

CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

CITY CLERK'S OFFICE

**CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	6
Organizational Chart	7
List of Principal Officials	8
FINANCIAL SECTION	
Independent Auditors' Report	9
Management's Discussion and Analysis	11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Fund Balances to Net Assets of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Combining Statement of Net Assets - Discretely Presented Component Units	29
Combining Statement of Activities - Discretely Presented Component Units	30
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Analysis of Funding Progress - Employee Retirement System	51
OTHER SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Financial Statements:	
Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund	52
Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund	53
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	58

**CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012**

TABLE OF CONTENTS

	Page
STATISTICAL SECTION	59
Net Assets by Component	60
Changes in Net Assets	61
Governmental Activities Tax Revenues by Source	63
Fund Balances of Governmental Funds	64
Changes in Fund Balances of Governmental Funds	65
Assessed Value and Estimated Actual Value of Taxable Property	67
Property Tax Rates	68
Principal Property Taxpayers	69
Property Tax Levies and Collections	70
Taxable Sales by Category	71
Direct and Overlapping Sales Tax Rates	72
Principal Sales Tax Remitters	73
Ratios of Outstanding Debt by Type	74
Ratios of General Bonded Debt Outstanding	75
Direct and Overlapping Governmental Activities Debt	76
Legal Debt Margin Information	77
Demographic and Economic Statistics	78
Principal Employers	79
Full-time Equivalent City Government Employees by Function	80
Operating Indicators by Function	81
Capital Asset Statistics by Function	82
 COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	83

INTRODUCTORY SECTION

City of Brewton

Best 100 Small Towns in America

March 15, 2013

The Honorable Yancey E. Lovelace
Members of the City Council
Citizens of the City of Brewton, Alabama



MAYOR

Yancey E. Lovelace

CITY CLERK

John F. P. Angel, CMC

CITY COUNCIL

Pat Poole
Frank Cotten
Bill Littles
Joe Nathan Watson
Fred Barton

CITY ATTORNEY

Edward T. Hines

The Comprehensive Annual Financial Report (CAFR) of the City of Brewton, Alabama (the "City") for the Fiscal Year ending September 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Readers are invited to read the Management Discussion and Analysis (MD&A) for more detailed information.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. However, the cost of internal control should not exceed the anticipated benefits; therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The financial reporting entity includes all funds of the primary government (i.e., the City of Brewton, Alabama as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection, sanitation services, maintenance of streets and infrastructure, recreational activities and cultural events.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Brewton Water Works Board and Brewton City School Board are reported as discretely presented component units.

ECONOMIC CONDITION AND OUTLOOK

The City, which was incorporated on February 13, 1885, is the County Seat of Escambia County. The final approximation of the 2010 Census for Brewton's population is 5,408.

Brewton is surrounded by major natural resources including vast timberlands, ample water, oil and gas reserves. There is also an adequate labor force to meet the demands of an expanding industrial environment. An Annexation Committee is researching the possibilities of expanding the City limits to permit future growth. A project to examine the City's Districts is also planned.

The economy of Brewton has remained relatively stable with a full array of business licenses issued. Ole Henry's, Tri County Brick & Tile, Murder Creek Customs and B&L Towing all closed during this reporting period, with #1 China Buffet reopening as New China Buffet, WOW Wingery & Café reopening as Orleans Po Boys and Ole Willie's reopening as JT's Restaurant. The American Legion reopened twice; as Ole Henry's and Kelsey's Lounge, but both also closed. The Wal-Mart Super Center was in its fourth full year of operation, with Imunique, Farmer's Furniture, Tractor Supply and Title Max as new business additions.

MAJOR INITIATIVES

For The Year

In preparing the Fiscal Year 2012-2013 budget, the City identified several major operating initiatives needed to help the economic development of the area and better meet the needs of the citizens. The FY 2012 budget will be held under Continuing Resolution to allow the new Mayor and Council's full review.

A \$10,000 grant has been applied for from ADECA to assist in the refurbishment of street lighting in the City's downtown historic district under Project Number 1STR12 TX 05. A total of fifty nine (59) globe assemblies have been replaced downtown at a cost of \$51,330.

A civilian hangar acquired on City property was refurbished with another FAA grant of \$175,436, including a City match of \$8,772 under FAA AIP 3-01-0080-010-2012.

A Safe Routes to Schools (SRTS) project under SRTS-SR10(902), which would have used Federal aid through ALDOT to emplace sidewalks from Douglas Lane up to the new middle school on US 31 North was finally cancelled on December 13, 2011, after planning crossed two (2) fiscal years with no definitive word from the Federal Project Manager.

Impact of Financial Policies for the Year

No new major Capital Improvement projects involving General Fund matching funds were planned in order to conserve resources. Discussions are ongoing as to the increase of the City sales tax to four cents (a one cent increase), as well as a sewer rate increase to support the payment of a bond issue.

For The Future

An FAA Grant application has been submitted to employ backup generation for airport lighting and equipment on airport property.

A Sewer CDBG Competitive Grant, which will involve the use of funds now known as EPA V, has been approved for the Alco area of the City. CDBG funds total \$450,000, with EPA funds for matching at \$291,000 and a City match of \$50,000. The total is \$791,000 with construction now to begin some time in the summer of 2013.

City streets are being inspected for possible funding under the Alabama Transportation and Rehabilitation Program (ATRIP) to be applied for in 2013. This is an ALDOT administered Federal aid project.

All Departments are actively pursuing any and all avenues to grant funds available respective to each Department.

ENTERPRISE FUNDS BUDGETARY HIGHLIGHTS

The City's Enterprise Funds, which are Natural Gas, Sewer, Water, Sanitation and Municipal Airport, show revenue which is adequate to meet disbursements. Although revenue for operations of the Enterprise Funds was stable this year, the City is poised for a slight decrease in these revenue streams.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is able to support the Department budgets, with the aid of decreased spending by Department Heads. More detailed information is contained in the Management Discussion & Analysis.

OTHER INFORMATION

Independent Audit. Alabama state law requires an annual audit by independent Certified Public Accountants (CPAs). The accounting firm of Hartmann, Blackmon & Kilgore, P.C., was selected by the City to perform the audit. The Independent Auditors' Report on the basic financial statements is included in the financial section of this report.

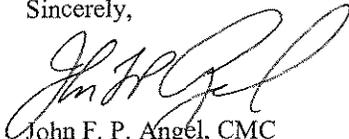
Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brewton, Alabama for its CAFR for the Fiscal Year ending September 30, 2011. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of the CAFR on a timely basis has been accomplished with the efficient and dedicated service of the entire staff of the Finance Department.

Preparation of this report would not have been possible without the leadership and support of the Mayor, City Council and Finance Committee.

Sincerely,



John F. P. Angel, CMC
City Clerk / Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Brewton
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

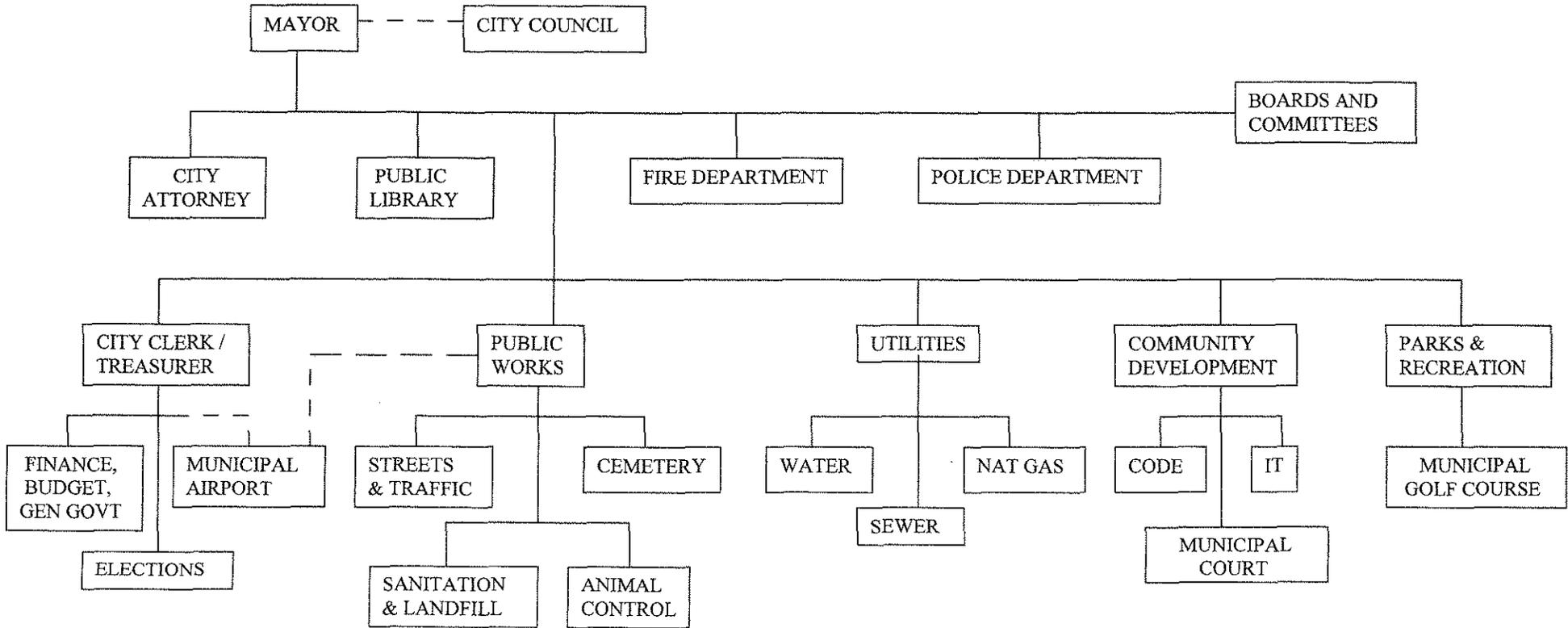
President

Jeffrey R. Emer

Executive Director

CITY OF BREWTON, ALABAMA
Organizational Chart

THE CITIZENS OF THE CITY OF BREWTON



CITY OF BREWTON, ALABAMA**LIST OF PRINCIPAL OFFICIALS****SEPTEMBER 30, 2012**

<i>TITLE</i>	<i>NAME</i>	<i>TERM OF OFFICE</i>
<i>Mayor</i>	Ted Jennings	Expires November 2012
<i>City Council</i>		
District 1	Dennis Dunaway	Expires November 2012
District 2	Frank Cotten	Expires November 2012
District 3	Cary Barton	Expires November 2012
District 4	Joe Watson	Expires November 2012
District 5	Fred Barton	Expires November 2012
<i>City Clerk</i>	John F. P. Angel	
<i>City Attorney</i>	Edward T. Hines	

FINANCIAL SECTION



Hartmann, Blackmon & Kilgore, P.C.
Certified Public Accountants & Consultants

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
J. Earl Blackmon, Jr., CPA
B. Vance Kilgore, CPA
Sally S. Wagner, CPA
Dennis E. Sherrin, CPA, CVA
Melissa M. Thomas, CPA

311 SOWELL STREET • P.O. BOX 1379 • BREWTON, ALABAMA 36427 • (251) 867-3801 • FAX (251) 867-3276

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
of the City of Brewton, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund of the City of Brewton, Alabama, as of September 30, 2012, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brewton, Alabama'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 of America. 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 respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brewton, Alabama, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

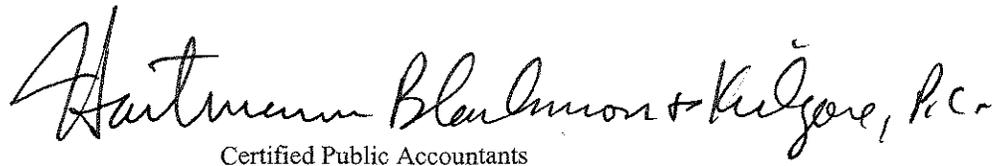
In accordance with *Government Auditing Standards*, we have issued a report dated March 15, 2013, on our consideration of the City of Brewton, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 11-17 and the Analysis of Funding Progress—Employee Retirement System on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the

basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Brewton, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Brewton, Alabama's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.


Certified Public Accountants

March 15, 2013
Brewton, Alabama

Management Discussion and Analysis

This section of the City of Brewton, Alabama's annual financial report presents our discussion and analysis of the financial activities of the City for the Fiscal Year ending September 30, 2012. Readers are encouraged to consider the information presented in conjunction with the Letter of Transmittal at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets of the governmental activities decreased by \$82,746.
- As of September 30, 2012, the governmental funds reported a combined ending fund balance of \$6,157,306 a decrease of \$3,938,641 from the previous Fiscal Year, due to payouts of a School Bond Issue.
- The General Fund reported a fund balance of \$2,864,242 with all of it available to support non-debt service obligations of the City, an increase of \$199,012 from last year.
- The City's debt associated with governmental activities increased during FY 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flow. Thus, revenue and expenses reported in this statement, for some items, will only result in cash flow during future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public safety, public services, community development and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities, primarily the City Board of Education for support of the City school system.

