	198,122	607,106
General revenues						
Property taxes	279,383	279,264	-	-	279,383	279,264
Sales and use taxes	1,023,391	933,754	-	-	1,023,391	933,754
Motor fuel taxes	989,309	412,284	-	-	989,309	412,284
Alcoholic beverage taxes	53,017	54,210	-	-	53,017	54,210
Other income	332,013	134,960	-	2,387	332,013	137,347
Interest income	123,761	145,782	2,890	9,865	126,651	155,647
Extraordinary item	-	(336,064)	-	-	-	(336,064)
Transfers	1,641,861	1,881,500	(1,641,861)	(1,881,500)	-	-
Total revenues	5,088,726	4,487,061	5,314,244	4,616,019	10,402,970	9,103,080
Expenses						
General government	1,520,856	1,410,453	-	-	1,520,856	1,410,453
Public safety	1,457,975	1,109,133	-	-	1,457,975	1,109,133
Public works	1,056,297	1,345,454	-	-	1,056,297	1,345,454
Civic improvement	368,606	366,607	-	-	368,606	366,607
Cultural and recreation	393,420	341,183	-	-	393,420	341,183
Interest on long-term debt	309,770	289,919	-	-	309,770	289,919
Utility fund	-	-	5,192,034	4,553,315	5,192,034	4,553,315
Total expenses	5,106,924	4,862,749	5,192,034	4,553,315	10,298,958	9,416,064
Increase (decrease) in net assets	(18,198)	(375,688)	122,210	62,704	104,012	(312,984)
Net assets - beginning	11,328,990	11,704,678	4,298,252	4,235,548	15,627,242	15,940,226
Net assets - ending	\$ 11,310,792	\$ 11,328,990	\$ 4,420,462	\$ 4,298,252	\$ 15,731,254	\$ 15,627,242

Total revenues for the City were \$10,402,970 for the year ended September 30, 2011. Governmental activities provided \$5,088,726 or 48.92% while \$5,314,244 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$1,023,391, or 20.11% of total revenue, from sales taxes and \$989,309, or 19.44% of total revenue, from motor fuel taxes.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund balances decreased by \$117,012 in the current year. The Capital Projects Fund decreased by \$221,300, while other governmental funds balance increased by \$104,288. The Other Governmental Fund column consists of four funds combined for this report because their revenues and expenses are smaller than other funds of the City.

Proprietary Fund

The fund statements for the proprietary fund look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

General Fund Budgetary Highlights

Total revenues reported for the general fund were \$3,292,927 which was an increase of \$932,152 or 39.48% over final budgeted revenues. The primary cause of this is as follows:

- Tax revenue was more than budgeted by \$304,160. This was due to the opening of Love's Truck Stop which resulted in an increase in both sales tax and gasoline tax revenue.
- Intergovernmental revenue was more than budgeted by \$430,566. This was due to City receiving funding reimbursements related to the Sleep Inn project, the Exit 93 landscape project and the I65/US84 sewer project.

Total general fund expenditures were \$4,674,618, which was an increase of \$873,541 or 22.98% over final budgeted expenditures.

- Public safety was more than budgeted by \$176,844. This was due to an increase in police salaries and drug task force expenses.
- Capital outlay expenditures were more than budgeted by \$239,060. This was due to the City incurring expenses related to the Exit 93 landscape project and the I65/US84 sewer project. In addition, the City purchased six police cars, two mowers and a tractor.
- Debt service principal retirement expenditures were more than budgeted by \$217,891. This was due to the City making principal payments on two new BB&T notes.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of September 30, 2011, was \$17,938,895 (net of accumulated depreciation). Capital asset investments include land, buildings, building improvements, machinery and equipment, net of depreciation. New additions to capital assets included improvement projects related to infrastructure, the utility system and the airport as well as the purchase of various vehicles and equipment.

At the end of the fiscal year the City had secured and bonded debt outstanding of \$10,792,905. Of this amount \$10,619,450 comprises debt backed by the full faith and credit of the City and \$173,455 in long-term leases. The City's long-term debt decreased \$329,889 or 2.92% from the previous year.

THE OUTLOOK FOR NEXT YEAR

The City has a very positive outlook for the upcoming year. Currently the City is working on several industrial development projects including the Fairview Commons Project and the Liberty Hill Gateway Project.

The Fairview Commons Project is a land acquisition and industrial entity location project in which the City has acquired real estate through purchase of property at the second municipal exit, which is the intersection of Highway 84 and Interstate 65. Currently, Fed-Ex is slated to purchase property there and build a new, much larger shipping/receiving facility. Also planned currently at that exit is the location of an entertainment center. Other potential clients are also being courted to locate on that newly acquired property. Construction of the Fed-Ex facility is expected to begin in late April 2012. The City expects the Fairview Commons Project to retain some 50 jobs and create another 50, along with a substantial increase of new tax revenue.

The Liberty Hill Gateway Project is a land acquisition and retail entity location project in which the City holds option on real estate, located at the first municipal exit, which is the intersection of Highway 96 and Interstate 65. Currently, the site has commitments from five corporate retail clients, all of whom have either verbal or written commitments. The City is currently scheduled to begin site development in preparation of the client location sometime in the first part of the second quarter of 2012. The City expects to see the addition of 400 new jobs in the first phase of development, along with substantial increase of new tax revenue.

