

CITY OF EVERGREEN, ALABAMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

CITY OF EVERGREEN, ALABAMA
SEPTEMBER 30, 2010

TABLE OF CONTENTS

PAGE

Independent Auditors' Report..... 1
Financial Management Discussion and Analysis3

FINANCIAL STATEMENTS

Statement of Net Assets..... 10
Statement of Activities 12
Balance Sheet – Governmental Funds 13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities 16
Statement of Net Assets – Proprietary Fund 17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund 18
Statement of Cash Flows – Proprietary Fund 19
Notes to Financial Statements 21

REQUIRED SUPPLEMENTARY INFORMATION

Employees' Retirement System of Alabama – Schedule of Funding Progress..... 42
Employees' Medical Insurance Plan of the City of Evergreen, Alabama – Schedule of
Funding Progress 43

CITY OF EVERGREEN, ALABAMA
SEPTMBER 30, 2010

TABLE OF CONTENTS (Continued)

PAGE

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund | 44 |
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 45 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 46 |
| Computation of Legal Debt Margin | 47 |
| Computation of Direct and Overlapping Bonded Debt | 48 |

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 44, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was 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.

Nelson, Price, Bannock, Blankenship & Billingsley, P.C.

December 14, 2010

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, 2010

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, 2010. 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, 2010, the City's net assets (assets minus liabilities) totaled \$15,627,242, an increase of \$99,548 over the September 30, 2009, figure. Included in this increase are prior period adjustments which increased net assets by \$412,532.
- Total net assets for governmental activities are comprised of the following:
 - (1) Capital assets net of related debt of \$9,174,611, 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 \$6,452,631 are restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net assets of \$3,918,695 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total net assets for governmental activities decreased by \$245,358, thus bringing the total down to \$11,328,990 for fiscal year 2010. Prior period adjustments increased net assets by \$129,330 at September 30, 2010.
- Total net assets for business-type activities increased by \$372,906, thus bringing the total to \$4,298,252 for fiscal year 2010. Included in this increase are prior period adjustments which increased net assets by \$283,202.

- Fund balances (a measure of current financial resources) in governmental funds increased by \$551,590 to a total of \$6,561,155. Included in this increase are prior period adjustments which increased net assets by \$129,330. Of the total fund balances in governmental funds \$222,026 is reserved and is not appropriable for expenditures or is legally segregated for a specific future use. The remaining \$6,339,129 is unreserved, of which \$1,548,025 is designated for debt service and capital projects. The remaining \$4,791,104 is undesignated and is available for future programs.
- The general fund undesignated fund balance, as of September 30, 2010, was \$4,546,119, or 70.31% of total general fund expenditures.
- The City's total bond and capital lease debt increased by \$2,513,372 (28.57%) during the current fiscal year. The primary cause for this increase is the City issued the Series 2009 General Obligations Bonds, the Series 2009-A USDA General Obligation Warrants and the Series 2009-B USDA General Obligation Warrants during the current fiscal year.
- The City entered into two capital lease agreements this year for the purchase of a side cutter and two tractors.

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 \$15,627,242 as of September 30, 2010. The following table reflects the condensed Government-Wide Statement of Net Assets:

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and other assets | \$ 7,137,285 | \$ 6,152,558 | \$ 3,752,896 | \$ 5,289,811 | \$ 10,890,181 | \$ 11,442,369 |
| Capital assets | 12,810,528 | 10,956,567 | 4,712,654 | 3,028,845 | 17,523,182 | 13,985,412 |
| Total Assets | <u>19,947,813</u> | <u>17,109,125</u> | <u>8,465,550</u> | <u>8,318,656</u> | <u>28,413,363</u> | <u>25,427,781</u> |
| Current and other liabilities | 1,562,422 | 1,888,777 | 1,277,298 | 1,271,310 | 2,839,720 | 3,160,087 |
| Long-term liabilities | 7,056,401 | 3,645,000 | 2,890,000 | 3,095,000 | 9,946,401 | 6,740,000 |
| Total Liabilities | <u>8,618,823</u> | <u>5,533,777</u> | <u>4,167,298</u> | <u>4,366,310</u> | <u>12,786,121</u> | <u>9,900,087</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 6,279,309 | 5,677,775 | 2,895,302 | 3,028,845 | 9,174,611 | 8,706,620 |
| Restricted | 2,533,936 | 843,173 | - | - | 2,533,936 | 843,173 |
| Unrestricted | 2,515,745 | 5,054,400 | 1,402,950 | 923,501 | 3,918,695 | 5,977,901 |
| Total Net Assets | <u>\$ 11,328,990</u> | <u>\$ 11,575,348</u> | <u>\$ 4,298,252</u> | <u>\$ 3,952,346</u> | <u>\$ 15,627,242</u> | <u>\$ 15,527,694</u> |

The City's total assets were \$28,413,363 as of September 30, 2010. Of this amount, \$17,523,182 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$4,688,968 is accounted for in cash and cash equivalents, \$1,352,732 in accounts receivable, \$444,440 in inventory, \$964,826 in restricted cash and cash equivalents, \$2,966,599 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2010, the City had outstanding liabilities of \$12,789,121, of which \$9,946,401 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding, approximately \$1,364,197 was due within one year, with the remainder due at various dates before 2025.