The business-type activities of the City include sewer, natural gas, sanitation, the Municipal Airport, and the Brewton Development Authority. All of these activities are collectively referred to in the financial statements as those of the *primary government*.

Other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Brewton City School Board and Water Works Board are collectively referred to in the financial statements as those of the *discretely presented component units*.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds.

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

The General Fund, the 2001 General Obligation Warrant Debt Service Fund, the 2008 General Obligation Warrant Capital Projects Fund, and the 2008 General Obligation Warrant Debt Service Fund are the City's major governmental funds. The basic governmental fund financial statements can be found on pages 20-23 of this report. The 2001 General Obligation Warrant was paid out in June 2012.

Proprietary Funds. Proprietary funds (enterprise funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for sewer, natural gas, sanitation, the Municipal Airport and the Brewton Development Authority.

Fiduciary Funds. The City does not maintain any fiduciary funds.

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 on pages 31-50 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's *combined* net assets decreased \$233,001 between Fiscal Years 2011 and 2012, culminating at approximately \$10,829,971.

Net assets of the City's governmental activities decreased by 5.9% (\$1,314,550) of last year's \$1,397,296; however, a majority of those net assets are either restricted as to the purposes they can be used for or invested in capital assets.

CITY OF BREWTON, ALABAMA'S NET ASSETS

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
Current and other assets	\$ 6,423	\$ 10,518	\$ 1,780	\$ 1,779	\$ 8,203	\$ 12,297	-33.29%
Capital assets	21,160	21,170	9,786	10,069	30,946	31,239	-0.94%
Total assets	27,583	31,688	11,566	11,848	39,149	43,536	-10.08%
Long-term debt outstanding	25,887	29,717	847	750	26,734	30,467	-12.25%
Other liabilities	382	574	1,204	1,427	1,586	2,001	-20.74%
Total liabilities	26,269	30,291	2,051	2,177	28,320	32,468	-12.78%
Net assets							
Invested in capital assets, net of related debt	12,712	13,606	9,185	9,319	21,897	22,925	-4.48%
Restricted	9	52	-	-	9	52	-82.69%
Unrestricted	(11,407)	(12,261)	330	352	(11,077)	(11,909)	-6.99%
Total net assets	\$ 1,314	\$ 1,397	\$ 9,515	\$ 9,671	\$ 10,829	\$ 11,068	-2.16%

Changes in net assets. The City's total revenues (excluding special items) decreased 5.1% to \$21,217,000 mainly due to a decrease of charges for services. Approximately 24% of the City's revenue was generated from sales and property taxes, with another 59% from fees charged for services.

The City's expenses cover a range of services, with 61% related to business-type activities and general government, an overall 12.9% decrease from the last Fiscal Year.

**CITY OF BREWTON, ALABAMA
SOURCES OF REVENUE
FISCAL YEAR 2012**

Source	%
Charges for services	59%
Sales tax	21%
Other	14%
Other taxes	3%
Property taxes	3%
	<u>100%</u>

**CITY OF BREWTON, ALABAMA
FUNCTIONAL EXPENSES
FISCAL YEAR 2012**

Type	%
Business-type activities	53%
General government	8%
Public safety	13%
Public works	6%
Recreation	3%
Library	1%
Education	10%
Interest	6%
	<u>100%</u>

Governmental Activities

Revenues for the City's governmental activities increased 15.0%, while total expenses decreased. Based on a trend of sales tax collections, revenues are not budgeted to increase next year and expenses will be reduced. The increase is attributed to the influx of school funds to pay off the 2001 General Obligation Warrant as stated and revenue from several sales tax audits.

Business-type Activities

Revenues for the City's business-type activities decreased 18.9%, and expenses remained stable. The decrease was due to a reduction of charges for services.

CITY OF BREWTON, ALABAMA
CHANGES IN NET ASSETS
(in thousands of dollars)

	Governmental		Business-type		Total		Total
	Activities		Activities				Percentage
	2012	2011	2012	2011	2012	2011	Change
REVENUES							
Program revenues							
Charges for services	\$ 1,805	\$ 1,942	\$ 10,631	\$ 13,027	\$ 12,436	\$ 14,969	-16.9%
Donations and operating grants	153	820	15	65	168	885	-81.0%
Capital grants	-	244	116	183	116	427	-72.8%
General revenues							
Sales tax	4,498	4,299	-	-	4,498	4,299	4.6%
Property tax	658	663	-	-	658	663	-0.8%
Other taxes	644	631	-	-	644	631	2.1%
Investment earnings	2	41	-	-	2	41	-95.1%
Receipts from School Board	2,510	408	-	-	2,510	408	515.2%
Other	185	44	-	-	185	44	320.5%
Total revenues	<u>10,455</u>	<u>9,092</u>	<u>10,762</u>	<u>13,275</u>	<u>21,217</u>	<u>22,367</u>	-5.1%
EXPENSES							
General government	1,681	1,959	-	-	1,681	1,959	-14.2%
Public safety	2,816	2,825	-	-	2,816	2,825	-0.3%
Public works	1,309	984	-	-	1,309	984	33.0%
Library	285	307	-	-	285	307	-7.2%
Recreation	582	618	-	-	582	618	-5.8%
Education	2,159	8,328	-	-	2,159	8,328	-74.1%
Interest on long-term debt	1,224	1,289	-	-	1,224	1,289	-5.0%
Gas	-	-	9,095	11,461	9,095	11,461	-20.6%
Sewer	-	-	1,485	1,716	1,485	1,716	-13.5%
Sanitation	-	-	677	691	677	691	-2.0%
Airport	-	-	134	128	134	128	4.7%
Brewton Development Authority	-	-	8	6	8	6	33.3%
Total expenses	<u>10,056</u>	<u>16,310</u>	<u>11,399</u>	<u>14,002</u>	<u>21,455</u>	<u>30,312</u>	-29.2%
Excess (deficiency) before special items and transfers	399	(7,218)	(637)	(727)	(238)	(7,945)	-97.0%
Gain on sale of assets	-	-	-	40	-	40	-100.0%
Transfers	(481)	(995)	481	995	-	-	0.0%
Net change in net assets	<u>\$ (82)</u>	<u>\$ (8,213)</u>	<u>\$ (156)</u>	<u>\$ 308</u>	<u>\$ (238)</u>	<u>\$ (7,905)</u>	-97.0%

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Activities

The City's governmental funds reported a combined fund balance of \$6,157,306, a decrease of \$3,938,641 from last year. The major changes to fund balance include the following:

- General Fund: Temporary cash investments decreased \$290,080.
- 2001 General Obligation Warrant (School) Debt Service Fund: This warrant was paid off using school funds in June 2012.
- 2008 General Obligation Warrant (School) Capital Projects Fund: These funds were used to construct a new Middle School, which began operation in August 2011.
- 2008 General Obligation Warrant Debt Service Fund: Fund balance remained stable. The funds available continue to be used to meet the related debt service requirements.

Business-type Activities

The City's business-type funds reported combined net assets of \$9,515,421, which is \$156,255 (1.6%) more than last year. The major changes to net assets include the following:

- Natural Gas Service: Charges for services decreased only by 20.6% due to the milder winter of 2011.
- Sewer Fund: Expenses decreased by \$231,213 (13.5%).
- Sanitation Fund: Revenues increased by \$47,432 (7.6%) due to increased landfill revenue while expenses decreased by \$13,387 (1.93%).
- Municipal Airport: Revenue and expenses remained stable. The Municipal Airport received Federal grant assistance during the current Fiscal Year for the rehabilitation of the Executive Hangar.
- Brewton Development Authority: Revenues and expenses remained stable.

General Fund Budgetary Highlights

The General Fund is able to support the Department budgets; revenue from business licenses, fines and forfeitures continues to exceed expectations. The significant budgetary variances between the final amended budget and actual results include the following:

- Intergovernmental revenue: Federal grants are not included in the budget. Therefore, intergovernmental revenue is greater in the actual results.
- Other revenue: The budget does not include interest earned or donations. Therefore, other revenue is greater in the actual results.
- Capital expenses: The City delayed some projects to allow for a positive cash flow or successfully received grant assistance for a portion of the major projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities, as of September 30, 2012, totals \$21,896,971 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, park facilities, roads, curbs, streets, sidewalks, greenways, drainage, sewer and natural gas systems. Total capital assets decreased 0.9% from the previous Fiscal Year. More detailed information is contained in the relevant disclosures in the notes to the financial statements. Additional information regarding the City's capital assets can be found in pages 39-42 of the notes.

CITY OF BREWTON'S CAPITAL ASSETS
(in thousands of dollars)

	Governmental		Business-type		Total		Total
	Activities		Activities				Percentage
	2012	2011	2012	2011	2012	2011	Change
Land	\$ 3,395	\$ 3,395	\$ 458	\$ 458	\$ 3,853	\$ 3,853	0.0%
Construction in progress	-	-	-	4	-	4	-100.0%
Buildings	8,147	7,932	2,056	1,968	10,203	9,900	3.1%
Improvements other than buildings	12,353	12,327	10,598	10,598	22,951	22,925	0.1%
Vehicles and equipment	5,424	5,037	3,568	3,434	8,992	8,471	6.2%
Less accumulated depreciation	(8,159)	(7,520)	(6,894)	(6,393)	(15,053)	(13,913)	8.2%
Total	\$ 21,160	\$ 21,171	\$ 9,786	\$ 10,069	\$ 30,946	\$ 31,240	-0.9%

Long-term Debt

The City issued a General Obligation Warrant of \$20,000,000 during FY 2008 to fund the construction of the new middle school, with funds now being paid out. Additional information regarding the City's long-term debt can be found in pages 43-45 of this report.

CITY OF BREWTON'S OUTSTANDING DEBT
(in thousands of dollars)

	Governmental		Business-type		Total		Total
	Activities		Activities				Percentage
	2012	2011	2012	2011	2012	2011	Change
General obligation warrants	\$ 25,657	\$ 29,765	\$ -	\$ -	\$ 25,657	\$ 29,765	-13.8%
Capital leases	259	196	601	750	860	946	-9.1%
Total	\$ 25,916	\$ 29,961	\$ 601	\$ 750	\$ 26,517	\$ 30,711	-13.7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal Year 2013 Budget

The City's Fiscal Year begins October 1 and ends on September 30 of the subsequent year. The Mayor and City Council considered many factors when developing the FY 2013 budget; the FY 2013 budget was held under Continuing Resolution until the newly elected Mayor and Council could review the updates for FY 2013. The decreased state of the local economy and Brewton's own development initiatives have achieved barely adequate revenue, with the national economic outlook getting marginally better. Total revenue growth will have a flat projection, although there are thoughts about raising the City's sales tax by 1%. Significant changes to the budget are not anticipated, except for Capital Projects, as few of the City's major businesses have closed their operations recently. See the Introductory Letter in the front of the audit for more detail and impact.

REQUEST FOR INFORMATION

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the revenue it receives from taxpayers, customers and creditors. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk / Treasurer, P. O. Box 368, Brewton, Alabama 36427, by calling (251) 809-1770, or by sending an email to jangel@cityofbrewton.org.