The City is also currently host to two new industrial clients. One of them, GEC Organics has already begun to establish location and prepare for production. The other is a large German stamping plant, which will introduce an initial 250 jobs locally. In the short term, there will not be any tax revenue created by these industrial clients as most of the taxation will be abated for some period of time.

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 The Finance Department, 355 East Front Street, P. O. Box 229, Evergreen, Alabama, 36401.

FINANCIAL STATEMENTS

CITY OF EVERGREEN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,270,942	\$ 414,313	\$ 4,685,255
Receivables, net	245,578	1,164,443	1,410,021
Internal balances	20,570	(20,570)	-
Inventory	37,328	479,083	516,411
Note receivable	60,000	-	60,000
Prepaid expenses	85,153	-	85,153
Other assets	14,758	-	14,758
Deferred debt expense, net	174,452	61,828	236,280
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	600,010	394,497	994,507
Cash held by fiscal agent	1,468,206	612,084	2,080,290
Capital assets not being depreciated:			
Land	584,018	19,301	603,319
Capital assets net of accumulated depreciation:			
Buildings	5,125,686	-	5,125,686
Machinery and equipment	1,298,939	517,503	1,816,442
Utility system	-	4,668,897	4,668,897
Infrastructure	5,724,551	-	5,724,551
TOTAL ASSETS	\$ 19,710,191	\$ 8,311,379	\$ 28,021,570
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 358,402	\$ 244,859	\$ 603,261
Accrued interest payable	59,500	9,999	69,499
Other current liabilities	-	9,455	9,455
Deferred revenue	-	231,691	231,691
Customer deposits	-	395,701	395,701
Noncurrent liabilities:			
Due within one year	1,286,547	266,533	1,553,080
Due in more than one year	6,694,950	2,732,679	9,427,629
TOTAL LIABILITIES	8,399,399	3,890,917	12,290,316
NET ASSETS			
Investment in capital assets, net of related debt	6,225,581	2,859,218	9,084,799
Restricted for:			
Public safety	10,142	-	10,142
Public works	329,821	-	329,821
Capital projects	2,068,211	-	2,068,211
Debt service	5	-	5
Unrestricted	2,677,032	1,561,244	4,238,276
TOTAL NET ASSETS	11,310,792	4,420,462	15,731,254
TOTAL LIABILITIES AND NET ASSETS	\$ 19,710,191	\$ 8,311,379	\$ 28,021,570

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government	\$ 1,520,856	\$ 188,242	\$ 44,090	\$ -
Public safety	1,457,975	62,571	84,589	23,766
Public works	1,056,297	-	31,573	172,081
Civic improvement	368,606	36,804	-	2,275
Culture and recreation	393,420	-	-	-
Interest and fiscal charges on long-term debt	309,770	-	-	-
Total governmental activities	5,106,924	287,617	160,252	198,122
Business-type activities:				
Utility Fund	5,192,034	6,953,215	-	-
Total primary government	\$ 10,298,958	\$ 7,240,832	\$ 160,252	\$ 198,122

General Revenues

Property taxes

Sales taxes

Motor fuel taxes

Alcoholic beverage taxes

Interest income

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,288,524)	\$ -	\$ (1,288,524)
(1,287,049)	-	(1,287,049)
(852,643)	-	(852,643)
(329,527)	-	(329,527)
(393,420)	-	(393,420)
(309,770)	-	(309,770)
<u>(4,460,933)</u>	<u>-</u>	<u>(4,460,933)</u>
-	1,761,181	1,761,181
<u>(4,460,933)</u>	<u>1,761,181</u>	<u>(2,699,752)</u>
279,383	-	279,383
1,023,391	-	1,023,391
989,309	-	989,309
53,017	-	53,017
123,761	2,890	126,651
332,013	-	332,013
1,641,861	(1,641,861)	-
<u>4,442,735</u>	<u>(1,638,971)</u>	<u>2,803,764</u>
(18,198)	122,210	104,012
11,328,990	4,298,252	15,627,242
<u>\$ 11,310,792</u>	<u>\$ 4,420,462</u>	<u>\$ 15,731,254</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,942,985	\$ -	\$ 327,957	\$ 4,270,942
Receivables - taxes	192,545	-	12,006	204,551
Receivables - other	41,027	-	-	41,027
Note receivable	60,000	-	-	60,000
Prepaid expenses	85,153	-	-	85,153
Due from other funds	20,570	-	-	20,570
Inventory	37,328	-	-	37,328
Other assets	14,758	-	-	14,758
Restricted assets:				
Cash and cash equivalents	600,010	-	-	600,010
Cash held by fiscal agent	141,481	1,326,720	5	1,468,206
TOTAL ASSETS	<u>\$ 5,135,857</u>	<u>\$ 1,326,720</u>	<u>\$ 339,968</u>	<u>\$ 6,802,545</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 252,918	\$ -	\$ -	\$ 252,918
Other current liabilities	105,484	-	-	105,484
TOTAL LIABILITIES	<u>358,402</u>	<u>-</u>	<u>-</u>	<u>358,402</u>
FUND BALANCES				
Nonspendable	182,481	-	-	182,481
Restricted	741,491	1,326,720	339,968	2,408,179
Unassigned	3,853,483	-	-	3,853,483
TOTAL FUND BALANCES	<u>4,777,455</u>	<u>1,326,720</u>	<u>339,968</u>	<u>6,444,143</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,135,857</u>	<u>\$ 1,326,720</u>	<u>\$ 339,968</u>	<u>\$ 6,802,545</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