Included in current and other liabilities in the above table are \$810,182 in accounts payable and other current liabilities and \$72,980 in accrued interest payable, \$231,691 in deferred revenue and \$360,670 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 \$2,533,936 or 16.21% of total net assets. The remaining \$3,918,695 or 25.08% 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 | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 281,600 | \$ 394,570 | \$ 6,485,267 | \$ 6,915,213 | \$ 6,766,867 | \$ 7,309,783 |
| Operating grants and contributions | 92,665 | 274,411 | - | - | 92,665 | 274,411 |
| Capital grants and contributions | 607,106 | 747,134 | - | - | 607,106 | 747,134 |
| General revenues | | | | | | |
| Property taxes | 279,264 | 297,146 | - | - | 279,264 | 297,146 |
| Sales and use taxes | 933,754 | 806,752 | - | - | 933,754 | 806,752 |
| Motor fuel taxes | 412,284 | 365,860 | - | - | 412,284 | 365,860 |
| Alcoholic beverage taxes | 54,210 | 58,901 | - | - | 54,210 | 58,901 |
| Other income | 134,960 | 180,016 | 2,387 | - | 137,347 | 180,016 |
| Interest income | 145,782 | 143,048 | 9,865 | 72,865 | 155,647 | 215,913 |
| Extraordinary item | (336,064) | - | - | - | (336,064) | - |
| Transfers | 1,881,500 | 1,685,000 | (1,881,500) | (1,685,000) | - | - |
| Total revenues | 4,487,061 | 4,952,838 | 4,616,019 | 5,303,078 | 9,103,080 | 10,255,916 |
| Expenses | | | | | | |
| General government | 1,410,453 | 1,182,263 | - | - | 1,410,453 | 1,182,263 |
| Public safety | 1,109,133 | 997,830 | - | - | 1,109,133 | 997,830 |
| Public works | 1,345,454 | 1,365,705 | - | - | 1,345,454 | 1,365,705 |
| Civic improvement | 366,607 | 502,799 | - | - | 366,607 | 502,799 |
| Cultural and recreation | 341,183 | 313,033 | - | - | 341,183 | 313,033 |
| Interest on long-term debt | 289,919 | 161,347 | - | - | 289,919 | 161,347 |
| Utility fund | - | - | 4,553,315 | 5,198,583 | 4,553,315 | 5,198,583 |
| Total expenses | 4,862,749 | 4,522,977 | 4,553,315 | 5,198,583 | 9,416,064 | 9,721,560 |
| Increase (decrease) in net assets | (375,688) | 429,861 | 62,704 | 104,495 | (312,984) | 534,356 |
| Net assets - beginning as originally reported | 11,575,348 | 11,145,487 | 3,952,346 | 3,847,851 | 15,527,694 | 14,993,338 |
| Prior period adjustment | 129,330 | - | 283,202 | - | 412,532 | - |
| Net assets - as restated | 11,704,678 | 11,145,487 | 4,235,548 | 3,847,851 | 15,940,226 | 14,993,338 |
| Net assets - ending | \$ 11,328,990 | \$ 11,575,348 | \$ 4,298,252 | \$ 3,952,346 | \$ 15,627,242 | \$ 15,527,694 |

Total revenues for the City were \$9,103,080 for the year ended September 30, 2010. Governmental activities provided \$4,487,061 or 49.29% while \$4,616,019 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$933,754, or 20.81% of total revenue, from sales taxes and \$398,009, or 8.87% of total revenue, from motor fuel taxes.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund balances increased by \$551,590 in the current year. This amount includes an increase of \$129,330 as a result of a prior period adjustment. The Capital Projects Fund increased by \$1,174,944, while other governmental funds balance decreased by \$623,354. 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 \$2,831,287 which was an increase of \$916,527 or 47.87% over final budgeted revenues. The primary cause of this is as follows:

- Intergovernmental revenue was more than budgeted by \$657,411. This was due to City receiving funding reimbursements related to the sidewalk stimulus project, the airport runway extension project and the library expansion project.

Total general fund expenditures were \$6,465,479, which was an increase of \$3,049,329 or 89.26% over final budgeted expenditures.

- Capital outlay expenditures were more than budgeted by \$1,524,425. This was due to the City incurring expenses related to the sidewalk stimulus project, the airport runway extension project and the library expansion project. In addition, the City purchased four police cars, two mowers, a tractor, a new fuel station and renovated the pool at the Carver Recreation Center.
- Debt service principal retirement expenditures were more than budgeted by \$1,255,135. This was due to the City paying off a note payable with the Bank of Evergreen using the funding from the issuance of the Series 2009-A and Series 2009-B USDA General obligation Warrants.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of September 30, 2010, was \$17,523,182 (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 \$11,174,244. Of this amount \$11,043,537 comprises debt backed by the full faith and credit of the City and \$130,707 in long-term leases. The City's long-term debt increased \$2,513,372 or 28.57% from the previous year due to the issuance of the Series 2009 General Obligation Bonds in the amount of \$2,500,000, the Series 2009-A USDA General Obligation Warrants in the amount of \$685,564 the Series 2009-B USDA General Obligation Warrants in the amount of \$363,900.

THE OUTLOOK FOR NEXT YEAR

The City has a very positive outlook for the upcoming year. We have annexed the area at interstate exit 93, known as the Fairview Gateway and Love's Truck Stop. This will create a substantial increase in both sales tax and gas tax revenue. The City also increased the fuel tax to 4 cents per gallon in the corporate limits and 2 cents per gallon in the Police Jurisdiction effective October 1, 2010. In addition, the new Sleep Inn Hotel located at interstate exit 96 has allowed access to develop the remaining property which should result in an increase in the number of retail business.

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, 2010

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,116,306 | \$ 572,662 | \$ 4,688,968 |
| Receivables, net | 283,413 | 1,069,319 | 1,352,732 |
| Internal balances | 19,411 | (19,411) | - |
| Inventory | 28,639 | 415,801 | 444,440 |
| Note receivable | 60,000 | - | 60,000 |
| Prepaid expenses | 133,387 | - | 133,387 |
| Other assets | 14,758 | - | 14,758 |
| Deferred debt expense, net | 192,420 | 72,051 | 264,471 |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents | 600,000 | 364,826 | 964,826 |
| Cash held by fiscal agent | 1,688,951 | 1,277,648 | 2,966,599 |
| Capital assets not being depreciated: | | | |
| Land | 584,018 | 19,301 | 603,319 |
| Construction in progress | 2,252,485 | 1,616,472 | 3,868,957 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings | 4,530,099 | - | 4,530,099 |
| Machinery and equipment | 1,320,490 | 441,560 | 1,762,050 |
| Utility system | - | 2,635,321 | 2,635,321 |
| Infrastructure | 4,123,436 | - | 4,123,436 |
| TOTAL ASSETS | \$ 19,947,813 | \$ 8,465,550 | \$ 28,413,363 |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 383,710 | \$ 414,332 | \$ 798,042 |
| Accrued interest payable | 62,298 | 10,682 | 72,980 |
| Other current liabilities | - | 12,140 | 12,140 |
| Deferred revenue | - | 231,691 | 231,691 |
| Customer deposits | - | 360,670 | 360,670 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,116,414 | 247,783 | 1,364,197 |
| Due in more than one year | 7,056,401 | 2,890,000 | 9,946,401 |
| TOTAL LIABILITIES | 8,618,823 | 4,167,298 | 12,786,121 |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | 6,279,309 | 2,895,302 | 9,174,611 |
| Restricted for: | | | |
| Public safety | 17,725 | - | 17,725 |
| Public works | 227,260 | - | 227,260 |
| Capital projects | 2,288,946 | - | 2,288,946 |
| Debt service | 5 | - | 5 |
| Unrestricted | 2,515,745 | 1,402,950 | 3,918,695 |
| TOTAL NET ASSETS | 11,328,990 | 4,298,252 | 15,627,242 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 19,947,813 | \$ 8,465,550 | \$ 28,413,363 |