BASIC FINANCIAL STATEMENTS

CITY OF BREWTON, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 2,273,885	\$ 465,707	\$ 2,739,592	\$ 2,578,113
Temporary cash investments	3,642,106	1,074,607	4,716,713	10,558,127
Receivables, net	339,441	177,129	516,570	677,327
Receivable from component units	-	30,000	30,000	-
Inventories	5,550	31,952	37,502	30,755
Deferred charges	-	-	-	106,789
Restricted funds	-	-	-	642,540
Debt issue cost	162,438	-	162,438	-
Capital assets, net				
Land, improvements, and construction in progress	3,394,668	458,040	3,852,708	1,380,633
Other capital assets, net of depreciation	17,765,380	9,328,456	27,093,836	32,017,394
TOTAL ASSETS	\$ 27,583,468	\$ 11,565,891	\$ 39,149,359	\$ 47,991,678
LIABILITIES				
Accounts payable and accrued expenses	\$ 457,240	\$ 1,043,879	\$ 1,501,119	\$ 574,741
Unearned revenue	-	-	-	68,699
Payable to City of Brewton	-	-	-	30,000
Customer deposits	-	85,067	85,067	87,527
Internal balances	(75,000)	75,000	-	-
Long-term liabilities				
Accrued postclosure costs	-	245,303	245,303	-
Due within one year	1,731,168	138,257	1,869,425	222,695
Due in more than one year	24,155,510	462,964	24,618,474	3,140,744
Total liabilities	26,268,918	2,050,470	28,319,388	4,124,406
NET ASSETS				
Invested in capital assets, net of related debt	12,711,696	9,185,275	21,896,971	30,034,588
Restricted - street improvement and construction	9,735	-	9,735	404,750
Restricted - construction	-	-	-	642,540
Unrestricted	(11,406,881)	330,146	(11,076,735)	12,785,394
Total net assets	1,314,550	9,515,421	10,829,971	43,867,272
TOTAL LIABILITIES AND NET ASSETS	\$ 27,583,468	\$ 11,565,891	\$ 39,149,359	\$ 47,991,678

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General	\$ 1,680,297	\$ 1,275,574	\$ 152,668	\$ -	\$ (252,055)		\$ (252,055)	
Public safety								
Police	1,986,011	362,906	-	-	(1,623,105)		(1,623,105)	
Fire	829,671	-	-	-	(829,671)		(829,671)	
Public works								
Street	1,063,448	-	-	-	(1,063,448)		(1,063,448)	
Animal control	133,358	8,891	-	-	(124,467)		(124,467)	
Code enforcement	112,770	-	-	-	(112,770)		(112,770)	
Library	285,412	-	-	-	(285,412)		(285,412)	
Recreation	582,219	157,344	-	-	(424,875)		(424,875)	
Education (payment to School Board)	2,159,312	-	-	-	(2,159,312)		(2,159,312)	
Interest on long-term debt	1,224,295	-	-	-	(1,224,295)		(1,224,295)	
Total governmental activities	<u>10,056,793</u>	<u>1,804,715</u>	<u>152,668</u>	<u>-</u>	<u>(8,099,410)</u>		<u>(8,099,410)</u>	
Business-type activities:								
Gas	9,094,670	9,452,491	-	-	-	\$ 357,821	357,821	
Sewer	1,484,925	410,169	15,000	-	-	(1,059,756)	(1,059,756)	
Sanitation	676,903	666,227	-	-	-	(10,676)	(10,676)	
Airport	134,819	101,679	-	115,975	-	82,835	82,835	
Brewton Development Authority	7,555	-	-	-	-	(7,555)	(7,555)	
Total business-type activities	<u>11,398,872</u>	<u>10,630,566</u>	<u>15,000</u>	<u>115,975</u>	<u>-</u>	<u>(637,331)</u>	<u>(637,331)</u>	
Total primary government	<u>\$ 21,455,665</u>	<u>\$ 12,435,281</u>	<u>\$ 167,668</u>	<u>\$ 115,975</u>	<u>(8,099,410)</u>	<u>(637,331)</u>	<u>(8,736,741)</u>	
Component Units								
All	\$ 15,364,179	\$ 1,902,854	\$ 7,839,222	\$ -				\$ (5,622,103)
Total component units	<u>\$ 15,364,179</u>	<u>\$ 1,902,854</u>	<u>\$ 7,839,222</u>	<u>\$ -</u>				<u>(5,622,103)</u>
General revenues:								
Taxes								
Property					658,190	-	658,190	2,216,050
Sales					4,497,656	-	4,497,656	680,144
Other					643,931	-	643,931	11,115
Payments from City					-	-	-	2,159,312
Receipts from Brewton City School Board					2,509,921		2,509,921	-
Investment earnings					1,964	16	1,980	205,886
Other					186,062	-	186,062	68,224
Transfers in/(out)					(481,060)	481,060	-	-
Total general revenues and transfers					<u>8,016,664</u>	<u>481,076</u>	<u>8,497,740</u>	<u>5,340,731</u>
Change in net assets					(82,746)	(156,255)	(239,001)	(281,372)
Net assets, beginning					1,397,296	9,671,676	11,068,972	44,148,644
Net assets, ending					<u>\$ 1,314,550</u>	<u>\$ 9,515,421</u>	<u>\$ 10,829,971</u>	<u>\$ 43,867,272</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General	2001 General Obligation Warrant Debt Service Fund	2008 General Obligation Warrant Capital Projects Fund	2008 General Obligation Warrant Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,132,629	\$ -	\$ -	\$ -	\$ 141,256	\$ 2,273,885
Temporary cash investments	436,960	-	2,775,952	-	429,194	3,642,106
Inventory	5,550	-	-	-	-	5,550
Due from other City funds	75,000	-	-	-	-	75,000
Taxes receivable	339,441	-	-	-	-	339,441
Total Assets	\$ 2,989,580	\$ -	\$ 2,775,952	\$ -	\$ 570,450	\$ 6,335,982
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 125,338	\$ -	\$ -	\$ -	\$ 53,338	\$ 178,676
Total liabilities	125,338	-	-	-	53,338	178,676
FUND BALANCES						
Restricted for:						
School construction	-	-	2,775,952	-	-	2,775,952
Debt service	-	-	-	-	477,188	477,188
Street construction	-	-	-	-	(16,265)	(16,265)
Street improvements	-	-	-	-	26,000	26,000
Assigned for:						
Sewer improvements	-	-	-	-	30,189	30,189
Unassigned	2,864,242	-	-	-	-	2,864,242
Total fund balances	2,864,242	-	2,775,952	-	517,112	6,157,306
Total Liabilities and Fund Balances	\$ 2,989,580	\$ -	\$ 2,775,952	\$ -	\$ 570,450	\$ 6,335,982

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2012

Fund Balances as reported on page 20		\$ 6,157,306
Net Assets reported for governmental activities in the Statement of Net Assets (page 18) are different from Fund Balances for governmental activities because:		
Capital assets used in governmental activities are financial resources and therefore are not reported in fund financial statements. Those assets consist of:		
Land, improvements, and construction in progress	\$ 3,394,668	
Other capital assets, net of \$8,159,626 accumulated depreciation	17,765,380	
Total capital assets	21,160,048	21,160,048
Some liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the fund financial statements		(278,564)
Costs associated with warrant issuance are expensed in the current period in the fund financial statements		
Warrant issuance costs, net		162,438
Long-term liabilities, including general obligation debt, capital lease obligations and notes payable are not due and payable in the current period and therefore are not reported in the fund financial statements.		(25,886,678)
Net Assets of Governmental Activities as reported on page 18		\$ 1,314,550

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	2001	2008	2008		Total
	General	General	General	Other	Governmental
	Obligation	Obligation	Obligation	Governmental	Governmental
	Warrant	Warrant	Warrant	Funds	Funds
	Debt Service	Capital Projects	Debt Service		
	Fund	Fund	Fund		
	General				
REVENUES					
Taxes	\$ 5,600,526	\$ -	\$ -	\$ -	\$ 5,707,250
Intergovernmental	114,526	-	-	100,000	214,526
Licenses and permits	1,124,053	-	-	-	1,124,053
Fines and forfeitures	362,906	-	-	-	362,906
Fees and charges	245,514	-	-	-	245,514
Revenue from City Property	72,242	-	-	-	72,242
Receipts from Brewton City School Board	2,509,921	-	-	-	2,509,921
Interest	1,784	101	55	24	1,964
Donations	30,669	-	-	-	30,669
Other	190,181	-	-	-	190,181
	<u>10,252,322</u>	<u>101</u>	<u>55</u>	<u>206,748</u>	<u>10,459,226</u>
Total revenues					
EXPENDITURES					
General	828,664	-	8,409	-	837,073
Public safety	2,648,982	-	-	-	2,648,982
Public works	1,043,257	-	-	227,387	1,270,644
Education	759,312	-	1,400,000	-	2,159,312
Other departments	1,174,396	-	-	-	1,174,396
Capital expenditures	683,641	-	-	-	683,641
Debt service:					
Principal	142,434	2,630,000	-	1,050,000	4,262,434
Interest	18,102	148,316	-	774,030	1,251,358
	<u>7,298,788</u>	<u>2,778,316</u>	<u>1,408,409</u>	<u>1,824,030</u>	<u>14,287,840</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>2,953,534</u>	<u>(2,778,215)</u>	<u>(1,408,354)</u>	<u>(1,824,030)</u>	<u>(3,828,614)</u>
OTHER FINANCING SOURCES AND (USES)					
Transfers in	403,360	940,021	-	1,824,030	3,923,698
Notes payable issuance	65,147	-	-	-	65,147
Capital leases	305,886	-	-	-	305,886
Transfers out	(3,528,915)	-	-	(875,843)	(4,404,758)
	<u>(2,754,522)</u>	<u>940,021</u>	<u>-</u>	<u>1,824,030</u>	<u>(110,277)</u>
Total other financing sources and (uses)					
Net change in fund balances	199,012	(1,838,194)	(1,408,354)	-	(3,938,641)
Fund balances-beginning of year	2,665,230	1,838,194	4,184,306	-	10,095,947
	<u>2,864,242</u>	<u>-</u>	<u>2,775,952</u>	<u>-</u>	<u>6,157,306</u>
FUND BALANCES-END OF YEAR					

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances--total governmental funds, page 22	\$ (3,938,641)
<p>Amounts reported for governmental activities in the Statement of Activities (page 19) are different from the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds because:</p>	
Amortization of bond costs and discounts is not recorded in fund level statements	(20,130)
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets.</p>	
Capital outlays for the year	683,641
Depreciation expense for the year	(689,690)
<p>Bonds and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Loans incurred during the year	(65,147)
Capital leases incurred during the year	(305,886)
Principal payments on notes and warrants	4,173,104
Principal payments on capital lease obligations	89,330
<p>Compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds</p>	
	(32,271)
<p>Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.</p>	
Expenses related to disposal of assets	(4,119)
Decrease in accrued interest payable	27,063
Change in Net Assets of Government Activities, page 19	\$ (82,746)