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

Total fund balances - governmental funds		\$ 6,444,143
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		12,733,194
Deferred debt expenses are allocated over their estimated useful lives and are shown net of amortization expense as an asset on the Statement of Net Assets.		174,452
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, 2011, were:		
Bonds, leases and notes payable	\$ (7,834,339)	
Accrued interest	(59,500)	
Compensated absences	(51,388)	
Postemployment benefits other than pensions	(95,770)	
Total long-term liabilities		<u>(8,040,997)</u>
Net assets of governmental activities		<u>\$ 11,310,792</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,228,160	\$ -	\$ 139,240	\$ 2,367,400
Licenses and permits	223,322	-	10,724	234,046
Intergovernmental	450,766	-	-	450,766
Fines and forfeitures	63,071	-	-	63,071
Other revenues	207,821	-	-	207,821
Interest	119,787	3,974	-	123,761
Total revenues	<u>3,292,927</u>	<u>3,974</u>	<u>149,964</u>	<u>3,446,865</u>
EXPENDITURES				
Current operations:				
General government	1,482,923	-	-	1,482,923
Public safety	1,281,297	-	11,729	1,293,026
Public works	731,834	-	31,436	763,270
Civic improvement	267,704	-	-	267,704
Culture and recreation	304,508	-	-	304,508
Capital outlay	317,560	219,274	-	536,834
Debt service:				
Principal retirement	217,891	-	259,880	477,771
Interest charges	70,901	-	241,667	312,568
Total expenditures	<u>4,674,618</u>	<u>219,274</u>	<u>544,712</u>	<u>5,438,604</u>
Deficiency of revenues under expenditures	<u>(1,381,691)</u>	<u>(215,300)</u>	<u>(394,748)</u>	<u>(1,991,739)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,223,000	-	489,726	2,712,726
Transfers out	(1,064,865)	(6,000)	-	(1,070,865)
Proceeds from notes payable	232,866	-	-	232,866
Total other financing sources (uses)	<u>1,391,001</u>	<u>(6,000)</u>	<u>489,726</u>	<u>1,874,727</u>
Net change in fund balances	<u>9,310</u>	<u>(221,300)</u>	<u>94,978</u>	<u>(117,012)</u>
FUND BALANCES - BEGINNING	<u>4,768,145</u>	<u>1,548,020</u>	<u>244,990</u>	<u>6,561,155</u>
FUND BALANCES - ENDING	<u>\$ 4,777,455</u>	<u>\$ 1,326,720</u>	<u>\$ 339,968</u>	<u>\$ 6,444,143</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, 2011

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

Net change in fund balances - total governmental funds		\$	(117,012)
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.			536,834
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(614,168)
The costs of deferred debt expense incurred are allocated over the term of the bond or warrant issue and reported as amortization expense.			(17,968)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.			
Note payable proceeds			(232,866)
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 Assets.			
General obligation bonds and warrants	\$	451,953	
Capital leases		25,818	
Total repayments		<u>477,771</u>	477,771
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		(4,871)	
Accrued interest		2,798	
Postemployment benefits other than pensions		(48,716)	
Additional expenses		<u>(50,789)</u>	(50,789)
Change in net assets of governmental activities		\$	<u>(18,198)</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

	<u>Utility Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 414,313
Receivables, net	1,164,443
Inventory	479,083
Bond issue cost	61,828
Restricted assets:	
Cash and cash equivalents	394,497
Cash held by fiscal agent	612,084
Total current assets	<u>3,126,248</u>
CAPITAL ASSETS	
Land	19,301
Machinery and equipment	1,396,829
Utility system	12,068,436
Less accumulated depreciation	<u>(8,278,865)</u>
Total capital assets, net of accumulated depreciation	<u>5,205,701</u>
TOTAL ASSETS	<u>8,331,949</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	244,859
Other liabilities	9,455
Accrued interest payable	9,999
Due to other funds	20,570
Deferred revenue	231,691
Compensated absences	40,646
Bonds and leases payable	225,887
Customer deposits	395,701
Total current liabilities	<u>1,178,808</u>
NONCURRENT LIABILITIES	
Bonds and leases payable	<u>2,732,679</u>
TOTAL LIABILITIES	<u>3,911,487</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,859,218
Unassigned	1,561,244
TOTAL NET ASSETS	<u>\$ 4,420,462</u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Utility Fund
OPERATING REVENUES	
Charges for services	
Electric revenues	\$ 5,475,937
Garbage revenues	310,556
Sewer revenues	456,554
Water revenues	678,957
Miscellaneous revenue	31,211
Total operating revenues	<u>6,953,215</u>
OPERATING EXPENSES	
Personnel, operations and maintenance, utilities:	
Electric expenses	3,592,586
Garbage expenses	233,692
Sewer expenses	284,181
Water expenses	409,895
Depreciation and amortization	334,853
Administrative costs	204,864
Total operating expenses	<u>5,060,071</u>
OPERATING INCOME	<u>1,893,144</u>
NONOPERATING REVENUES (EXPENSE)	
Interest income	2,890
Interest expense	<u>(131,963)</u>
Total nonoperating revenues (expense)	<u>(129,073)</u>
Income before transfers	1,764,071
Transfers in	575,139
Transfers out	<u>(2,217,000)</u>
Change in net assets	<u>122,210</u>
FUND BALANCES - BEGINNING	<u>4,298,252</u>
FUND BALANCES - ENDING	<u><u>\$ 4,420,462</u></u>