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

| <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 | \$ 1,410,453 | \$ 202,781 | \$ 46,007 | \$ - |
| Public safety | 1,109,133 | 76,384 | 21,498 | 11,500 |
| Public works | 1,345,454 | - | 22,160 | 431,727 |
| Civic improvement | 366,607 | 16,710 | - | 163,879 |
| Culture and recreation | 341,183 | - | 3,000 | - |
| Interest and fiscal charges on long-term debt | 289,919 | - | - | - |
| Total governmental activities | <u>4,862,749</u> | <u>295,875</u> | <u>92,665</u> | <u>607,106</u> |
| Business-type activities: | | | | |
| Utility Fund | <u>4,553,315</u> | <u>6,485,267</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 9,416,064</u> | <u>\$ 6,781,142</u> | <u>\$ 92,665</u> | <u>\$ 607,106</u> |

General Revenues

Property taxes
Sales taxes
Motor fuel taxes
Alcoholic beverage taxes
Interest income
Miscellaneous revenue
Extraordinary item

Transfers

Total general revenues and transfers
Change in net assets
Net assets - beginning as originally reported
Prior period adjustments
Net assets - beginning as restated
Net assets - ending

See accompanying notes to financial statements.

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

Primary Government

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,161,665) | \$ - | \$ (1,161,665) |
| (999,751) | - | (999,751) |
| (891,567) | - | (891,567) |
| (186,018) | - | (186,018) |
| (338,183) | - | (338,183) |
| (289,919) | - | (289,919) |
| <u>(3,867,103)</u> | <u>-</u> | <u>(3,867,103)</u> |
| - | 1,931,952 | 1,931,952 |
| <u>(3,867,103)</u> | <u>1,931,952</u> | <u>(1,935,151)</u> |
| 279,264 | - | 279,264 |
| 933,754 | - | 933,754 |
| 398,009 | - | 398,009 |
| 54,210 | - | 54,210 |
| 145,782 | 9,865 | 155,647 |
| 134,960 | 2,387 | 137,347 |
| (336,064) | - | (336,064) |
| 1,881,500 | (1,881,500) | - |
| <u>3,491,415</u> | <u>(1,869,248)</u> | <u>1,622,167</u> |
| <u>(375,688)</u> | <u>62,704</u> | <u>(312,984)</u> |
| 11,575,348 | 3,952,346 | 15,527,694 |
| 129,330 | 283,202 | 412,532 |
| <u>11,704,678</u> | <u>4,235,548</u> | <u>15,940,226</u> |
| <u>\$ 11,328,990</u> | <u>\$ 4,298,252</u> | <u>\$ 15,627,242</u> |

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

| | <u>General Fund</u> | <u>Capital Projects</u> | <u>Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|---------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,883,548 | \$ - | \$ 232,758 | \$ 4,116,306 |
| Receivables - taxes | 129,714 | - | 12,227 | 141,941 |
| Receivables - other | 141,472 | - | - | 141,472 |
| Note receivable | 60,000 | - | - | 60,000 |
| Prepaid expenses | 133,387 | - | - | 133,387 |
| Due from other funds | 19,411 | - | - | 19,411 |
| Inventory | 28,639 | - | - | 28,639 |
| Other assets | 14,758 | - | - | 14,758 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 600,000 | - | - | 600,000 |
| Cash held by fiscal agent | 140,926 | 1,548,020 | 5 | 1,688,951 |
| TOTAL ASSETS | <u>\$ 5,151,855</u> | <u>\$ 1,548,020</u> | <u>\$ 244,990</u> | <u>\$ 6,944,865</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 377,152 | \$ - | \$ - | \$ 377,152 |
| Other current liabilities | 6,558 | - | - | 6,558 |
| TOTAL LIABILITIES | <u>383,710</u> | <u>-</u> | <u>-</u> | <u>383,710</u> |
| FUND BALANCES | | | | |
| Reserved | 222,026 | - | - | 222,026 |
| Unreserved: | | | | |
| Undesignated | 4,546,119 | - | 244,985 | 4,791,104 |
| Designated for capital projects | - | 1,548,020 | - | 1,548,020 |
| Designated for debt service | - | - | 5 | 5 |
| TOTAL FUND BALANCES | <u>4,768,145</u> | <u>1,548,020</u> | <u>244,990</u> | <u>6,561,155</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 5,151,855</u> | <u>\$ 1,548,020</u> | <u>\$ 244,990</u> | <u>\$ 6,944,865</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, 2010**

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

| | | |
|---|----------------|----------------------|
| Total fund balances - governmental funds | | \$ 6,561,155 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 12,810,528 |
| 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. | | 192,420 |
| 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, 2010, were: | | |
| Bonds, leases and notes payable | \$ (8,079,244) | |
| Accrued interest | (62,298) | |
| Compensated absences | (46,517) | |
| Postemployment benefits other than pensions | (47,054) | |
| Total long-term liabilities | | <u>(8,235,113)</u> |
| Net assets of governmental activities | | <u>\$ 11,328,990</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, 2010