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Revenue			
Taxes	\$ 2,768,901	\$ 5,600,526	\$ 2,831,625
Licenses and permits	1,087,720	1,124,053	36,333
Fines and forfeitures	62,000	362,906	300,906
Fees and charges	305,400	245,514	(59,886)
Intergovernmental revenue	117,400	114,526	(2,874)
Revenue from City Property	12,800	72,242	59,442
Receipts from Brewton City School Board	-	2,509,921	2,509,921
Other revenue	1,000	222,634	221,634
	<u>4,355,221</u>	<u>10,252,322</u>	<u>5,897,101</u>
Expenditures			
Current expenditures:			
General government	704,926	828,664	(123,738)
Public safety	2,714,839	2,648,982	65,857
Public works	987,527	1,043,257	(55,730)
Education	-	759,312	(759,312)
Other departments	1,219,758	1,174,396	45,362
Capital expenditures	132,548	683,641	(551,093)
Debt Service:			
Principal	86,196	142,434	(56,238)
Interest	15,537	18,102	(2,565)
	<u>5,861,331</u>	<u>7,298,788</u>	<u>(1,437,457)</u>
Excess Revenues Over (Under) Expenditures	<u>(1,506,110)</u>	<u>2,953,534</u>	<u>4,459,644</u>
Other Financing Sources (Uses)			
Transfers in	1,506,110	403,360	(1,102,750)
Transfers out	-	(3,528,915)	(3,528,915)
Loan proceeds	-	65,147	
Capital lease proceeds	-	305,886	305,886
	<u>1,506,110</u>	<u>(2,754,522)</u>	<u>(4,325,779)</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	-	199,012	133,865
Fund Balance at Beginning of Year	<u>1,231,859</u>	<u>2,665,230</u>	<u>1,433,371</u>
Fund Balance at End of Year	<u><u>\$ 1,231,859</u></u>	<u><u>\$ 2,864,242</u></u>	<u><u>\$ 1,567,236</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Major Funds				Nonmajor Fund	Totals
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport	Brewton Development Authority	
Assets						
Current assets						
Cash	\$ 346,199	\$ 21,822	\$ 33,159	\$ 57,806	\$ 6,721	\$ 465,707
Temporary cash investments	1,074,607	-	-	-	-	1,074,607
Accounts receivable	75,828	53,387	43,331	4,583	-	177,129
Receivable from component units	30,000	-	-	-	-	30,000
Inventories	30,452	1,500	-	-	-	31,952
Total current assets	<u>1,557,086</u>	<u>76,709</u>	<u>76,490</u>	<u>62,389</u>	<u>6,721</u>	<u>1,779,395</u>
Noncurrent assets						
Property, plant, and equipment						
Land, improvements and construction in progress	11,100	-	3,000	298,000	145,940	458,040
Utility systems	4,705,831	5,892,568	-	-	-	10,598,399
Buildings and improvements	168,022	-	-	1,690,303	197,500	2,055,825
Equipment	878,486	929,083	1,418,382	342,338	-	3,568,289
	<u>5,763,439</u>	<u>6,821,651</u>	<u>1,421,382</u>	<u>2,330,641</u>	<u>343,440</u>	<u>16,680,553</u>
Less accumulated depreciation	<u>3,228,584</u>	<u>2,427,228</u>	<u>640,142</u>	<u>514,160</u>	<u>83,943</u>	<u>6,894,057</u>
Net property, plant, and equipment	<u>2,534,855</u>	<u>4,394,423</u>	<u>781,240</u>	<u>1,816,481</u>	<u>259,497</u>	<u>9,786,496</u>
Total noncurrent assets	<u>2,534,855</u>	<u>4,394,423</u>	<u>781,240</u>	<u>1,816,481</u>	<u>259,497</u>	<u>9,786,496</u>
Total Assets	<u><u>\$ 4,091,941</u></u>	<u><u>\$ 4,471,132</u></u>	<u><u>\$ 857,730</u></u>	<u><u>\$ 1,878,870</u></u>	<u><u>\$ 266,218</u></u>	<u><u>\$ 11,565,891</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Major Funds				Nonmajor Fund	Totals
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport	Brewton Development Authority	
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	\$ 886,645	\$ 10,758	\$ 117,894	\$ 28,506	\$ 76	\$ 1,043,879
Due to other City funds	-	-	75,000	-	-	75,000
Long-term liabilities-current portion	23,053	23,053	92,151	-	-	138,257
Customer deposits	85,067	-	-	-	-	85,067
Total current liabilities	<u>994,765</u>	<u>33,811</u>	<u>285,045</u>	<u>28,506</u>	<u>76</u>	<u>1,342,203</u>
Noncurrent liabilities						
Long-term liabilities-less current portion	25,153	25,154	412,657	-	-	462,964
Accrued postclosure costs	-	-	245,303	-	-	245,303
Total noncurrent liabilities	<u>25,153</u>	<u>25,154</u>	<u>657,960</u>	<u>-</u>	<u>-</u>	<u>708,267</u>
Total liabilities	<u>1,019,918</u>	<u>58,965</u>	<u>943,005</u>	<u>28,506</u>	<u>76</u>	<u>2,050,470</u>
Net assets						
Invested in capital assets, net of related debt	2,486,649	4,346,216	276,432	1,816,481	259,497	9,185,275
Unrestricted	585,374	65,951	(361,707)	33,883	6,645	330,146
Total net assets	<u>3,072,023</u>	<u>4,412,167</u>	<u>(85,275)</u>	<u>1,850,364</u>	<u>266,142</u>	<u>9,515,421</u>
Total Liabilities and Net Assets	<u><u>\$ 4,091,941</u></u>	<u><u>\$ 4,471,132</u></u>	<u><u>\$ 857,730</u></u>	<u><u>\$ 1,878,870</u></u>	<u><u>\$ 266,218</u></u>	<u><u>\$ 11,565,891</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Major Funds</u>				<u>Nonmajor Fund</u>	<u>Totals</u>
	<u>Gas Service</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Municipal Airport</u>	<u>Brewton Development Authority</u>	
Operating Revenues						
Charges for services	\$ 9,444,160	\$ 410,169	\$ 664,156	\$ 100,350	\$ -	\$ 10,618,835
Other	8,331	-	2,071	1,329	-	11,731
Total operating revenues	<u>9,452,491</u>	<u>410,169</u>	<u>666,227</u>	<u>101,679</u>	<u>-</u>	<u>10,630,566</u>
Operating Costs and Expenses						
Cost of sales and services	7,946,252	-	367,638	-	-	8,313,890
Salaries and wages	393,005	143,239	76,979	18,000	-	631,223
Utilities	28,851	80,070	1,708	22,483	587	133,699
Maintenance and supplies	260,981	1,027,400	43,265	13,399	1,600	1,346,645
Employee benefits	77,263	20,950	16,815	-	-	115,028
Insurance	43,930	4,432	5,176	6,455	430	60,423
Professional fees	27,909	15,298	-	769	-	43,976
Office expense	27,025	103	-	556	-	27,684
Depreciation and amortization	138,178	180,948	108,528	73,157	4,938	505,749
Landfill postclosure expense	-	-	12,306	-	-	12,306
Provision for doubtful accounts	19,809	9,306	10,749	-	-	39,864
Other	127,998	974	2,789	-	-	131,761
Total operating costs and expenses	<u>9,091,201</u>	<u>1,482,720</u>	<u>645,953</u>	<u>134,819</u>	<u>7,555</u>	<u>11,362,248</u>
Operating Income (Loss)	<u>361,290</u>	<u>(1,072,551)</u>	<u>20,274</u>	<u>(33,140)</u>	<u>(7,555)</u>	<u>(731,682)</u>
Non-Operating Revenue (Expense)						
Interest earned	16	-	-	-	-	16
Intergovernmental revenue	-	15,000	-	-	-	15,000
Interest expense	(3,469)	(2,205)	(30,950)	-	-	(36,624)
Total non-operating revenue (expenses)	<u>(3,453)</u>	<u>12,795</u>	<u>(30,950)</u>	<u>-</u>	<u>-</u>	<u>(21,608)</u>
Income before contributions and transfers	357,837	(1,059,756)	(10,676)	(33,140)	(7,555)	(753,290)
Capital contributions	-	-	-	115,975	-	115,975
Transfers in	-	887,920	9,000	-	-	896,920
Transfers out	(412,474)	-	(3,386)	-	-	(415,860)
Change in Net Assets	(54,637)	(171,836)	(5,062)	82,835	(7,555)	(156,255)
Net Assets at Beginning of Year	<u>3,126,660</u>	<u>4,584,003</u>	<u>(80,213)</u>	<u>1,767,529</u>	<u>273,697</u>	<u>9,671,676</u>
Net Assets at End of Year	<u>\$ 3,072,023</u>	<u>\$ 4,412,167</u>	<u>\$ (85,275)</u>	<u>\$ 1,850,364</u>	<u>\$ 266,142</u>	<u>\$ 9,515,421</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Major Funds</u>				<u>Nonmajor Fund</u>	<u>Totals</u>
	<u>Gas Service</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Municipal Airport</u>	<u>Brewton Development Authority</u>	
Cash Flows from Operating Activities:						
Receipts from customers	\$ 9,445,622	\$ 416,369	\$ 673,936	\$ 101,679	\$ -	\$ 10,637,606
Payments to suppliers	(8,461,949)	(1,132,313)	(452,890)	(42,092)	(2,575)	(10,091,819)
Payments to employees	(470,268)	(164,189)	(93,794)	(18,000)	-	(746,251)
Net Cash Provided (Used) by Operating Activities	<u>513,405</u>	<u>(880,133)</u>	<u>127,252</u>	<u>41,587</u>	<u>(2,575)</u>	<u>(200,464)</u>
Cash Flows from Noncapital Financing Activities						
Transfers in/(out)	(412,474)	887,920	5,614	-	-	481,060
Proceeds from grant	-	15,000	-	-	-	15,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(412,474)</u>	<u>902,920</u>	<u>5,614</u>	<u>-</u>	<u>-</u>	<u>496,060</u>
Cash Flows from Capital and Related Financing Activities						
Principal paid on capital debt	(16,825)	(16,825)	(192,871)	-	-	(226,521)
Interest paid on capital debt	(3,469)	(2,205)	(30,950)	-	-	(36,624)
Proceeds from sale of capital assets	-	-	-	-	-	-
Capital contributions	-	-	-	115,975	-	115,975
Reclassification of capital assets	-	-	84,476	-	-	84,476
Purchase of capital assets	(115,466)	-	-	(113,952)	-	(229,418)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(135,760)</u>	<u>(19,030)</u>	<u>(139,345)</u>	<u>2,023</u>	<u>-</u>	<u>(292,112)</u>
Cash Flows from Investing Activities						
Interest income	16	-	-	-	-	16
Net Increase (Decrease) in Cash	(34,813)	3,757	(6,479)	43,610	(2,575)	3,500
Cash at Beginning of Year	1,455,619	18,065	39,638	14,196	9,296	1,536,814
Cash at End of Year	<u>\$ 1,420,806</u>	<u>\$ 21,822</u>	<u>\$ 33,159</u>	<u>\$ 57,806</u>	<u>\$ 6,721</u>	<u>\$ 1,540,314</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 361,290	\$ (1,072,551)	\$ 20,274	\$ (33,140)	\$ (7,555)	\$ (731,682)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and amortization	138,178	180,948	108,528	73,157	4,938	505,749
Change in accounts receivable	(8,474)	6,200	7,709	-	-	5,435
Change in inventory	(6,374)	4,379	-	-	-	(1,995)
Change in customer deposits	1,605	-	-	-	-	1,605
Change in accrued expenses	-	-	12,306	-	-	12,306
Change in accounts payable	27,180	891	(21,565)	1,570	42	8,118
Net Cash Provided (Used) by Operating Activities	<u>\$ 513,405</u>	<u>\$ (880,133)</u>	<u>\$ 127,252</u>	<u>\$ 41,587</u>	<u>\$ (2,575)</u>	<u>\$ (200,464)</u>
Noncash investing, capital, and financing activities:						
Borrowing under capital lease	38,935	38,935	-	-	-	77,870
Purchase of capital assets through capital lease	38,935	38,935	-	-	-	77,870

The accompanying notes are an integral part of these financial statements

CITY OF BREWTON, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Component Units</u>
	<u>Brewton City School Board</u>	<u>Water Works</u>	
ASSETS			
Cash and cash equivalents	\$ 2,098,596	\$ 479,517	\$ 2,578,113
Temporary cash investments	10,143,952	414,175	10,558,127
Receivables, net	657,056	20,271	677,327
Inventories	9,952	20,803	30,755
Deferred charges	-	106,789	106,789
Restricted funds	-	642,540	642,540
Capital assets, net			
Land, improvements and construction in progress	1,317,183	63,450	1,380,633
Other capital assets, net of depreciation	25,804,697	6,212,697	32,017,394
TOTAL ASSETS	<u>\$ 40,031,436</u>	<u>\$ 7,960,242</u>	<u>\$ 47,991,678</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 451,264	\$ 123,477	\$ 574,741
Payable to City of Brewton	-	30,000	30,000
Customer deposits	-	87,527	87,527
Unearned revenue	68,699	-	68,699
Long-term liabilities			
Due within one year	-	222,695	222,695
Due in more than one year	-	3,140,744	3,140,744
Total liabilities	<u>519,963</u>	<u>3,604,443</u>	<u>4,124,406</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,121,880	2,912,708	30,034,588
Restricted			
Special revenue	404,750	-	404,750
Construction	-	642,540	642,540
Unrestricted	<u>11,984,843</u>	<u>800,551</u>	<u>12,785,394</u>
Total net assets	<u>39,511,473</u>	<u>4,355,799</u>	<u>43,867,272</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,031,436</u>	<u>\$ 7,960,242</u>	<u>\$ 47,991,678</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
					<u>Brewton City School Board</u>	<u>Water Board</u>	
Component Units							
City School Board	\$ 13,911,025	\$ 545,723	\$ 7,839,222	\$ -	\$ (5,526,080)	\$ -	\$ (5,526,080)
Water Works Board	1,453,154	1,357,131	-	-	-	(96,023)	(96,023)
Total component units	<u>\$ 15,364,179</u>	<u>\$ 1,902,854</u>	<u>\$ 7,839,222</u>	<u>\$ -</u>	<u>(5,526,080)</u>	<u>(96,023)</u>	<u>(5,622,103)</u>
General revenues:							
Taxes							
Property					2,216,050	-	2,216,050
Sales					680,144	-	680,144
Other					11,115	-	11,115
Payments from City					2,159,312	-	2,159,312
Investment earnings					205,814	72	205,886
Other					68,224	-	68,224
Total general revenues and transfers					<u>5,340,659</u>	<u>72</u>	<u>5,340,731</u>
Change in net assets					(185,421)	(95,951)	(281,372)
Net assets, beginning					39,696,894	4,451,750	44,148,644
Net assets, ending					<u>\$ 39,511,473</u>	<u>\$ 4,355,799</u>	<u>\$ 43,867,272</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brewton, Alabama (the City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture, recreation, cemetery, public improvements, planning and zoning and general administrative services.

The City's comprehensive annual financial report includes the accounts of all City operations.

The accounting policies of the City of Brewton, Alabama conform to accounting principles generally accepted in the United States of America. The following is a summary of significant policies.

The Reporting Entity

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the City of Brewton (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Individual Component Unit Disclosures

Blended Component Unit

1. *The Brewton Development Authority* serves all the citizens of the City and is governed by a board appointed by the City's elected council. The Authority operates the City's industrial park. The services provided by the Authority are almost entirely for the benefit of the City.

Discretely Presented Component Units. The component units' columns in the combined financial statements include the financial data of the City's component units, which do not meet the requirements for blending with the primary government. They are reported in separate columns to emphasize that they are legally separate from the City. The governing boards of the component units are appointed by the City.

1. *The Brewton City Board of Education* operates the public elementary, middle and high schools in the City. The City provides material annual operating subsidies in its sharing of tax revenues. In addition, the City has financed substantial improvements to the local schools through general obligation debt.