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,893,123
Payments to suppliers for goods and services	(4,146,404)
Payments to employees for services	(816,391)
Net cash provided by operating activities	<u>1,930,328</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash payments to other funds	<u>(1,640,702)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(817,677)
Proceeds from capital lease	82,705
Principal payments on bond	(219,140)
Interest paid on bond	(132,646)
Net cash used by capital and related financing activities	<u>(1,086,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2,890</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(794,242)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,215,136</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,420,894</u></u>
DISPLAYED ON THE STATEMENT OF NET ASSETS AS:	
Cash and cash equivalents	\$ 414,313
Restricted assets:	
Cash and cash equivalents	394,497
Cash held by fiscal agent	612,084
	<u><u>\$ 1,420,894</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, 2011

	<u>Utility Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,893,144
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	334,854
Increase in accounts receivable	(95,124)
Increase in inventory	(63,282)
Decrease in accounts payable	(172,158)
Increase in other liabilities	<u>32,894</u>
Net cash provided by operating activities	<u><u>\$ 1,930,328</u></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 assets and the statement of activities and reports information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund 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 assets 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 and fiduciary 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year received or when an enforceable legal claim exists, whichever comes first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The City reports the following major governmental funds:

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

Capital Projects – Accounts for the acquisition and construction of a variety of public works projects as well as the cost of various City capital spending projects.

The City reports the following major enterprise fund:

Utility Fund – Accounts for water, sanitary sewer and electric 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 of the 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. Under state law, the Mayor submits the annual budget to the Council for consideration and approval no later than October 1. Such budget is based on expected expenditures by program and estimated resources by source. The budget is prepared using the modified accrual basis of accounting. Revisions to the budget must be approved by the Council. All annual appropriations lapse at fiscal year-end.

Management Estimates and Assumptions

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

Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund 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, 2011

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 percent for different taxes.

Inventory 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	\$ 32,591	\$ 2,195	\$ 34,786
Materials and supplies	<u>4,737</u>	<u>476,888</u>	<u>481,625</u>
Totals	<u>\$ 37,328</u>	<u>\$ 479,083</u>	<u>\$ 516,411</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 2006-A Special Obligation Bonds, Series 2007 Electrical Revenue Warrants and the Series 2009 General Obligation Warrants, as well as certain resources set aside for their repayment, are classified as restricted on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

A certificate of deposit is classified as restricted on the statement of net assets because it is pledged as collateral against a note payable with the Bank of Evergreen.

Meter deposits received from customers are restricted on the statement of net assets because they are maintained in a separate bank account and their use is limited.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

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 assets. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Lease Obligations

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures and changes in fund balances. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

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.

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.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 government does not have a deposit policy for custodial credit risk.

As of September 30, 2011, none of the City's bank balance of \$7,914,910 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, 2011, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Utility Fund</u>	<u>Total</u>
Taxes	\$ 192,545	\$ 12,006	\$ -	\$ 204,551
Accounts	-	-	1,538,302	1,538,302
Intergovernmental	33,566	-	-	33,566
Interest	<u>7,461</u>	<u>-</u>	<u>-</u>	<u>7,461</u>
Gross receivables	233,572	12,006	1,538,302	1,783,880
Less allowance for uncollectible	<u>-</u>	<u>-</u>	<u>373,859</u>	<u>373,859</u>
Net total receivables	<u>\$ 233,572</u>	<u>\$ 12,006</u>	<u>\$ 1,164,443</u>	<u>\$ 1,410,021</u>

4. NOTE RECEIVABLE

In August 2009, the City entered into an agreement with SI Hotels, LLC (the Company) to grant a maximum of \$600,000 to the Company to fund the costs of infrastructure and improvements related to access to a hotel being built by the Company. The terms of the agreement call for the Company to reimburse the City \$60,000 which is payable in five annual installments of \$12,000. The first installment is due one year from the funding of the escrow account.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 584,018	\$ -	\$ -	\$ 584,018
Construction in progress	<u>2,252,485</u>	<u>-</u>	<u>2,252,485</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,836,503</u>	<u>-</u>	<u>2,252,485</u>	<u>584,018</u>
Capital assets, being depreciated:				
Buildings	6,762,468	797,791	-	7,560,259
Machinery and equipment	3,056,949	220,739	-	3,277,688
Infrastructure	<u>6,008,966</u>	<u>1,770,789</u>	<u>-</u>	<u>7,779,755</u>
Total capital assets, being depreciated	<u>15,828,383</u>	<u>2,789,319</u>	<u>-</u>	<u>18,617,702</u>
Less accumulated depreciation for:				
Buildings	2,232,369	202,204	-	2,434,573
Machinery and equipment	1,736,459	242,290	-	1,978,749
Infrastructure	<u>1,885,530</u>	<u>169,674</u>	<u>-</u>	<u>2,055,204</u>
Total accumulated depreciation	<u>5,854,358</u>	<u>614,168</u>	<u>-</u>	<u>6,468,526</u>
Total capital assets, being depreciated, net	<u>9,974,025</u>	<u>2,175,151</u>	<u>-</u>	<u>12,149,176</u>
Governmental activities capital assets, net	<u>\$12,810,528</u>	<u>\$ 2,175,151</u>	<u>\$ 2,252,485</u>	<u>\$12,733,194</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

5. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 19,301	\$ -	\$ -	\$ 19,301
Construction in progress	<u>1,616,472</u>	<u>635,545</u>	<u>2,250,017</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,635,773</u>	<u>633,545</u>	<u>2,250,017</u>	<u>19,301</u>
Capital assets, being depreciated:				
Machinery and equipment	1,243,382	153,447	-	1,396,829
Utility system	<u>9,787,734</u>	<u>2,280,702</u>	<u>-</u>	<u>12,068,436</u>
Total capital assets, being depreciated	<u>11,031,116</u>	<u>2,434,149</u>	<u>-</u>	<u>13,465,265</u>
Less accumulated depreciation for:				
Machinery and equipment	801,822	77,504	-	879,326
Utility system	<u>7,152,413</u>	<u>247,126</u>	<u>-</u>	<u>7,399,539</u>
Total accumulated depreciation	<u>7,954,235</u>	<u>324,630</u>	<u>-</u>	<u>8,278,865</u>
Total capital assets, being depreciated, net	<u>3,076,881</u>	<u>2,109,519</u>	<u>-</u>	<u>5,186,400</u>
Business-type activities capital assets, net	<u>\$ 4,712,654</u>	<u>\$ 2,743,064</u>	<u>\$ 2,250,017</u>	<u>\$ 5,205,701</u>

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

Governmental Activities:	
General government	\$ 12,127
Public safety	139,212
Public works	281,286
Civic improvement	99,645
Cultural and recreation	<u>81,898</u>
Total depreciation expense – governmental activities	<u>\$ 614,168</u>
Business-type Activities	<u>\$ 324,630</u>

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

6. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2011, is shown below.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility Fund	<u>\$ 20,570</u>

Interfund Transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Utility Fund</u>	
General	\$ -	\$ 489,726	\$ 575,139	\$ 1,064,865
Utility Fund	2,217,000	-	-	2,217,000
Capital Projects Fund	6,000	-	-	6,000
Total	<u>\$ 2,223,000</u>	<u>\$ 489,726</u>	<u>\$ 575,139</u>	<u>\$ 3,287,865</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.

7. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General City bonds and warrants	\$ 7,176,266	\$ -	\$ 298,813	\$ 6,877,453	\$ 348,747
Notes payable	772,271	232,866	153,140	851,997	851,997
Capital leases	130,707	-	25,818	104,889	30,317
Compensated absences	46,517	51,388	46,517	51,388	51,388
Postemployment benefits other than pensions	47,054	52,814	4,098	95,770	4,098
	<u>\$ 8,172,815</u>	<u>\$ 337,068</u>	<u>\$ 528,386</u>	<u>\$ 7,981,497</u>	<u>\$ 1,286,547</u>
Business-type Activities:					
Revenue Warrants	\$ 3,095,000	\$ -	\$ 205,000	\$ 2,890,000	\$ 210,000
Capital leases	-	82,706	14,140	68,566	15,887
Compensated absences	42,783	40,646	42,783	40,646	40,646
	<u>\$ 3,137,783</u>	<u>\$ 123,352</u>	<u>\$ 261,923</u>	<u>\$ 2,999,212</u>	<u>\$ 266,533</u>

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2011, 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 2001 General Obligation Water System Warrants, interest at 3.85%	\$	540,000
Series 2002 General Obligation Sewer System Warrants, interest at 3.50%		495,000
Series 2003 General Obligation Warrants, interest at 2.0% to 4.9%		640,000
Series 2006-A Special Obligation Bonds, interest at 3.65% to 4.15%		1,765,000
Series 2009 General Obligation Warrants, interest at 2.0% to 4.62%		2,455,000
Series 2009-A USDA General Obligation Warrants, interest at 4.125%		661,117
Series 2009-B USDA General Obligation Warrants, interest at 4.25%		<u>321,336</u>
 Total bonds and warrants	 \$	 <u>6,877,453</u>

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2011, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2012	\$ 384,747	\$ 274,402
2013	450,571	263,787
2014	466,427	250,100
2015	487,321	234,343
2016	503,251	217,637
2017-2021	2,856,625	770,359
2022-2026	1,001,441	279,209
2027-2031	343,010	116,557
2032-2036	242,870	66,150
2037-2041	<u>141,190</u>	<u>14,290</u>
 Total	 <u>\$ 6,877,453</u>	 <u>\$ 2,486,834</u>

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. LONG-TERM DEBT (Continued)

Revenue Warrants

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

Series 2007 Electrical Revenue Warrants, interest at 4.125% to 5% \$ 2,890,000

The annual debt service requirements to maturity, including principal and interest, for revenue warrants as of September 30, 2011, are as follows:

	Principal	Interest
Year Ending September 30:		
2012	\$ 210,000	\$ 119,982
2013	220,000	111,582
2014	230,000	103,222
2015	240,000	94,367
2016	250,000	84,767
2017-2021	1,425,000	251,619
2022-2026	315,000	12,994
Total	\$ 2,890,000	\$ 778,533