| | General Fund | Capital Projects | Nonmajor Funds | Total Governmental Funds |
|---|---------------------|---------------------|-------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 1,518,874 | \$ - | \$ 141,032 | \$ 1,659,906 |
| Licenses and permits | 232,228 | - | 10,701 | 242,929 |
| Intergovernmental | 677,611 | - | - | 677,611 |
| Fines and forfeitures | 77,180 | - | - | 77,180 |
| Other revenues | 186,992 | - | - | 186,992 |
| Interest | 138,402 | 7,368 | 11 | 145,781 |
| Total revenues | <u>2,831,287</u> | <u>7,368</u> | <u>151,744</u> | <u>2,990,399</u> |
| EXPENDITURES | | | | |
| Current operations: | | | | |
| General government | 1,381,396 | - | - | 1,381,396 |
| Public safety | 964,829 | - | 1,428 | 966,257 |
| Public works | 709,563 | - | 404,350 | 1,113,913 |
| Civic improvement | 268,665 | - | - | 268,665 |
| Culture and recreation | 278,228 | - | - | 278,228 |
| Capital Outlay | 1,539,425 | 866,505 | - | 2,405,930 |
| Debt service: | | | | |
| Principal retirement | 1,255,135 | - | 212,935 | 1,468,070 |
| Interest charges | 56,238 | - | 196,131 | 252,369 |
| Bond issue costs | 12,000 | 92,843 | - | 104,843 |
| Total expenditures | <u>6,465,479</u> | <u>959,348</u> | <u>814,844</u> | <u>8,239,671</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,634,192)</u> | <u>(951,980)</u> | <u>(663,100)</u> | <u>(5,249,272)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,254,576 | - | 393,661 | 2,648,237 |
| Transfers out | (393,661) | (373,076) | - | (766,737) |
| Proceeds from issuance of bonds | 1,490,944 | 2,500,000 | - | 3,990,944 |
| Proceeds from capital leases | 135,152 | - | - | 135,152 |
| Total other financing sources (uses) | <u>3,487,011</u> | <u>2,126,924</u> | <u>393,661</u> | <u>6,007,596</u> |
| EXTRAORDINARY ITEM | | | | |
| Net change in fund balances | <u>(483,245)</u> | <u>1,174,944</u> | <u>(269,439)</u> | <u>422,260</u> |
| FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED) | | | | |
| Prior period adjustments | 5,133,779 | 373,076 | 502,710 | 6,009,565 |
| Prior period adjustments | 117,611 | - | 11,719 | 129,330 |
| FUND BALANCES - BEGINNING (AS RESTATED) | | | | |
| Prior period adjustments | 5,251,390 | 373,076 | 514,429 | 6,138,895 |
| FUND BALANCES - ENDING | | | | |
| | <u>\$ 4,768,145</u> | <u>\$ 1,548,020</u> | <u>\$ 244,990</u> | <u>\$ 6,561,155</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, 2010

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

| | | | |
|---|----|--------------------|------------------|
| Net change in fund balances - total governmental funds | | \$ | 422,260 |
| Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets. | | | 2,405,930 |
| Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities. | | | (503,195) |
| The net effect of transactions involving the sale and disposal of capital assets is to decrease net assets in the Statement of Activities. | | | (48,774) |
| Governmental funds report the effect of issuance costs when debt is issued whereas these amounts are deferred and amortized in the Statement of Activities. | | | 104,843 |
| The costs of deferred debt expense incurred are allocated over the term of the bond or warrant issue and reported as amortization expense. | | | (14,090) |
| Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. | | | |
| Bond proceeds | \$ | (3,990,944) | |
| Capital lease proceeds | | (135,152) | |
| Total proceeds | | <u>(4,126,096)</u> | (4,126,096) |
| 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 | | 1,463,625 | |
| Capital leases | | 4,445 | |
| Total repayments | | <u>1,468,070</u> | 1,468,070 |
| 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 | | | (32) |
| Increases in long-term debt and related items that are not financial resources increase net assets in the Statement of Net Assets. | | | |
| Accrued interest | | (37,550) | |
| Postemployment benefits other than pensions | | (47,054) | |
| Total increases | | <u>(84,604)</u> | (84,604) |
| Change in net assets of governmental activities | | \$ | <u>(375,688)</u> |

See accompanying notes to financial statements.

CITY OF EVERGREEN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010

| | <u>Utility Fund</u> |
|---|-------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 572,662 |
| Receivables, net | 1,069,319 |
| Inventory | 415,801 |
| Bond issue cost | 72,051 |
| Restricted assets: | |
| Cash and cash equivalents | 364,826 |
| Cash held by fiscal agent | 1,277,648 |
| Total current assets | <u>3,772,307</u> |
| CAPITAL ASSETS | |
| Land | 19,301 |
| Construction in progress | 1,616,472 |
| Machinery and equipment | 1,243,382 |
| Utility system | 9,787,734 |
| Less accumulated depreciation | <u>(7,954,235)</u> |
| Total capital assets, net of accumulated depreciation | <u>4,712,654</u> |
| TOTAL ASSETS | <u>8,484,961</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 414,332 |
| Other liabilities | 12,140 |
| Accrued interest payable | 10,682 |
| Due to other funds | 19,411 |
| Deferred revenue | 231,691 |
| Compensated absences | 42,783 |
| Bonds payable | 205,000 |
| Customer deposits | <u>360,670</u> |
| Total current liabilities | <u>1,296,709</u> |
| NONCURRENT LIABILITIES | |
| Bonds payable | <u>2,890,000</u> |
| TOTAL LIABILITIES | <u>4,186,709</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 2,895,302 |
| Unrestricted | <u>1,402,950</u> |
| TOTAL NET ASSETS | <u>\$ 4,298,252</u> |

CITY OF EVERGREEN, ALABAMA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| | Utility Fund |
|--|----------------------------|
| OPERATING REVENUES | |
| Charges for services | |
| Electric revenues | \$ 5,103,462 |
| Garbage revenues | 249,434 |
| Sewer revenues | 429,451 |
| Water revenues | 662,706 |
| Miscellaneous revenue | 40,214 |
| Total operating revenues | <u>6,485,267</u> |
| OPERATING EXPENSES | |
| Personnel, operations and maintenance, utilities: | |
| Electric expenses | 3,141,268 |
| Garbage expenses | 92,105 |
| Sewer expenses | 240,084 |
| Water expenses | 463,178 |
| Depreciation and amortization | 294,402 |
| Administrative costs | 184,352 |
| Total operating expenses | <u>4,415,389</u> |
| OPERATING INCOME | <u>2,069,878</u> |
| NONOPERATING REVENUES (EXPENSE) | |
| Interest income | 9,865 |
| Gain on sale of capital assets | 2,387 |
| Interest expense | (137,926) |
| Total nonoperating revenues (expense) | <u>(125,674)</u> |
| Income before transfers | <u>1,944,204</u> |
| Transfers out | <u>(1,881,500)</u> |
| Change in net assets | <u>62,704</u> |
| TOTAL NET ASSETS - BEGINNING (AS ORIGINALLY REPORTED) | 3,952,346 |
| Prior period adjustments | <u>283,202</u> |
| FUND BALANCES - BEGINNING (AS RESTATED) | <u>4,235,548</u> |
| FUND BALANCES - ENDING | <u><u>\$ 4,298,252</u></u> |