2. *The Water Works Board of the City of Brewton* provides water utility services to the citizens of the City and surrounding area. The Board must obtain the approval of the City Council prior to issuing bonded debt.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Complete financial statements of the individual component units can be obtained from their respective administrative offices as follows:

Brewton City Board of Education
721 Belleville Avenue
Brewton, Alabama 36426

Water Works of the City of Brewton
City Hall
Brewton, Alabama 36426

Basis of Presentation—Government-wide and Fund Level

Government-wide

The basic financial statements include government-wide and fund financial statements. The reporting model focuses on the City as a whole and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business type. In the Statement of Net Assets, governmental and business-type activities (a) are presented on a consolidated basis, and (b) reflect, full accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. As a general rule, eliminations have been made to minimize the double-counting of internal activities.

The Statement of Activities reflects both the gross and net cost per functional category (public works, police, fire, etc.) which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues. The program revenues must be directly associated with a function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Level

The governmental fund level financial statements are presented on a current financial resource and modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the City are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from nonexchange transactions or ancillary activities. The various funds are grouped into broad fund categories as follows:

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The General Fund accounts for all revenues and expenditures of the City except those which must be accounted for by other funds, and it is the largest accounting activity of the City. These resources together with inter-fund revenues finance all of the current operations of the general governmental units which basically benefit all of the taxpayers or citizenry as a whole. In addition, it underwrites any deficits in other funds.

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance resolutions to finance particular activities or functions.

Debt Service Funds of the City are used to account for the payment of interest on, and principal of, most long-term debt not being financed by Proprietary Funds. They also provide the bond holders assurance that the provisions of the indentures relating to sinking fund requirements for principal and interest are met and that the security for the debt is protected.

Capital Projects Funds are used to account for financial resources segregated for the acquisition of major capital facilities.

A separate capital projects fund is used to account for the expenditures of the proceeds for each bond issue or grant when the fund is used for capital projects. The requirement of one fund for each source of revenue is necessitated by the fact that the accounting for particular revenue must show that the proceeds were spent only on the projects and for the purposes authorized, and that any unused proceeds are properly handled and accounted for in accordance with applicable legal, budgetary, and policy provisions.

Proprietary Funds are used to account for operations of the City that are: (a) financed and operated in a manner similar to private business enterprise, where the interest of the governing body is that the costs of providing goods or services to the general public on a continuing basis be recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All proprietary funds are enterprise funds.

The City reports the following major governmental funds:

- *General Fund*
- The *2001 General Obligation Warrant Debt Service Fund* is a debt service fund that accounts for the debt service requirements of the 2001 General Obligation Warrants.
- The *2008 General Obligation Warrant Capital Projects Fund* is a capital projects fund that accounts for the projects funded by the 2008 General Obligation Warrants.
- The *2008 General Obligation Warrant Debt Service Fund* is a debt service fund that accounts for the debt service requirements of the 2008 General Obligation Warrants.

**CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major proprietary funds:

- The *Gas Service Fund* accounts for the City's gas distribution operations.
- The *Sewer Fund* accounts for the City's sewer operations.
- The *Sanitation Fund* accounts for the City's sanitation operations.
- The *Municipal Airport Fund* accounts for the activities related to the City's airport.

Capital Assets

The accounting treatment over capital assets depends on whether the assets are used by governmental funds or proprietary funds and fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for both governmental-type and business-type activities. The City has not established a minimum capitalization threshold at this time. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds, while they remain capital assets in proprietary funds. Depreciation is provided only in proprietary funds at the fund level.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Assets (government-wide level). Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Plant and distribution systems	50 years
Buildings	25 – 50 years
Golf course improvements	10 – 30 years
Vehicles and equipment	3 – 10 years
Infrastructure (roads, bridges, drainage)	25 – 50 years

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become *measurable and available*. *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers sales taxes and similar taxes collected by an intermediary at year end but not remitted until the following fiscal year to be available and therefore recognized as revenues if collected within 60 days of the year end. Revenue which is not both measurable and available includes licenses, permits and fines. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City has elected to apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The City also elected to apply all FASB Statements and Interpretations issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Cash and Investments

The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Investments in debt securities are stated at fair value. Investments in money market accounts are stated at cost which equals fair value.

Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

An annual operation budget for the General Fund is adopted by City Council action at the beginning of each fiscal year. Budgetary control is exercised at the object level. The City Clerk has no authority to amend the budget at any level during the year. When expenditures approach an appropriated limit, the City Council has to approve the excess expenditures. This is done in lieu of formally amending the budget. During the fiscal year ended September 30, 2012, all amounts expended which exceeded budget appropriations were approved by the Council, and there were no supplemental appropriations made. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapse at year end. The following individual overexpenditures were all approved by the City Council:

	<u>Excess</u> <u>Expenditures</u>		<u>Excess</u> <u>Expenditures</u>		<u>Excess</u> <u>Expenditures</u>
General Government:		<i>Street Department (cont.)</i>		Other Departments (cont.):	
Utilities	\$ 5,997	Utilities	\$ 2,076	Traffic Control	\$ 15,420
Telephone	970	Telephone	977	Beautification and Fine Arts	7,461
Repairs and maintenance	100,669	<i>Animal Control</i>		Payments to School Board	759,312
Professional fees	73,768	Salaries	70,450	Debt Service	58,803
Street lighting	3,070	Employee benefits	20,686	Transfers Out	3,528,915
Other	8,634	Tools and supplies	5,110		
Industrial development	43,536	Uniforms	1,895		
Capital expenditures	210,323	Insurance	1,501		
Public Safety:		Repairs and maintenance	13,892		
<i>Police Department</i>		Telephone	2,439		
Travel	3,232	Utilities	6,128		
Telephone	960	Fuel, oil, and tires	3,775		
Uniforms and equipment	1,135	Other	7,482		
Fuel, oil and tires	18,075	Capital expenditures	13,546		
Laundry	343	<i>Code Enforcement</i>			
Investigation and education	302	Repairs and maintenance	2,081		
Capital expenditures	146,438	Other Departments:			
Office supplies	775	<i>Municipal Court</i>			
Other	9,176	Legal services	13,551		
<i>Fire Department</i>		Office supplies	8,730		
Salaries	7,183	Telephone	58		
Repairs and maintenance	3,779	Other	120		
Tools and supplies	3,095	State fees	102,927		
Telephone	2,513	<i>Library Department</i>			
Fuel, oil and tires	1,706	Utilities	7,983		
Capital expenditures	7,630	Repairs and maintenance	904		
Public Works:		Travel	2,974		
<i>Street Department</i>		Office supplies	10,801		
Tools and supplies	7,469	<i>Recreation Department</i>			
Fuel, oil and tires	17,280	Capital expenditures	65,878		
Chemicals	356	<i>Cemetery Department</i>			
Capital expenditures	123,467	Gas, oil, and tires	1,232		
Uniforms	4,396	Repairs and maintenance	583		

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad Valorem Taxes

Ad Valorem taxes are levied on the assessed property valuations as of October 1 each year. They are due on October 1, but are not considered delinquent until December 31, after which delinquent penalties are levied. If taxes and penalties are not paid by the third week in May of the following year, the property is then sold for taxes due and remittance is made by the Escambia County Tax Collector to the City of Brewton.

Inventories

Inventories consist of repair supplies and fittings of the gas service (primary government) and water works (component unit) valued at cost which approximates market, using the first-in, first-out (FIFO) method.

Insurance

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 for which it carries commercial insurance. There were no instances of settlements that exceeded insurance coverage in the last three fiscal years.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon separation from service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees upon maturity. There was no current liability recorded in the governmental fund types under the modified accrual basis because expenditures are expected to be made from future revenues rather than from expendable available resources.

Net Asset and Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance is classified into one of the following five categories:

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are useable only for specific purposes by formal action of the government's highest level of decision making authority. The City's highest level of decision making lies with the Mayor of the City and the City Council. In order to establish, modify or rescind a fund balance commitment, the Mayor and City Council must pass a law by formal action committing the funds.
- Assigned fund balance—Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Mayor and the City Council have the power to assign fund balance amounts to specific purposes. The governing body must vote to grant authorization of assigned fund balances to specific purposes.
- Unassigned fund balance—All other fund balances that do not meet the definition of "nonspendable, restricted, committed, or assigned fund balances."

The City considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the City considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

Subsequent Events

The City of Brewton, Alabama has evaluated subsequent events through March 15, 2013, the date which the financial statements were available to be issued. In February 2013, the Council approved a line of credit with a \$1,800,000 limit to be used for emergency situations only.

There were no other material subsequent events which require disclosure at September 30, 2012.

NOTE 2 DEPOSITS AND INVESTMENTS

At September 30, 2012, the City had investments in U.S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$4,481,157. The average maturity of the portfolio was 55 days.

Investment Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

State statutes authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of the state, and SEC registered mutual funds holding like maturities. The City has no investment policy that further limits investment choices. As of September 30, 2012, the City's mutual fund investments were rated AAAM by Standard & Poor's.

Custodial Credit Risk

The City is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledge collateral coverage for all governments and agencies in the State and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as "public funds" will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 3 CAPITAL ASSETS

Changes in capital assets during the fiscal year were as follows:

	Balance 10/01/11	Additions	Reclassifications/ Retirements	Balance 09/30/12
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 3,394,668	\$ -	\$ -	\$ 3,394,668
<i>Capital assets being depreciated</i>				
Buildings	7,931,686	215,237	-	8,146,923
Improvements other than buildings	12,327,373	26,396	-	12,353,769
Vehicles and equipment	5,037,006	464,737	77,429	5,424,314
Total capital assets being depreciated	<u>25,296,065</u>	<u>706,370</u>	<u>77,429</u>	<u>25,925,006</u>
Less accumulated depreciation for:				
Buildings	1,715,377	165,355	-	1,880,732
Improvements other than buildings	1,869,221	247,005	-	2,116,226
Vehicles and equipment	3,935,918	277,330	50,580	4,162,668
Total accumulated depreciation	<u>7,520,516</u>	<u>689,690</u>	<u>50,580</u>	<u>8,159,626</u>
Total capital assets being depreciated	<u>17,775,549</u>	<u>16,680</u>	<u>26,849</u>	<u>17,765,380</u>
Capital assets, net	<u>\$ 21,170,217</u>	<u>\$ 16,680</u>	<u>\$ 26,849</u>	<u>\$ 21,160,048</u>

Depreciation was charged to governmental activities as follows:

General	\$ 421,932
Police	127,720
Fire	38,980
Street	38,932
Recreation	56,429
Library	5,697
Total	<u>\$ 689,690</u>

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 3 CAPITAL ASSETS (CONTINUED)

<u>Component Unit:</u>	<u>Balance</u> <u>10/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/12</u>
Brewton City School Board				
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,284,675	\$ -	\$ -	\$ 1,284,675
Construction in progress	-	32,508	-	32,508
Total capital assets not being depreciated	<u>1,284,675</u>	<u>32,508</u>	<u>-</u>	<u>1,317,183</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	30,309,332	1,175,402	875,269	30,609,465
Equipment	3,524,773	90,965	131,512	3,484,226
Total capital assets being depreciated	<u>33,834,105</u>	<u>1,266,367</u>	<u>1,006,781</u>	<u>34,093,691</u>
Less accumulated depreciation for:				
Buildings and improvements	5,272,104	594,447	660,033	5,206,518
Equipment	3,111,051	102,937	131,512	3,082,476
Total accumulated depreciation	<u>8,383,155</u>	<u>697,384</u>	<u>791,545</u>	<u>8,288,994</u>
Total capital assets being depreciated	<u>25,450,950</u>	<u>568,983</u>	<u>215,236</u>	<u>25,804,697</u>
Capital assets, net	<u>\$ 26,735,625</u>	<u>\$ 601,491</u>	<u>\$ 215,236</u>	<u>\$ 27,121,880</u>
Business-type Activities				
Gas Service				
<i>Capital assets not being depreciated</i>				
Land	\$ 11,100	\$ -	\$ -	\$ 11,100
<i>Capital assets being depreciated</i>				
Buildings and improvements	168,022	-	-	168,022
Utility systems	4,705,831	-	-	4,705,831
Equipment	724,086	154,400	-	878,486
Total capital assets being depreciated	<u>5,597,939</u>	<u>154,400</u>	<u>-</u>	<u>5,752,339</u>
Less accumulated depreciation for:				
Buildings and improvements	137,861	2,638	-	140,499
Utility systems	2,351,552	92,220	-	2,443,772
Equipment	600,993	43,320	-	644,313
Total accumulated depreciation	<u>3,090,406</u>	<u>138,178</u>	<u>-</u>	<u>3,228,584</u>
Total capital assets being depreciated	<u>2,507,533</u>	<u>16,222</u>	<u>-</u>	<u>2,523,755</u>
Capital assets, net	<u>\$ 2,518,633</u>	<u>\$ 16,222</u>	<u>\$ -</u>	<u>\$ 2,534,855</u>