Notes Payable

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

Note payable with the Bank of Evergreen used to purchase a pumper truck. The note has an interest rate of 7% and matures on February 18, 2012. The note is secured by a 2008 pumper truck.	\$ 17,848
Note payable with the Bank of Evergreen used to fund costs related to infrastructure improvements. The note has an interest rate of 2.5% and matures on September 30, 2011. The note is secured by a certificate of deposit in the amount of \$600,000.	600,240
Note payable with BB&T used to fund costs related to police cars. The note has an interest rate of 2.87% and matures on March 2, 2016.	124,682
Note payable with BB&T used to fund costs related to the sidewalk improvement project and the purchase of an airport hangar. The note has an interest rate of 4.98% and matures on November 10, 2011.	109,227
Total notes payable	\$ 851,997

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

The annual debt service requirements to maturity, including principal and interest, for notes payable as of September 30, 2011, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30: 2012	\$ 851,997	\$ 25,153

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	\$ 135,152
Less accumulated depreciation	<u>(16,894)</u>
Total	<u>\$ 118,258</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2012	\$ 30,317
2013	30,317
2014	30,317
2015	<u>23,691</u>
Total minimum lease payments	114,642
Less amount representing interest	<u>9,753</u>
Present value of minimum lease payments	<u>\$ 104,889</u>

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

7. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

<u>Asset</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 82,706
Less accumulated depreciation	<u>(7,581)</u>
Total	<u>\$ 75,125</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

	<u>Business-type Activities</u>
Year ending September 30:	
2012	\$ 16,497
2013	17,997
2014	17,997
2015	17,997
2016	<u>3,000</u>
Total minimum lease payments	73,488
Less amount representing interest	<u>4,922</u>
Present value of minimum lease payments	<u>\$ 68,566</u>

8. EMPLOYEES' RETIREMENT PLAN

Employee Pension Plan

The City has a defined contribution benefit pension plan covering substantially all employees. The pension plan is funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The plan is an agent multiple-employer retirement plan. The agent for the plan is the Employees' Retirement System of Alabama.

Plan Description

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer public employee retirement system. The ERS was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and, on an elective basis, all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operations of the ERS is vested in the ERS Board of Control. Authority to amend the plan rests with the Legislature of Alabama.

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Plan Description (Continued)

Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City of Evergreen. The ERS provides retirement benefits as well as death and disability benefits as established by state law. The retirement benefits are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service, regardless of age (30 years of service for those units that have not elected 25 years retirement). Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The two methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation (best three of last ten years) multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. Disability benefits are calculated in the same manner as regular retirement benefits. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement System of Alabama, 135 South Union Street Montgomery, Alabama 36130-2150.

Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest actuarial valuation (September 30, 2010), the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuation is prepared using the entry age method. The present value of all expected benefits payable to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the ERS funding policy provides for employer contributions at actuarially determined rates, expressed as a percent of annual covered payroll, in amounts sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, a pre-retirement death benefit contribution, and a portion to finance administrative costs.

The required contribution rate is 5% for regular members and 6% for certified law enforcement, correctional officers, and firefighters. For the fiscal year ended September 30, 2010, the required employer contribution rate was 9.77% of annual covered compensation.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost

1. Current-Year Contribution Information

For the year ended September 30, 2011, the City's annual pension cost contributed by employees was \$109,991 and the City contributed \$174,085, or a total of \$284,076. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2011.

2. Actuarial Assumptions and Methods

Valuation date	September 30, 2010
Actuarial cost method	Entry Age
Asset valuation method	5-Year Smoothed Market
Amortization method	Level Percent Open
Remaining amortization period	30 years
Period closed/open	Open
Actuarial assumptions:	
Investment rate of return	8%*
Projected salary increases	4.61% - 7.75%*
Cost of living increases	None

*Includes inflation at 4.5%.

In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2008	\$ 125,388	100.0%	\$ -
9/30/2009	142,582	100.0	-
9/30/2010	145,883	100.0	-

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued)

3. Funding Status

The funding status of the plan as of the most recent actuarial valuation is as follows:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b-a)/c UAL as a Percentage of Payroll</u>
9/30/10*	\$ 5,030,481	\$ 6,866,277	\$ 1,835,796	73.3%	\$ 2,045,490	89.7%

*Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. FUND BALANCES

As of September 30, 2011, fund balances consisted of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ 37,328	\$ -	\$ -	\$ 37,328
Note receivable	60,000	-	-	60,000
Prepaid expenses	85,153	-	-	85,153
Restricted:				
Public Safety	-	-	10,142	10,142
Public Works	-	-	329,821	329,821
Capital projects	741,491	1,326,720	-	2,068,211
Debt service	-	-	5	5
Unassigned	<u>3,853,483</u>	<u>-</u>	<u>-</u>	<u>3,853,483</u>
Total fund balances	<u>\$ 4,777,455</u>	<u>\$ 1,362,720</u>	<u>\$ 339,968</u>	<u>\$ 6,444,143</u>

10. 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 Alabama Municipal Insurance Corporation and the Municipal Worker's Compensation program.

11. 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.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Evergreen administers a single employer defined benefit healthcare plan for employees of the City. The plan provides 50% of the cost of the healthcare insurance premiums for qualified retirees who have a minimum of 25 creditable years of service with the City and have not reached the age of 65. The plan does not issue a publicly available financial report. At September 30, 2011, the plan had approximately 40 active participants and 2 retired members.