CITY OF EVERGREEN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

| | <u>Utility Fund</u> |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 6,534,451 |
| Payments to suppliers for goods and services | (3,427,796) |
| Payments to employees for services | <u>(772,020)</u> |
| Net cash provided by operating activities | <u>2,334,635</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Cash payments to other funds | <u>(1,862,089)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (1,970,774) |
| Proceeds from sale of capital assets | 5,938 |
| Principal payments on bond | (195,000) |
| Interest paid on bond | <u>(140,039)</u> |
| Net cash used by capital and related financing activities | <u>(2,299,875)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | <u>9,865</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(1,817,464)</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>4,032,600</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 2,215,136</u></u> |
| DISPLAYED ON THE STATEMENT OF NET ASSETS AS: | |
| Cash and cash equivalents | \$ 572,662 |
| Restricted assets: | |
| Cash and cash equivalents | 364,826 |
| Cash held by fiscal agent | <u>1,277,648</u> |
| | <u><u>\$ 2,215,136</u></u> |

CITY OF EVERGREEN, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

| | <u>Utility Fund</u> |
|--|-------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 2,069,878 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization expense | 294,402 |
| Decrease in accounts receivable | 31,236 |
| Increase in inventory | (58,982) |
| Decrease in accounts payable | (23,106) |
| Increase in other liabilities | 21,207 |
| | <hr/> |
| Net cash provided by operating activities | <u>\$ 2,334,635</u> |

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 non-operating 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are needed.

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. 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 non-current 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, 2010

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 | \$ 14,685 | \$ 4,184 | \$ 18,869 |
| Materials and supplies | <u>13,954</u> | <u>411,617</u> | <u>425,571</u> |
| Totals | <u>\$ 28,639</u> | <u>\$ 415,801</u> | <u>\$ 444,440</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, 2010

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.

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, 2010, none of the City's bank balance of \$8,685,538 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, 2010, 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 | \$ 129,714 | \$ 12,227 | \$ - | \$ 141,941 |
| Accounts | - | - | 1,387,876 | 1,387,876 |
| Intergovernmental | 134,790 | - | - | 134,790 |
| Interest | <u>6,682</u> | <u>-</u> | <u>-</u> | <u>6,682</u> |
| Gross receivables | 271,186 | 12,227 | 1,387,876 | 1,671,289 |
| Less allowance for uncollectible | <u>-</u> | <u>-</u> | <u>(318,557)</u> | <u>(318,557)</u> |
| Net total receivables | <u>\$ 271,186</u> | <u>\$ 12,227</u> | <u>\$ 1,069,319</u> | <u>\$ 1,352,732</u> |

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

| | <u>Beginning Balance</u> | <u>Prior Period Adjustment</u> | <u>Adjusted Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--|---|---------------------|---------------------|---------------------------|
| Governmental Activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 369,126 | \$ 70,329 | \$ 439,455 | \$ 144,563 | \$ - | \$ 584,018 |
| Construction in progress | <u>3,488,694</u> | <u>1,364,152</u> | <u>4,852,846</u> | <u>1,757,486</u> | <u>4,357,847</u> | <u>2,252,485</u> |
| Total capital assets, not being depreciated | <u>3,857,820</u> | <u>1,434,481</u> | <u>5,292,301</u> | <u>1,902,049</u> | <u>4,357,847</u> | <u>2,836,503</u> |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 5,937,843 | (1,321,594) | 4,616,249 | 2,146,219 | - | 6,762,468 |
| Machinery and equipment | 3,025,627 | - | 3,025,627 | 313,668 | 282,346 | 3,056,949 |
| Infrastructure | <u>3,769,803</u> | <u>(112,887)</u> | <u>3,656,916</u> | <u>2,353,067</u> | <u>1,017</u> | <u>6,008,966</u> |
| Total capital assets, being depreciated | <u>12,733,273</u> | <u>(1,434,481)</u> | <u>11,298,792</u> | <u>4,812,954</u> | <u>283,363</u> | <u>15,828,383</u> |
| Less accumulated depreciation for: | | | | | | |
| Buildings | 2,061,155 | - | 2,061,155 | 171,214 | - | 2,232,369 |
| Machinery and equipment | 1,808,392 | - | 1,808,392 | 210,413 | 282,346 | 1,736,459 |
| Infrastructure | <u>1,764,979</u> | <u>-</u> | <u>1,764,979</u> | <u>121,568</u> | <u>1,017</u> | <u>1,885,530</u> |
| Total accumulated depreciation | <u>5,634,526</u> | <u>-</u> | <u>5,634,526</u> | <u>503,195</u> | <u>283,363</u> | <u>5,854,358</u> |
| Total capital assets, being depreciated, net | <u>7,098,747</u> | <u>(1,434,481)</u> | <u>5,664,266</u> | <u>4,309,759</u> | <u>-</u> | <u>9,974,025</u> |
| Governmental activities capital assets, net | <u>\$ 10,956,567</u> | <u>\$ -</u> | <u>\$ 10,956,567</u> | <u>\$ 6,211,808</u> | <u>\$ 4,357,847</u> | <u>\$ 12,810,528</u> |