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance 10/01/11	Additions	Deletions	Balance 09/30/12
Business-type Activities (continued)				
Sewer Fund				
<i>Capital assets being depreciated</i>				
Sewer system	\$ 5,892,568	\$ -	\$ -	\$ 5,892,568
Equipment	890,148	38,935	-	929,083
Total capital assets being depreciated	6,782,716	38,935	-	6,821,651
Less accumulated depreciation for:				
Sewer system	1,681,739	117,851	-	1,799,590
Equipment	564,541	63,097	-	627,638
Total accumulated depreciation	2,246,280	180,948	-	2,427,228
Capital assets, net	\$ 4,536,436	\$ (142,013)	\$ -	\$ 4,394,423
Sanitation Fund				
<i>Capital assets not being depreciated</i>				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
<i>Capital assets being depreciated</i>				
Equipment	1,507,304	-	88,922	1,418,382
Less accumulated depreciation for:				
Equipment	536,061	108,528	4,447	640,142
Total capital assets being depreciated	971,243	(108,528)	84,475	778,240
Capital assets, net	\$ 974,243	\$ (108,528)	\$ 84,475	\$ 781,240
Municipal Airport				
<i>Capital assets not being depreciated</i>				
Land	\$ 298,000	\$ -	\$ -	\$ 298,000
Construction in progress	4,040	-	4,040	-
Total capital assets not being depreciated	302,040	-	4,040	298,000
<i>Capital assets being depreciated</i>				
Buildings	1,049,267	87,386	-	1,136,653
Runways	553,650	-	-	553,650
Equipment	311,732	30,606	-	342,338
Total capital assets being depreciated	1,914,649	117,992	-	2,032,641
Less accumulated depreciation for:				
Buildings	207,332	34,841	-	242,173
Runways	126,571	11,073	-	137,644
Equipment	107,100	27,243	-	134,343
Total accumulated depreciation	441,003	73,157	-	514,160
Total assets being depreciated	1,473,646	44,835	-	1,518,481
Capital assets, net	\$ 1,775,686	\$ 44,835	\$ 4,040	\$ 1,816,481

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance 10/01/11	Additions	Deletions	Balance 09/30/12
<u>Business-type Activities (continued)</u>				
Brewton Development Authority				
<i>Capital assets not being depreciated</i>				
Land	\$ 145,940	\$ -	\$ -	\$ 145,940
<i>Capital assets being depreciated</i>				
Building	197,500	-	-	197,500
Total capital assets being depreciated	197,500	-	-	197,500
Less accumulated depreciation for:				
Building	79,005	4,938	-	83,943
Total accumulated depreciation	79,005	4,938	-	83,943
Total assets being depreciated	118,495	(4,938)	-	113,557
Capital assets, net	\$ 264,435	\$ (4,938)	\$ -	\$ 259,497
 <u>Component Units:</u>				
Water Works Board				
<i>Capital assets not being depreciated</i>				
Land	\$ 63,450	\$ -	\$ -	\$ 63,450
<i>Capital assets being depreciated</i>				
Water system	8,505,170	259,499	-	8,764,669
Machinery and equipment	921,874	56,906	-	978,780
Property under capital lease	38,712	38,935	-	77,647
Furniture and fixtures	67,609	-	-	67,609
Total capital assets being depreciated	9,533,365	355,340	-	9,888,705
Less accumulated depreciation for:				
Water system	2,498,675	204,123	-	2,702,798
Machinery and equipment	842,903	45,985	-	888,888
Property held under capital lease	7,742	8,970	-	16,712
Furniture and fixtures	67,332	278	-	67,610
Total accumulated depreciation	3,416,652	259,356	-	3,676,008
Total capital assets being depreciated	6,116,713	95,984	-	6,212,697
Capital assets, net	\$ 6,180,163	\$ 95,984	\$ -	\$ 6,276,147

CITY OF BREWTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General Obligation Debt	\$ 29,764,703	\$ 65,147	\$ 4,173,104	\$ 25,656,746	\$ 1,599,431
Capital Lease Obligations	42,333	305,886	89,330	258,889	86,104
Compensated Absences	195,896	187,613	155,342	228,167	45,633
	<u>30,002,932</u>	<u>558,646</u>	<u>4,417,776</u>	<u>26,143,802</u>	<u>1,731,168</u>
Warrant Discount	<u>(285,978)</u>	<u>4,911</u>	<u>33,765</u>	<u>(257,124)</u>	<u>-</u>
Governmental Activities, long-term liabilities	<u>29,716,954</u>	<u>563,557</u>	<u>4,451,541</u>	<u>25,886,678</u>	<u>1,731,168</u>
<u>Business-type Activities</u>					
Capital Lease Obligations	749,873	77,870	226,522	601,221	138,257
Accrued Postclosure Costs	232,997	12,306	-	245,303	-
Business-type Activities, long-term liabilities	<u>982,870</u>	<u>90,176</u>	<u>226,522</u>	<u>846,524</u>	<u>138,257</u>
Total Long-term Liabilities	<u>\$ 30,699,824</u>	<u>\$ 653,733</u>	<u>\$ 4,678,063</u>	<u>\$ 26,733,202</u>	<u>\$ 1,869,425</u>

Compensated absences typically have been liquidated in the general fund.

Bonds and warrants payable at September 30, 2012, were comprised of the following:

General Obligation Bonds and Warrants:

2005 General Obligation Warrant payable in annual installments of \$465,000 to \$670,000 through December 1, 2024, with interest at 3.65% to 4.35% payable June 1, and December 1. \$ 5,600,000

2008 General Obligation Warrants payable in annual installments of \$965,000 to \$1,815,000 through December 1, 2023, with interest at 4.00% to 4.60% payable on June 1, and December 1. 16,980,000

**CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

2009 General Obligation Warrants payable in annual installments of \$430,000 to \$510,000 through December 1, 2017, with interest at 2.00% to 4.00% payable on June 1 and December 1.	2,850,000
Note payable for purchase of street equipment dated September 15, 2011, due in 72 monthly installments of \$2,493, including interest at 2.59%	140,185
Note payable for purchase of police cars dated February 1, 2011, due in 36 monthly installments of \$1,478, including interest at 3.95%	24,409
Note payable for purchase of street vehicle dated March 1, 2012, due in 60 monthly installments of \$443, including interest at 2.38%	22,647
Note payable for purchase of fire vehicle dated March 1, 2012, due in 60 monthly installments of \$710, including interest at 2.38%	36,328
Note payable for purchase of police cars dated May 09, 2011, due in 24 monthly installments of \$406, including interest at 5.00%	<u>3,177</u>
Total General Obligation Bonds and Warrants	<u>\$ 25,656,746</u>

Annual debt service requirements to maturity for general obligation bonds and warrants are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 1,599,431	\$ 1,039,676
2014	1,637,495	1,005,593
2015	1,686,195	927,838
2016	2,212,248	857,161
2017	2,296,377	773,543
2018-2022	10,745,000	2,457,835
2023-2025	5,480,000	291,808
	<u>\$ 25,656,746</u>	<u>\$ 7,353,454</u>

Certain General Obligation Bonds and Warrants are not associated with the City's capital assets. The 2008 General Obligation Warrant provided funding for a City school board construction project. The 2009 General Obligation Warrant was used to fund non-capital projects. The unspent proceeds of the 2005 General Obligation Warrant have not been included in the calculation of Net Assets Invested in Capital Assets, Net of Related Debt.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles, golf carts and a backhoe loader. Additionally, the City has financed the acquisition of certain items of equipment for the gas, sewer and sanitation funds. The leases qualify as capital leases for accounting purposes since there are bargain purchase elements at the end of the initial lease terms and the present values of the minimum lease payments are greater than 90 percent of the asset purchase prices. Each asset has, therefore, been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets and the enterprise funds, respectively.

The capital assets acquired through capital lease obligations are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 345,660	\$ 806,690
Less accumulated depreciation	(51,057)	(88,644)
Total	<u>\$ 294,603</u>	<u>\$ 718,046</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2012, were as follows:

Year ending September 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 96,816	\$ 166,702
2014	87,183	157,450
2015	76,146	128,633
2016	15,792	289,029
2017	2,632	-
Total minimum lease payments	<u>278,569</u>	<u>741,814</u>
Less amount representing interest	<u>(19,680)</u>	<u>(140,593)</u>
Present value of minimum lease payments	<u>\$ 258,889</u>	<u>\$ 601,221</u>

Line of Credit and Letter of Credit

The City has an unused line of credit (\$1,700,150 limit) and an unused letter of credit (\$1,500,000 limit) from a bank. Both were established to fund gas purchases in the Gas Fund (Business-type Activity).

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 5 EMPLOYEE RETIREMENT SYSTEM

Employees' Retirement System of Alabama (Primary Government)

Plan Description

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125 percent of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members. The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police and, on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the *Code of Alabama 1975*, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6.

Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the City authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

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 Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy

During its 2012 session, the Alabama Legislature passed and the Governor signed into law changes in the pension plan effective January 1, 2013. Employees hired prior to January 1, 2013 (Tier 1 employees) must contribute 5% of their salary to the Employees' Retirement System, except law enforcement personnel who contribute 6%. Employees hired on or after that date (Tier 2 employees) will contribute on gross earnings at a rate of 6% except law enforcement who must contribute 7%. The City is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the City are established by the Employees' Retirement System based on annual actuarial valuations. The contribution rate for the year ended September 30, 2011, was 9.82% for Tier 1 employees and 7.52% for Tier 2 employees.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Annual Pension Cost

For the year ended September 30, 2012, the City of Brewton's annual pension contribution of \$288,084 was equal to the required and actual contributions. The required contribution was determined as part of the September 30, 2011, actuarial valuation using the "entry age normal" method. The actuarial assumptions included (1) 8% investment rate of return on present and future assets, and (2) projected salary increases ranging from 3.75% at age 20 to 7.75% at age 65. Both assumptions include an inflation component of 3.0%. The actuarial value of assets was determined using the five-year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2011, was 30 years.

Fiscal Year	Three-year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2009	\$ 305,813	100%	\$0
09/30/2010	298,024	100%	0
09/30/2011	315,873	100%	0

Funded Status and Funding Progress

The funded status of the plan as of October 01, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 11,278,197
Actuarial value of plan assets	7,920,838
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,357,359</u>
Funded ratio (actuarial value of plan assets/AAL)	70.2%
Covered payroll (active plan members)	\$ 3,372,979
UAAL as a percentage of covered payroll	99.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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, which is required supplementary information, is presented immediately after the notes to the financial statements. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Teachers' Retirement System of Alabama (Component Unit – School Board)

The Brewton City Board of Education (School Board) contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

**CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

**Teachers' Retirement System of Alabama (Component Unit – School Board)
(Continued)**

Substantially all School Board employees are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees. Vesting requirements and benefit calculations are the same as described above for the Employees' Retirement System of Alabama.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

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

Funding Policy

Employees are required to contribute 5% of their annual salary to the Teachers' Retirement System of Alabama. The School Board is required to contribute at an actuarially determined rate. The current rate is 10.00% of annual covered payroll. The contribution requirements of the School Board are established by the Teachers' Retirement System. The School Board's contributions to the Teachers' Retirement System for the years ended September 30, 2012, 2011, and 2010, were \$586,711, \$736,123, and \$749,181, respectively, equal to the required contributions for each year.

NOTE 6 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City is required by federal and state laws to place a final cover on its inert landfill when it stops accepting trash and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting trash, the City reports a portion of these estimated future costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$245,303 reported as accrued postclosure costs by the sanitation fund represents the cumulative amount of estimated costs through September 30, 2012. Actual costs may be higher due to inflation changes in technology or changes in regulations. Estimated current costs of closure and postclosure care to be recognized totaled \$932,692 at September 30, 2012. Estimated total landfill capacity is 1,350,000 cubic yards of which 141,314 cubic yards or approximately 10 percent had been used at September 30, 2002. The landfill's estimated remaining life at September 30, 2012, was approximately 20 years.

**CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012**

NOTE 7 CONCENTRATION OF CREDIT RISK

The City's utility systems provide services to customers located within the City. Customer deposits are required to reduce the risk of loss in the event of non-payment.

In the fiscal year 2012, the largest customer for the gas fund accounted for approximately 84% of revenue in the gas fund.

NOTE 8 NET ASSETS DEFICIT

At September 30, 2012, there was a deficit in net assets of the sanitation fund of \$85,275. The City transferred funds in the subsequent fiscal year from the general fund to replenish the sanitation fund.