Funding Policy

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

The employer contributes the \$160 for active participants and requires monthly contributions of \$297 from active participants.

Total member contributions were \$140,981 for active participants and \$7,611 for retirees.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 48,934
Interest on net OPEB obligation	<u>3,880</u>
Annual OPEB cost	52,814
Contributions made	<u>(4,098)</u>
Increase in net OPEB obligation	48,716
Net OPEB obligation – beginning of year	<u>47,054</u>
Net OPEB obligation – end of year	<u><u>\$ 95,770</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	*	*	*
9/30/2010	\$ 50,892	7.5%	\$ 47,054
9/30/2011	52,814	7.5%	95,770

* Information not available.

Funded Status and Funding Progress

As of October 1, 2010, the actuarial accrued liability for benefits was \$688,997 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,045,490, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 90.9%.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Retirement age for active employees – Active employees are assumed to retire at the age in which they have obtained 25 creditable years of service and have not reached the age of 65.

Marital status – The City of Evergreen provides medical insurance coverage for retirees but not for dependents.

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

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using nongroup-specific age-based turnover data.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums is based on the most recent projections as of the calculation date made by the Office of the Actuary at the Centers for Medicare & Medicaid Services, as published in National Health Care Expenditure Projections: 2009-2019, published in January 2010 by the Health Care Financing Administration (www.cms.hhs.gov).

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Methods and Assumptions (Continued)

Health insurance premiums – 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Discount rate – 4% per annum, compounded annually, if unfunded.

The Unit Cost Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized over the maximum permissible period under GASB Statement Number 45 which is 30 years. The remaining amortization period at September 30, 2011, was 28 years.

13. 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 the Evergreen and Conecuh County Library Board.

14. 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 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 District issued special obligation bonds, series 2006-A in the amount of \$2,135,000 and series 2006-B, in the amount of \$2,145,000. The City entered into an agreement with the District which obligates the City to budget and appropriate sufficient funds each fiscal year to make all required debt service payment of the series 2006-A bonds. Therefore the balance of the series-A bonds in the amount of \$1,765,000 has been recorded as a liability at September 30, 2011.

15. 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 2011, the City received \$127,195, from the South Alabama Gas District, in the form of a franchise tax and distribution of profits.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 deliver to residential, commercial, institutional and industrial consumers in and around areas served by South Alabama Gas District

16. SUBSEQUENT EVENTS

The City anticipates issuing General Obligation Warrants in February 2012. If approved, the Warrants will consist of the Series 2012-A in the approximate principal amount of \$1,450,000 but up to a maximum of \$1,695,000, and the Series 2012-B (federally taxable) in the approximate principal amount of \$3,275,000 but up to a maximum of \$3,525,000.

The City proposes to use the proceeds of the Series 2012-A Warrants to pay the costs of refunding the City's General Obligation Warrants, Series 2003, as well as funding the costs of water, sewer and road improvements.

The City proposes to use the proceeds of the Series 2012-B Warrants to fund the acquisition of real property, rehabilitation of the Ted Bates Road Industrial Facility and certain incentives to induce the location of various businesses within the City.

17. EFFECT OF NEW PRONOUNCEMENTS

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

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, (GASB 61) in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 61, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Also, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

17. EFFECT OF NEW PRONOUNCEMENTS (Continued)

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, (GASB 62) in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions and AICPA Accounting Research Bulletins issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, (GASB 63) in June 2011. The objective of this Statement is to establish standards for reporting deferred outflow of resources, deferred inflows of resources, and net position. This Statement supersedes GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, paragraphs 32, 33, 36 and footnote 40. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53* (GASB 64) in June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Statement amends GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, paragraphs 22 and 82. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EVERGREEN, ALABAMA
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/02	\$ 4,454,134	\$ 4,136,300	\$ (317,834)	107.7%	\$ 1,712,997	-18.6%
09/30/03	4,562,682	4,495,673	(67,009)	101.5%	1,781,211	-3.8%
09/30/04	4,681,207	4,589,428	(91,779)	102.0%	1,701,834	-5.4%
09/30/05	4,841,708	5,263,547	421,839	92.0%	1,747,346	24.1%
09/30/06	4,999,442	5,648,349	648,907	88.5%	1,920,050	33.8%
09/30/07	5,169,186	5,940,459	771,273	87.0%	1,827,767	42.2%
09/30/08	5,189,435	6,144,130	954,695	84.5%	1,914,163	49.9%
09/30/09	5,100,687	6,576,132	1,475,445	77.6%	1,833,653	80.5%
09/30/10*	5,030,481	6,866,277	1,835,796	73.3%	2,045,490	89.7%

* Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

See accompanying notes.

CITY OF EVERGREEN, ALABAMA

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/07	*	*	*	*	*	*
09/30/08	*	*	*	*	*	*
09/30/09	\$ -	\$ 408,934	\$ 408,934	0.0%	\$ 2,110,589	19.4%
09/30/10	-	408,934	408,934	0.0%	2,335,430	17.5%

* Information not available.

See accompanying notes.