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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>-</u> | <u>1,616,472</u> | <u>-</u> | <u>1,616,472</u> |
| Total capital assets, not being depreciated | <u>19,301</u> | <u>1,616,472</u> | <u>-</u> | <u>1,635,773</u> |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | 1,114,601 | 236,344 | 107,563 | 1,243,382 |
| Utility system | <u>9,669,776</u> | <u>117,958</u> | <u>-</u> | <u>9,787,734</u> |
| Total capital assets, being depreciated | <u>10,784,377</u> | <u>354,302</u> | <u>107,563</u> | <u>11,031,116</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 851,900 | 53,934 | 104,012 | 801,822 |
| Utility system | <u>6,922,933</u> | <u>229,480</u> | <u>-</u> | <u>7,152,413</u> |
| Total accumulated depreciation | <u>7,774,833</u> | <u>283,414</u> | <u>104,012</u> | <u>7,954,235</u> |
| Total capital assets, being depreciated, net | <u>3,009,544</u> | <u>70,888</u> | <u>3,551</u> | <u>3,076,881</u> |
| Business-type activities capital assets, net | <u>\$ 3,028,845</u> | <u>\$ 1,687,360</u> | <u>\$ 3,551</u> | <u>\$ 4,712,654</u> |

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

Governmental Activities:

| | |
|--|-------------------|
| General government | \$ 11,853 |
| Public safety | 119,236 |
| Public works | 219,712 |
| Civic improvement | 96,530 |
| Cultural and recreation | <u>55,864</u> |
| Total depreciation expense – governmental activities | <u>\$ 503,195</u> |

Business-type Activities \$ 283,414

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010, is shown below.

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|------------------|
| General | Utility Fund | <u>\$ 19,411</u> |

Interfund Transfers:

| <u>Transfer Out:</u> | <u>Transfer In:</u> | | |
|-----------------------|---------------------|-----------------------------|---------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
| General | \$ - | \$ 393,661 | \$ 393,661 |
| Nonmajor Governmental | 373,076 | - | 373,076 |
| Utility Fund | 1,881,500 | - | 1,881,500 |
| Total | <u>\$ 2,254,576</u> | <u>\$ 393,661</u> | <u>\$ 2,648,237</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, 2010, 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 | \$ 3,845,000 | \$ 3,549,464 | \$ 218,198 | \$ 7,176,266 | \$ 268,958 |
| Notes payable | 1,576,218 | 441,480 | 1,245,427 | 772,271 | 772,271 |
| Capital leases | - | 135,152 | 4,445 | 130,707 | 24,830 |
| Compensated absences | 46,485 | 46,517 | 46,485 | 46,517 | 46,517 |
| Postemployment benefits other than pensions | - | 50,892 | 3,838 | 47,054 | 3,838 |
| | <u>\$ 5,467,703</u> | <u>\$ 4,223,505</u> | <u>\$ 1,518,393</u> | <u>\$ 8,172,815</u> | <u>\$ 1,116,414</u> |
| Business-type Activities: | | | | | |
| Revenue Warrants | \$ 3,290,000 | \$ - | \$ 195,000 | \$ 3,095,000 | \$ 205,000 |
| Compensated absences | 39,523 | 42,783 | 39,523 | 42,783 | 42,783 |
| | <u>\$ 3,329,523</u> | <u>\$ 42,783</u> | <u>\$ 234,523</u> | <u>\$ 3,137,783</u> | <u>\$ 247,783</u> |

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

7. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2010, 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% | \$ 590,000 |
| Series 2002 General Obligation Sewer System Warrants, interest at 3.50% | 530,000 |
| Series 2003 General Obligation Warrants, interest at 2.0% to 4.9% | 680,000 |
| Series 2006-A Special Obligation Bonds, interest at 3.65% to 4.15% | 1,845,000 |
| Series 2009 General Obligation Warrants, interest at 2.0% to 4.62% | 2,500,000 |
| Series 2009-A USDA General Obligation Warrants, interest at 4.125% | 673,588 |
| Series 2009-B USDA General Obligation Warrants, interest at 4.25% | <u>357,678</u> |
| Total bonds and warrants | <u>\$ 7,176,266</u> |

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2010, are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|---------------------------|-------------------------|-------------------------|
| Year Ending September 30: | | |
| 2011 | \$ 268,958 | \$ 188,639 |
| 2012 | 384,747 | 274,402 |
| 2013 | 450,571 | 263,787 |
| 2014 | 466,427 | 250,100 |
| 2015 | 487,321 | 234,343 |
| 2016-2020 | 2,766,359 | 881,756 |
| 2021-2025 | 1,419,980 | 346,936 |
| 2026-2030 | 475,087 | 136,227 |
| 2031-2035 | 233,151 | 75,767 |
| 2036-2040 | <u>223,665</u> | <u>23,516</u> |
| Total | <u>\$ 7,176,266</u> | <u>\$ 2,675,473</u> |

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

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 5% to 4.125% \$ 3,095,000

The annual debt service requirements to maturity, including principal and interest, for revenue warrants as of September 30, 2010, are as follows:

| | Principal | Interest |
|---------------------------|---------------------|---------------------|
| Year Ending September 30: | | |
| 2011 | \$ 205,000 | \$ 128,182 |
| 2012 | 210,000 | 119,982 |
| 2013 | 220,000 | 111,582 |
| 2014 | 230,000 | 103,222 |
| 2015 | 240,000 | 234,343 |
| 2016-2020 | 1,365,000 | 881,756 |
| 2021-2025 | 625,000 | 23,516 |
| Total | <u>\$ 3,095,000</u> | <u>\$ 2,675,473</u> |

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, 2011. The note is secured by a 2008 pumper truck. | <u>\$ 27,728</u> |
| 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 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. | <u>144,303</u> |
| Total notes payable | <u>\$ 772,271</u> |

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

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, 2010, are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-----------------------------------|-------------------|------------------|
| Year Ending September 30: 2011 | <u>\$ 772,271</u> | <u>\$ 17,862</u> |

Capital Leases

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

The assets acquired through capital leases are as follows:

| <u>Asset</u> | <u>Governmental Activities</u> |
|-------------------------------|------------------------------------|
| Machinery and equipment | \$ 135,152 |
| Less accumulated depreciation | <u>(3,379)</u> |
| Total | <u>\$ 131,773</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Year ending September 30: | |
| 2011 | \$ 30,317 |
| 2012 | 30,317 |
| 2013 | 30,317 |
| 2014 | 30,317 |
| 2015 | <u>24,679</u> |
| Total minimum lease payments | 145,947 |
| Less amount representing interest | <u>15,240</u> |
| Present value of minimum lease payments | <u>\$ 130,707</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.

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.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest actuarial valuation (September 30, 2008), 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, 2009, the required employer contribution rate was 9.26% of annual covered compensation.