NOTE 9 GRANT PROCEEDS IN PROPRIETARY FUNDS

The Proprietary Funds received proceeds from two grants during the fiscal year 2012. The grant received in the Municipal Airport Fund was used to fund construction of a fuel farm facility and is recorded as a capital contribution on the Statement of Revenues, Expenses and Changes in Fund Net Assets. The grant received in the Sewer Fund was used for repairs from flood damages and is recorded as an intergovernmental revenue in the non-operating revenue section on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

NOTE 10 INTERFUND TRANSACTIONS

Interfund receivables and payables at September 30, 2012 are:

Receivable Fund	Payable Fund	Amount
Cemetery Fund	Sanitation Fund	\$ 75,000

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as interfund receivables and liabilities.

CITY OF BREWTON, ALABAMA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 10 INTERFUND TRANSACTIONS (CONTINUED)

At September 30, 2012, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General		
Gas Service	\$ 399,974	\$ -
Sanitation	-	5,614
Sewer	-	21,520
2009 General Obligation Warrant Debt Service	-	523,937
2001 School Improvement General Obligation Warrant Debt Service	-	940,021
2008 General Obligation Warrant Debt Service	-	1,824,030
2005 Sewer General Obligation Warrant Debt Service	-	210,407
2009 General Obligation Warrant Debt Service		
General	523,937	-
Street Improvement	2,815	-
2008 General Obligation Warrant Debt Service		
General	1,824,030	-
2001 School Improvement General Obligation Warrant Debt Service		
General	940,021	-
2005 Sewer General Obligation Warrant Debt Service		
General	210,407	-
Street Improvement	19,128	-
2005 Sewer General Obligation Warrant Capital Projects		
Sewer	-	853,900
Street Improvement		
2005 Sewer General Obligation Warrant Debt Service	-	19,128
2009 General Obligation Warrant Debt Service	-	2,815
Gas Service		
General	-	399,974
Sewer	-	12,500
Sewer		
2005 Sewer General Obligation Warrant Capital Projects	853,900	-
Gas Service	12,500	-
General	21,520	-
Sanitation		
General	5,614	-

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and 2) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BREWTON, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS-EMPLOYEE RETIREMENT SYSTEM
SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b)¹	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
9/30/2006 ²	\$ 7,453,468	\$ 8,997,931	\$ 1,544,463	82.8%	\$ 3,137,633	49.2%
9/30/2007	7,953,614	9,523,566	1,569,952	83.5%	3,194,503	49.1%
9/30/2008	8,076,211	9,917,021	1,840,810	81.4%	3,310,414	55.6%
9/30/2009	8,139,324	10,603,567	2,464,243	76.8%	3,523,666	69.9%
9/30/2010 ³	8,028,414	10,601,556	2,573,142	75.7%	3,447,487	74.6%
9/30/2010 ^{3,4}	8,028,414	10,646,649	2,618,235	75.4%	3,447,487	75.9%
9/30/2011 ⁵	7,920,838	11,235,884	3,315,046	70.5%	3,372,979	98.3%
9/30/2011 ^{4,5}	7,920,838	11,278,197	3,357,359	70.2%	3,372,979	99.5%

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

² Reflects changes in actuarial assumptions.

³ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

⁴ Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contributions rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

⁵ Reflects changes in actuarial assumptions.

* Market Value of Assets as of September 30, 2011: \$6,771,197

OTHER SUPPLEMENTARY INFORMATION

CITY OF BREWTON, ALABAMA
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes			
Ad valorem tax	\$ 300,000	\$ 658,190	\$ 358,190
Beer tax	70,000	62,091	(7,909)
Cigarette tax	21,000	14,619	(6,381)
Sales tax	2,285,651	4,497,656	2,212,005
City gasoline tax	88,750	127,595	38,845
Wine tax	3,500	11,710	8,210
Oil severance tax	-	228,665	228,665
Total Taxes	<u>2,768,901</u>	<u>5,600,526</u>	<u>2,831,625</u>
Licenses and Permits			
Business licenses	1,080,320	1,114,503	34,183
Building permits	3,600	9,550	5,950
Wiring inspection fees	800	-	(800)
Yard sale permits	2,500	-	(2,500)
Street permits	500	-	(500)
Total Licenses and Permits	<u>1,087,720</u>	<u>1,124,053</u>	<u>36,333</u>
Fines and Forfeitures			
Fines and court costs	62,000	362,906	300,906
Fees and Charges			
Recreation and golf revenues	206,900	139,729	(67,171)
Animal shelter fees	-	8,891	8,891
Miscellaneous fees	98,500	96,894	(1,606)
Total Fees and Charges	<u>305,400</u>	<u>245,514</u>	<u>(68,777)</u>
Intergovernmental Revenues			
Federal grants	-	7,128	7,128
State grants	-	14,871	14,871
Production privilege tax	21,000	37,853	16,853
Financial excise tax	45,000	-	(45,000)
State auto license	3,200	3,014	(186)
Motor vehicle license	14,500	15,647	1,147
Business privilege tax	22,000	23,818	1,818
ABC store revenue	11,700	12,195	495
Total Intergovernmental Revenues	<u>117,400</u>	<u>114,526</u>	<u>(2,874)</u>
Revenue From City Property			
Sale of City property	800	38,187	37,387
Rent	-	16,440	16,440
Community center	12,000	17,615	5,615
Total Revenue From City Property	<u>12,800</u>	<u>72,242</u>	<u>59,442</u>
Receipts from Brewton City School Board			
	<u>-</u>	<u>2,509,921</u>	<u>2,509,921</u>
Other Revenue			
Interest earned	-	1,784	1,784
Donations	-	30,669	30,669
Other	1,000	190,181	189,181
Total Other Revenue	<u>1,000</u>	<u>222,634</u>	<u>221,634</u>
Total Revenues	<u>4,355,221</u>	<u>10,252,322</u>	<u>5,888,210</u>
Other Financing Sources			
Transfers in	1,506,110	403,360	(1,102,750)
Loan proceeds	-	65,147	65,147
Capital lease proceeds	-	305,886	305,886
Total Other Financing Sources	<u>1,506,110</u>	<u>774,393</u>	<u>(731,717)</u>
Total Revenues and Other Financing Sources	<u>\$ 5,861,331</u>	<u>\$ 11,026,715</u>	<u>\$ 5,156,493</u>

(Continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
Salaries	\$ 286,848	\$ 263,612	\$ 23,236
Employee benefits	69,471	55,041	14,430
Utilities	28,000	33,997	(5,997)
Telephone	11,000	11,970	(970)
Office supplies	33,000	11,461	21,539
Dues and publications	5,100	5,006	94
Travel	10,000	9,012	988
Insurance	47,795	41,897	5,898
Repairs and maintenance	38,700	139,369	(100,669)
Professional fees	18,000	91,768	(73,768)
Street lighting	66,000	69,070	(3,070)
Fire hydrant rental	16,500	16,380	120
Industrial development expenditures	9,600	53,136	(43,536)
Appropriation	57,358	10,757	46,601
Capital expenditures	28,500	238,823	(210,323)
Other	7,554	16,188	(8,634)
Total General Government	<u>733,426</u>	<u>1,067,487</u>	<u>(334,061)</u>
Public Safety			
Police Department			
Salaries	1,356,992	1,307,192	49,800
Employee benefits	316,670	268,884	47,786
Travel	7,000	10,232	(3,232)
Telephone	15,000	15,960	(960)
Uniforms and equipment	11,500	12,635	(1,135)
Repairs and maintenance	51,800	48,683	3,117
Fuel, oil, and tires	72,965	91,040	(18,075)
Ammunition	3,000	1,972	1,028
Insurance	68,050	65,317	2,733
Jail expenditures	4,000	1,280	2,720
Laundry	6,500	6,843	(343)
Investigation and education	4,000	4,302	(302)
Capital expenditures	17,748	164,186	(146,438)
Office supplies	7,500	8,275	(775)
Other	6,500	15,676	(9,176)
Total Police Department	<u>1,949,225</u>	<u>2,022,477</u>	<u>(73,252)</u>

(Continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Public Safety (Continued)			
Fire Department			
Salaries	\$ 559,128	\$ 566,311	\$ (7,183)
Employee benefits	112,684	111,110	1,574
Insurance	29,000	26,028	2,972
Repairs and maintenance	23,650	27,429	(3,779)
Tools and supplies	2,000	5,095	(3,095)
Utilities	11,000	9,959	1,041
Telephone	6,000	8,513	(2,513)
Office supplies	4,000	2,780	1,220
Uniforms	3,000	2,398	602
Education and travel	15,500	13,037	2,463
Fuel, oil, and tires	15,500	17,206	(1,706)
Laundry	1,900	825	1,075
Capital expenditures	32,500	40,130	(7,630)
Total Fire Department	<u>815,862</u>	<u>830,821</u>	<u>(14,959)</u>
 Total Public Safety	 <u>2,765,087</u>	 <u>2,853,298</u>	 <u>(88,211)</u>
Public Works			
Street Department			
Salaries	502,380	479,668	22,712
Employee benefits	126,115	105,996	20,119
Insurance	40,000	36,963	3,037
Repairs and maintenance	79,300	75,353	3,947
Tools and supplies	9,500	16,969	(7,469)
Fuel, oil, and tires	35,000	52,280	(17,280)
Chemicals	2,500	2,856	(356)
Capital expenditures	8,900	132,367	(123,467)
Uniforms	8,000	12,396	(4,396)
Utilities	6,500	8,576	(2,076)
Telephone	3,800	4,777	(977)
Other	2,500	1,295	1,205
Total Street Department	<u>824,495</u>	<u>929,496</u>	<u>(105,001)</u>
Animal Control			
Salaries	-	70,450	(70,450)
Employee benefits	-	20,686	(20,686)
Tools and supplies	-	5,110	(5,110)
Uniforms	-	1,895	(1,895)
Insurance	-	1,501	(1,501)
Repairs and maintenance	-	13,892	(13,892)
Telephone	-	2,439	(2,439)
Utilities	-	6,128	(6,128)
Fuel, oil, and tires	-	3,775	(3,775)
Other	-	7,482	(7,482)
Capital expenditures	-	13,546	(13,546)
Total Animal Control	<u>-</u>	<u>146,904</u>	<u>(146,904)</u>

(Continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Code Enforcement			
Salaries	\$ 119,837	\$ 88,056	\$ 31,781
Employee benefits	27,145	12,779	14,366
Travel	2,000	406	1,594
Office supplies	11,000	2,451	8,549
Insurance	3,500	1,482	2,018
Repairs and maintenance	1,950	4,031	(2,081)
Telephone	2,500	1,565	935
Fuel, oil, and tires	4,000	2,000	2,000
Capital expenditures	2,000	-	2,000
Total Code Enforcement	<u>173,932</u>	<u>112,770</u>	<u>61,162</u>
Total Public Works	<u>998,427</u>	<u>1,189,170</u>	<u>(43,839)</u>
Other Departments			
Municipal Court			
Salaries	75,740	64,939	10,801
Employee benefits	9,923	1,545	8,378
Legal services	20,000	33,551	(13,551)
Office supplies	3,000	11,730	(8,730)
Travel	2,500	-	2,500
Telephone	1,200	1,258	(58)
Other	2,701	2,821	(120)
State fees	-	107,927	(107,927)
Total Municipal Court	<u>115,064</u>	<u>223,771</u>	<u>(108,707)</u>
Library Department			
Salaries	229,001	182,997	46,004
Employee benefits	49,568	35,745	13,823
Insurance	8,900	6,711	2,189
Utilities	16,100	24,083	(7,983)
Telephone	7,500	-	7,500
Repairs and maintenance	10,500	11,404	(904)
Travel	1,000	3,974	(2,974)
Capital expenditures	24,500	17,311	7,189
Office supplies	4,000	14,801	(10,801)
Total Library Department	<u>351,069</u>	<u>297,026</u>	<u>54,043</u>
Recreation Department			
Salaries	278,629	256,501	22,128
Employee benefits	51,965	37,430	14,535
Utilities	46,374	33,798	12,576
Insurance	13,484	10,531	2,953
Recreation activities	112,200	68,728	43,472
Capital expenditures	11,400	77,278	(65,878)
Repairs and maintenance	146,202	118,802	27,400
Total Recreation Department	<u>660,254</u>	<u>603,068</u>	<u>57,186</u>

(Continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Other Departments (Continued)			
Cemetery Department			
Salaries	\$ 51,808	\$ 48,709	\$ 3,099
Employee benefits	17,563	14,838	2,725
Insurance	3,200	2,066	1,134
Utilities	500	392	108
Uniforms	2,100	1,119	981
Gas and oil	3,500	4,732	(1,232)
Repairs and maintenance	4,300	4,883	(583)
Tools and supplies	800	-	800
Capital expenditures	7,000	-	7,000
Total Cemetery Department	<u>90,771</u>	<u>76,739</u>	<u>14,032</u>
Traffic Control	28,500	43,920	(15,420)
Beautification and Fine Arts	17,000	24,461	(7,461)
Payments to Brewton City School Board	-	759,312	(759,312)
Debt Service			
Principal	86,196	142,434	(56,238)
Interest	15,537	18,102	(2,565)
Total Other Departments	<u>1,364,391</u>	<u>2,188,833</u>	<u>(824,442)</u>
Total Expenditures	5,861,331	7,298,788	(1,290,553)
Other Financing Uses			
Transfers out	-	3,528,915	(3,528,915)
Total Expenditures and Other Financing Uses	<u>\$ 5,861,331</u>	<u>\$ 10,827,703</u>	<u>\$ (4,819,468)</u>