SUPPLEMENTARY INFORMATION

CITY OF EVERGREEN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,924,000	\$ 1,924,000	\$ 2,228,160	\$ 304,160
Licenses and permits	220,000	220,000	223,322	3,322
Intergovernmental	20,200	20,200	450,766	430,566
Fines and forfeitures	80,000	80,000	63,071	(16,929)
Other revenues	116,575	116,575	207,821	91,246
Interest	-	-	119,787	119,787
Total revenues	<u>2,360,775</u>	<u>2,360,775</u>	<u>3,292,927</u>	<u>932,152</u>
EXPENDITURES				
Current operations:				
General government	1,377,300	1,377,300	1,482,923	(105,623)
Public safety				
Police	993,000	993,000	1,169,844	(176,844)
Fire	42,677	42,677	46,662	(3,985)
Court	60,000	60,000	64,791	(4,791)
Public works				
Street and sanitation	635,000	635,000	653,606	(18,606)
Other	83,700	83,700	78,228	5,472
Civic improvement				
Airport	80,000	80,000	94,933	(14,933)
Economic development	150,000	150,000	172,771	(22,771)
Culture and recreation	300,900	300,900	304,508	(3,608)
Capital outlay	78,500	78,500	317,560	(239,060)
Debt service:				
Principal retirement	-	-	217,891	(217,891)
Interest charges	-	-	70,901	(70,901)
Debt issuance costs	-	-	-	-
Total expenditures	<u>3,801,077</u>	<u>3,801,077</u>	<u>4,674,618</u>	<u>(873,541)</u>
Deficiency of revenues under expenditures	<u>(1,440,302)</u>	<u>(1,440,302)</u>	<u>(1,381,691)</u>	<u>58,611</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,020,000	2,020,000	2,223,000	203,000
Transfers out	(492,960)	(492,960)	(1,064,865)	(571,905)
Proceeds from issuance of bonds	-	-	232,866	232,866
Total other financing sources (uses)	<u>1,527,040</u>	<u>1,527,040</u>	<u>1,391,001</u>	<u>(136,039)</u>
Net change in fund balances	86,738	86,738	9,310	(77,428)
FUND BALANCES - BEGINNING	<u>4,768,145</u>	<u>4,768,145</u>	<u>4,768,145</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 4,854,883</u>	<u>\$ 4,854,883</u>	<u>\$ 4,777,455</u>	<u>\$ (77,428)</u>

See accompanying notes.

CITY OF EVERGREEN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue				Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 203,148	\$ 114,667	\$ 10,142	\$ -	\$ 327,957
Receivables - taxes	6,774	5,232	-	-	12,006
Restricted assets:					
Cash held by fiscal agent	-	-	-	5	5
TOTAL ASSETS	\$ 209,922	\$ 119,899	\$ 10,142	\$ 5	\$ 339,968
FUND BALANCES					
Restricted for:					
Public safety	\$ -	\$ -	\$ 10,142	\$ -	\$ 10,142
Public works	209,922	119,899	-	-	329,821
Debt service	-	-	-	5	5
TOTAL FUND BALANCES	209,922	119,899	10,142	5	339,968
TOTAL LIABILITIES AND FUND BALANCES					
BALANCES	\$ 209,922	\$ 119,899	\$ 10,142	\$ 5	\$ 339,968

See accompanying notes.

CITY OF EVERGREEN, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue			Debt Service Fund	Total Nonmajor Governmental Funds
	State Gas Tax Fund	Gas Tax Fund	Fire Department Tax Fund		
REVENUES					
Taxes	\$ 64,526	\$ 58,747	\$ 15,967	\$ -	\$ 139,240
Licenses and permits	10,724	-	-	-	10,724
Interest on investments	-	-	-	-	-
Total revenues	75,250	58,747	15,967	-	149,964
EXPENDITURES					
Current operations:					
Public safety	-	-	11,729	-	11,729
Public works	31,436	-	-	-	31,436
Debt service:					
Principal retirement	-	-	9,880	250,000	259,880
Interest charges	-	-	1,941	239,726	241,667
Total expenditures	31,436	-	23,550	489,726	544,712
Excess (deficiency) of revenues over (under) expenditures	43,814	58,747	(7,583)	(489,726)	(394,748)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	489,726	489,726
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	489,726	489,726
Net change in fund balances	43,814	58,747	(7,583)	-	94,978
FUND BALANCES - BEGINNING	166,108	61,152	17,725	5	244,990
FUND BALANCES - ENDING	\$ 209,922	\$ 119,899	\$ 10,142	\$ 5	\$ 339,968

See accompanying notes.

CITY OF EVERGREEN, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2011

Assessed Value		<u>\$ 47,107,920</u>
Legal Debt Margin		
Debt Limitation - 20 Percent of Assessed Value		9,421,584
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 10,792,905	
Less: Debt attributable to the improvement of electric systems and payable from the revenues of such systems	(2,890,000)	
Less: Debt attributable to the improvement of sewer and water systems	(1,035,000)	
Less: Debt associated with Amendment 772	<u>(1,765,000)</u>	
Total Debt Applicable to Limitation		<u>5,102,905</u>
Legal Debt Margin		<u>\$ 4,318,679</u>

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

See accompanying notes.

CITY OF EVERGREEN, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2011

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct			
City of Evergreen:			
General obligations including capital leases	<u>\$ 10,792,905</u>	100.00%	<u>\$ 10,792,905</u>

See accompanying notes.