Annual Pension Cost

1. Current-Year Contribution Information

For the year ended September 30, 2010, the City's annual pension cost contributed by employees was \$98,327 and the City contributed \$143,681, or a total of \$242,008. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2009.

2. Actuarial Assumptions and Methods

| | |
|-------------------------------|------------------------|
| Valuation date | September 30, 2009 |
| 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%.

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

8. EMPLOYEES' RETIREMENT PLAN (Continued)

2. Actuarial Assumptions and Methods (Continued)

In accordance with Governmental Accounting Standards Board 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> |
|---------------------------|----------------------------------|--------------------------------------|-------------------------------------|
| 9/30/2007 | \$ 105,963 | 100.0% | \$ - |
| 9/30/2008 | 125,388 | 100.0 | - |
| 9/30/2009 | 142,582 | 100.0 | - |

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> |
|---------------------------------|--------------------------------------|--|---|---------------------------|-----------------------------------|---|
| 9/30/09 | \$ 5,100,687 | \$ 6,576,132 | \$ 1,475,445 | 77.6% | \$ 1,833,653 | 80.5% |

The schedule of funding progress, presented as required supplementary information following the notes to the 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. RESERVED FUND BALANCE

The City has established certain reservations of fund equity to indicate the portion of fund balance that is not appropriable for expenditures or is legally segregated for a specific future use.

| | |
|-----------------------------|-------------------|
| Reserved Fund Balance | |
| General Fund: | |
| Inventory | \$ 28,639 |
| Note receivable | 60,000 |
| Prepaid expenses | <u>133,387</u> |
| Total Reserved Fund Balance | <u>\$ 222,026</u> |

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

10. PRIOR PERIOD ADJUSTMENTS

Net assets at the beginning of 2009 have been adjusted for the following errors relating to the prior year.

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Utility Fund</u> | <u>Total</u> |
|---------------------------------------|-------------------------|--|-------------------------|-------------------|
| Understatement of accounts receivable | \$ 102,658 | \$ 11,719 | \$ 283,202 | \$ 397,579 |
| Understatement of prepaid expenses | 31,534 | - | - | 31,534 |
| Overstatement of other assets | <u>(16,581)</u> | <u>-</u> | <u>-</u> | <u>(16,581)</u> |
| Total prior period adjustments | <u>\$ 117,611</u> | <u>\$ 11,719</u> | <u>\$ 283,202</u> | <u>\$ 412,532</u> |

11. 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

12. 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.

13. 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, 2010, the plan had approximately 40 active participants and 2 retired members.

CITY OF EVERGREEN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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 \$126,919 for active participants and \$7,128 for retirees.

Annual OPEB Cost and Net OPEB Obligation

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

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

| | |
|---|------------------|
| Annual required contribution | \$ 50,892 |
| Contributions made | <u>(3,838)</u> |
| Increase in net OPEB obligation | 47,054 |
| Net OPEB obligation – beginning of year | <u>-</u> |
| Net OPEB obligation – end of year | <u>\$ 47,054</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 2010 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> |
|--------------------------|-------------------------|---|----------------------------|
| 9/30/2008 | * | * | * |
| 9/30/2009 | * | * | * |
| 9/30/2010 | \$ 50,892 | 7.5% | \$ 47,054 |

* Information not available.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

As of October 1, 2009, the actuarial accrued liability for benefits was \$408,934 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,110,589, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.4%.

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 the 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 non-group-specific age-based turnover data.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Methods and Assumptions (Continued)

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).

Health insurance premiums – 2010 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, 2010, was 29 years.

14. 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.

15. 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 \$1,845,000 has been recorded as a liability at September 30, 2010.

16. 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 2010, the City received \$92,498, from the South Alabama Gas District, in the form of a franchise tax and distribution of profits.

The Cities of Evergreen and Jackson, Alabama incorporated the Lower Alabama Gas District. The two cities formed the gas district in order to establish a public corporation that could acquire, 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

17. EXTRAORDINARY ITEM

In 1998, the City issued a mortgage to the Industrial Development Board of the City of Evergreen (IDB) to assist in economic development. The mortgage was to be repaid by the IDB using the tenants rent payments. The building has been unoccupied for several years and therefore no payments have been made to the City. The City does not anticipate any future collections and has deemed this mortgage to be uncollectable. The mortgage had a balance of \$336,064 of which the entire amount is being written off in the current year.

18. SUBSEQUENT EVENTS

The City anticipates issuing General Obligation Refunding Warrants in the amount of \$3,690,000 in January 2011. The warrants will be issued in order to pay the cost of refunding the City's General Obligation Warrants, Series 2003 and the General Obligation Warrants, Series 2009.

19. 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.

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

CITY OF EVERGREEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

19. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB Statement Number 57, *OPEB Measurement by Agent Employers and Agent Multi-Employer Plans*. This statement is intended to improve consistency in the measurement and financial reporting of other post-employment benefits (OPEB) such as retiree health insurance. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011.

GASB Statement Number 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

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% |

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% |

* 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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,423,100 | \$ 1,423,100 | \$ 1,518,874 | \$ 95,774 |
| Licenses and permits | 249,000 | 249,000 | 232,228 | (16,772) |
| Intergovernmental | 20,200 | 20,200 | 677,611 | 657,411 |
| Fines and forfeitures | 80,000 | 80,000 | 77,180 | (2,820) |
| Other revenues | 142,460 | 142,460 | 186,992 | 44,532 |
| Interest | - | - | 138,402 | 138,402 |
| Total revenues | <u>1,914,760</u> | <u>1,914,760</u> | <u>2,831,287</u> | <u>916,527</u> |
| EXPENDITURES | | | | |
| Current operations: | | | | |
| General government | 1,290,850 | 1,290,850 | 1,381,396 | (90,546) |
| Public safety | | | | |
| Police | 877,000 | 877,000 | 862,323 | 14,677 |
| Fire | 40,500 | 40,500 | 41,598 | (1,098) |
| Court | 59,400 | 59,400 | 60,908 | (1,508) |
| Public works | | | | |
| Street and sanitation | 580,000 | 580,000 | 626,571 | (46,571) |
| Other | 83,100 | 83,100 | 82,992 | 108 |
| Civic improvement | | | | |
| Airport | 79,000 | 79,000 | 84,800 | (5,800) |
| Economic development | 90,000 | 90,000 | 183,865 | (93,865) |
| Culture and recreation | 301,300 | 301,300 | 278,228 | 23,072 |
| Capital Outlay | 15,000 | 15,000 | 1,539,425 | (1,524,425) |
| Debt service: | | | | |
| Principal retirement | - | - | 1,255,135 | (1,255,135) |
| Interest charges | - | - | 56,238 | (56,238) |
| Debt issuance costs | - | - | 12,000 | (12,000) |
| Total expenditures | <u>3,416,150</u> | <u>3,416,150</u> | <u>6,465,479</u> | <u>(3,049,329)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,501,390)</u> | <u>(1,501,390)</u> | <u>(3,634,192)</u> | <u>3,965,856</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,914,300 | 1,914,300 | 2,254,576 | 340,276 |
| Transfers out | (411,088) | (411,088) | (393,661) | 17,427 |
| Proceeds from issuance of bonds | - | - | 1,490,944 | 1,490,944 |
| Proceeds from capital leases | - | - | 135,152 | 135,152 |
| Total other financing sources (uses) | <u>1,503,212</u> | <u>1,503,212</u> | <u>3,487,011</u> | <u>1,983,799</u> |
| EXTRAORDINARY ITEM | <u>-</u> | <u>-</u> | <u>(336,064)</u> | <u>(336,064)</u> |
| Net change in fund balances | <u>1,822</u> | <u>1,822</u> | <u>(483,245)</u> | <u>5,613,591</u> |
| FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED) | 5,133,779 | 5,133,779 | 5,133,779 | - |
| Prior period adjustments | - | - | 117,611 | 117,611 |
| FUND BALANCES - BEGINNING (AS RESTATED) | <u>5,133,779</u> | <u>5,133,779</u> | <u>5,251,390</u> | <u>117,611</u> |
| FUND BALANCES - ENDING | <u>\$ 5,135,601</u> | <u>\$ 5,135,601</u> | <u>\$ 4,768,145</u> | <u>\$ 5,731,202</u> |

CITY OF EVERGREEN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

| | <u>Special Revenue</u> | | | | Total Nonmajor Governmental Funds |
|--|-------------------------------|-------------------------|---|------------------------------|--|
| | State Gas Tax Fund | Gas Tax Fund | Fire Department Tax Fund | Debt Service Fund | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 159,246 | \$ 55,787 | \$ 17,725 | \$ - | \$ 232,758 |
| Receivables - taxes | 6,862 | 5,365 | - | - | 12,227 |
| Restricted assets: | | | | | |
| Cash held by fiscal agent | - | - | - | 5 | 5 |
| TOTAL ASSETS | <u>\$ 166,108</u> | <u>\$ 61,152</u> | <u>\$ 17,725</u> | <u>\$ 5</u> | <u>\$ 244,990</u> |
| FUND BALANCES | | | | | |
| Unreserved: | | | | | |
| Undesignated | \$ 166,108 | \$ 61,152 | \$ 17,725 | \$ - | \$ 244,985 |
| Designated for debt service | - | - | - | 5 | 5 |
| TOTAL FUND BALANCES | <u>166,108</u> | <u>61,152</u> | <u>17,725</u> | <u>5</u> | <u>244,990</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 166,108</u> | <u>\$ 61,152</u> | <u>\$ 17,725</u> | <u>\$ 5</u> | <u>\$ 244,990</u> |

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, 2010

| | Special Revenue | | | | Total Nonmajor Governmental Funds |
|---|-----------------------|-----------------|--------------------------------|----------------------|--|
| | State Gas Tax Fund | Gas Tax Fund | Fire Department Tax Fund | Debt Service Fund | |
| REVENUES | | | | | |
| Taxes | \$ 65,361 | \$ 59,261 | \$ 16,410 | \$ - | \$ 141,032 |
| Licenses and permits | 10,701 | - | - | - | 10,701 |
| Interest on investments | - | - | - | 11 | 11 |
| Total revenues | 76,062 | 59,261 | 16,410 | 11 | 151,744 |
| EXPENDITURES | | | | | |
| Current operations: | | | | | |
| Public safety | - | - | 1,428 | - | 1,428 |
| Public service | 130,737 | 273,613 | - | - | 404,350 |
| Debt service: | | | | | |
| Principal retirement | - | - | 12,935 | 200,000 | 212,935 |
| Interest charges | - | - | 2,460 | 193,671 | 196,131 |
| Total expenditures | 130,737 | 273,613 | 16,823 | 393,671 | 814,844 |
| Excess of revenues over (under) expenditures | (54,675) | (214,352) | (413) | (393,660) | (663,100) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 393,661 | 393,661 |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | 393,661 | 393,661 |
| Net change in fund balances | (54,675) | (214,352) | (413) | 1 | (269,439) |
| FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED) | 214,206 | 270,362 | 18,138 | 4 | 502,710 |
| Prior period adjustments | 6,577 | 5,142 | - | - | 11,719 |
| FUND BALANCES - BEGINNING (AS RESTATED) | 220,783 | 275,504 | 18,138 | 4 | 514,429 |
| FUND BALANCES - ENDING | \$ 166,108 | \$ 61,152 | \$ 17,725 | \$ 5 | \$ 244,990 |

See accompanying notes.

CITY OF EVERGREEN, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2010

| | | |
|--|--------------------|----------------------|
| Assessed Value | | <u>\$ 40,307,880</u> |
| Legal Debt Margin | | |
| Debt Limitation - 20 Percent of Assessed Value | | 8,061,576 |
| Debt Applicable to Limitation: | | |
| Long-term Bonded Debt Including Capital Leases | \$ 11,174,244 | |
| Less: Debt attributable to the improvement of electric systems and payable from the revenues of such systems. | (3,095,000) | |
| Less: Debt attributable to the improvement of sewer and water systems. | (1,120,000) | |
| Less: Debt associated with Amendment 772 | <u>(1,845,000)</u> | |
| Total Debt Applicable to Limitation | | <u>5,114,244</u> |
| Legal Debt Margin | | <u>\$ 2,947,332</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, 2010

| <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>\$ 11,174,244</u> | 100.00% | <u>\$ 11,174,244</u> |

See accompanying notes.