**CITY OF BREWTON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Debt Service Funds			Capital Projects Fund	Special Revenue Funds			Total Nonmajor Governmental Funds
	2005 General Obligation Warrant Fund	2009 General Obligation Warrant Fund	Total	2005 General Obligation Warrant Fund	Street Construction Fund	Street Improvement Fund	Total	
Assets								
Cash	\$ 76,511	\$ -	\$ 76,511	\$ 1,672	\$ 36,373	\$ 26,700	\$ 63,073	\$ 141,256
Temporary cash investments	-	400,677	400,677	28,517	-	-	-	429,194
Total Assets	<u>\$ 76,511</u>	<u>\$ 400,677</u>	<u>\$ 477,188</u>	<u>\$ 30,189</u>	<u>\$ 36,373</u>	<u>\$ 26,700</u>	<u>\$ 63,073</u>	<u>\$ 570,450</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 52,638	\$ 700	\$ 53,338	\$ 53,338
Total liabilities	-	-	-	-	52,638	700	53,338	53,338
Fund Balances								
Restricted for:								
Debt service	76,511	400,677	477,188	-	-	-	-	477,188
Street construction	-	-	-	-	(16,265)	-	(16,265)	(16,265)
Street improvements	-	-	-	-	-	26,000	26,000	26,000
Assigned for:								
Sewer improvements	-	-	-	30,189	-	-	-	30,189
Total fund balances	<u>76,511</u>	<u>400,677</u>	<u>477,188</u>	<u>30,189</u>	<u>(16,265)</u>	<u>26,000</u>	<u>9,735</u>	<u>517,112</u>
Total Liabilities and Fund Balances	<u>\$ 76,511</u>	<u>\$ 400,677</u>	<u>\$ 477,188</u>	<u>\$ 30,189</u>	<u>\$ 36,373</u>	<u>\$ 26,700</u>	<u>\$ 63,073</u>	<u>\$ 570,450</u>

CITY OF BREWTON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Debt Service Funds			Capital Projects Fund	Special Revenue Funds			Total Nonmajor Governmental Funds
	2005 General Obligation Warrant Fund	2009 General Obligation Warrant Fund	Total	2005 General Obligation Warrant Fund	Street Construction Fund	Street Improvement Fund	Total	
Revenues								
State gasoline tax	\$ -	\$ -	\$ -	\$ -	\$ 25,817	\$ 80,907	\$ 106,724	\$ 106,724
Intergovernmental revenue	-	-	-	-	100,000	-	100,000	100,000
Interest earned	-	24	24	-	-	-	-	24
Total Revenues	-	24	24	-	125,817	80,907	206,724	206,748
Expenditures								
Public works program	-	-	-	-	155,224	72,163	227,387	227,387
Debt Service:								
Principal	-	440,000	440,000	-	-	-	-	440,000
Interest	229,535	81,375	310,910	-	-	-	-	310,910
Total Expenditures	229,535	521,375	750,910	-	155,224	72,163	227,387	978,297
Excess Revenues Over (Under) Expenditures	(229,535)	(521,351)	(750,886)	-	(29,407)	8,744	(20,663)	(771,549)
Other Financing Sources (Uses)								
Transfers in/(out)	229,535	526,752	756,287	(853,900)	-	(21,943)	(21,943)	(119,556)
Total Other Financing Sources (Uses)	229,535	526,752	756,287	(853,900)	-	(21,943)	(21,943)	(119,556)
Net change in fund balances	-	5,401	5,401	(853,900)	(29,407)	(13,199)	(42,606)	(891,105)
Fund Balances at Beginning of Year	76,511	395,276	471,787	884,089	13,142	39,199	52,341	1,408,217
Fund Balances at End of Year	\$ 76,511	\$ 400,677	\$ 477,188	\$ 30,189	\$ (16,265)	\$ 26,000	\$ 9,735	\$ 517,112

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Brewton, Alabama's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	60-66
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the sales tax and the property tax.</i>	67-73
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	74-77
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	78-79
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	80-82

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF BREWTON, ALABAMA
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	\$ 8,781,627	\$ 9,415,721	\$ 7,122,181	\$ 6,991,356	\$ 8,019,134	\$ 8,010,933	\$ 13,033,711	\$ 13,606,403	\$ 12,711,696
Restricted	2,056,259	1,584,140	4,132,318	3,290,346	86,704	370,707	606,140	52,341	9,735
Unrestricted	2,775,734	2,129,655	1,232,848	2,553,001	5,513,892	6,725,123	(4,029,370)	(12,261,448)	(11,406,881)
Total governmental activities net assets	<u>\$ 13,613,620</u>	<u>\$ 13,129,516</u>	<u>\$ 12,487,347</u>	<u>\$ 12,834,703</u>	<u>\$ 13,619,730</u>	<u>\$ 15,106,763</u>	<u>\$ 9,610,481</u>	<u>\$ 1,397,296</u>	<u>\$ 1,314,550</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 6,832,761	\$ 7,322,422	\$ 8,182,620	\$ 8,613,994	\$ 9,525,239	\$ 8,357,169	\$ 9,178,771	\$ 9,319,561	\$ 9,185,275
Unrestricted	770,533	925,677	600,870	630,458	354,840	263,689	184,749	352,115	330,146
Total business-type activities net assets	<u>\$ 7,603,294</u>	<u>\$ 8,248,099</u>	<u>\$ 8,783,490</u>	<u>\$ 9,244,452</u>	<u>\$ 9,880,079</u>	<u>\$ 8,620,858</u>	<u>\$ 9,363,520</u>	<u>\$ 9,671,676</u>	<u>\$ 9,515,421</u>
Primary government									
Invested in capital assets, net of related debt	\$ 15,614,388	\$ 16,738,143	\$ 15,304,801	\$ 15,605,350	\$ 17,544,373	\$ 16,368,102	\$ 22,212,482	\$ 22,925,964	\$ 21,896,971
Restricted	2,056,259	1,584,140	4,132,318	3,290,346	86,704	370,707	606,140	52,341	9,735
Unrestricted	3,546,267	3,055,332	1,833,718	3,183,459	5,868,732	6,988,812	(3,844,621)	(11,909,333)	(11,076,735)
Total primary government net assets	<u>\$ 21,216,914</u>	<u>\$ 21,377,615</u>	<u>\$ 21,270,837</u>	<u>\$ 22,079,155</u>	<u>\$ 23,499,809</u>	<u>\$ 23,727,621</u>	<u>\$ 18,974,001</u>	<u>\$ 11,068,972</u>	<u>\$ 10,829,971</u>

Note: The City implemented GASB 34 in 2004. Therefore, net asset information for prior years is not available.

CITY OF BREWTON, ALABAMA
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

Expenses	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:									
General	\$ 1,293,559	\$ 1,610,948	\$ 1,470,859	\$ 1,644,920	\$ 1,508,830	\$ 1,646,833	\$ 1,759,220	\$ 1,953,615	\$ 1,680,297
Public safety									
Police	1,255,393	1,368,065	1,532,554	1,775,048	1,790,501	1,962,140	2,014,975	2,045,155	1,986,011
Fire	655,533	684,171	639,579	649,810	852,348	743,098	749,389	780,243	829,671
Public works									
Street	638,551	883,432	1,369,907	991,215	793,755	818,186	728,896	869,372	1,063,448
Animal control	79,183	62,844	-	-	-	-	-	-	133,358
Code Enforcement	165,164	182,769	184,576	166,971	148,519	147,222	127,317	115,030	112,770
Library	274,008	305,900	325,211	307,440	323,847	366,674	310,210	307,386	285,412
Recreation	287,105	258,902	267,654	309,476	306,382	564,458	578,783	617,398	582,219
Education (payment to School Board)	617,340	1,248,538	617,340	617,340	617,340	1,443,918	8,015,062	8,332,971	2,159,312
Interest on long-term debt	429,951	769,334	592,234	480,857	645,606	1,130,661	1,364,163	1,288,831	1,224,295
Total governmental activities expenses	<u>5,695,787</u>	<u>7,374,903</u>	<u>6,999,914</u>	<u>6,943,077</u>	<u>6,987,128</u>	<u>8,823,190</u>	<u>15,648,015</u>	<u>16,310,001</u>	<u>10,056,793</u>
Business-type activities:									
Gas	2,235,924	2,596,604	3,267,047	2,168,605	15,252,942	11,131,295	16,316,113	11,461,549	9,094,670
Sewer	358,389	474,342	557,248	643,214	556,162	604,102	632,723	1,716,138	1,484,925
Sanitation	476,385	734,728	732,691	532,132	679,673	678,469	680,333	690,290	676,903
Airport	371,046	83,853	113,008	98,507	106,182	100,971	127,520	128,070	134,819
Golf course	142,650	184,405	192,264	193,102	215,912	-	-	-	-
Brewton Development Authority	-	-	-	-	-	-	8,229	5,872	7,555
Total business-type activities expenses	<u>3,584,394</u>	<u>4,073,932</u>	<u>4,862,258</u>	<u>3,635,560</u>	<u>16,810,871</u>	<u>12,514,837</u>	<u>17,764,918</u>	<u>14,001,919</u>	<u>11,398,872</u>
Total primary government expenses	<u>\$ 9,280,181</u>	<u>\$ 11,448,835</u>	<u>\$ 11,862,172</u>	<u>\$ 10,578,637</u>	<u>\$ 23,797,999</u>	<u>\$ 21,338,027</u>	<u>\$ 33,412,933</u>	<u>\$ 30,311,920</u>	<u>\$ 21,455,665</u>
Program Revenues									
Governmental activities:									
Fees, fines, and charges for services:									
General	\$ 856,132	\$ 894,290	\$ 935,258	\$ 1,037,908	\$ 1,101,857	\$ 1,149,219	\$ 1,215,878	\$ 1,387,381	\$ 1,275,574
Police	36,547	25,387	50,675	135,061	119,208	155,661	233,101	400,220	362,906
Animal control	24,745	6,425	-	-	-	-	-	-	8,891
Recreation	17,338	14,652	16,435	14,621	15,170	180,010	153,803	154,880	157,344
Operating grants and contributions	-	260,450	117,302	232	40,500	608,855	52,684	820,376	152,668
Capital grants and contributions	281,500	316,788	464,589	829,576	243,368	554,244	889,881	243,701	-
Total governmental activities program revenues	<u>1,216,262</u>	<u>1,517,992</u>	<u>1,584,259</u>	<u>2,017,398</u>	<u>1,520,103</u>	<u>2,647,989</u>	<u>2,545,347</u>	<u>3,006,558</u>	<u>1,957,383</u>
Business-type activities:									
Fees, fines, and charges for services:									
Gas	2,333,052	2,568,616	2,986,310	2,378,842	16,451,592	11,022,248	16,811,215	11,926,347	9,452,491
Sewer	368,148	429,458	469,417	450,538	443,506	445,903	419,514	411,330	410,169
Sanitation	490,708	1,154,304	570,757	492,075	587,970	570,503	593,078	618,795	666,227
Airport	63,050	67,887	67,520	67,760	73,548	66,741	69,349	70,175	101,679
Brewton Development Authority	-	-	-	-	-	-	-	4	-
Golf course	168,766	143,943	156,885	150,612	169,770	-	-	-	-
Operating grants and contributions	-	-	123,620	203,487	123,664	-	-	65,000	15,000
Capital grants and contributions	224,332	85,507	-	-	18,300	431,177	660,041	183,009	115,975
Total business-type activities program revenues	<u>3,648,056</u>	<u>4,449,715</u>	<u>4,374,509</u>	<u>3,743,314</u>	<u>17,868,350</u>	<u>12,536,572</u>	<u>18,553,197</u>	<u>13,274,660</u>	<u>10,761,541</u>
Total primary government program revenues	<u>\$ 4,864,318</u>	<u>\$ 5,967,707</u>	<u>\$ 5,958,768</u>	<u>\$ 5,760,712</u>	<u>\$ 19,388,453</u>	<u>\$ 15,184,561</u>	<u>\$ 21,098,544</u>	<u>\$ 16,281,218</u>	<u>\$ 12,718,924</u>

Note: The City implemented GASB 34 in 2004. Therefore, net asset information for prior years is not available.

CITY OF BREWTON, ALABAMA
CHANGES IN NET ASSETS (continued)
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue									
Governmental activities	\$ (4,479,525)	\$ (5,856,911)	\$ (5,415,655)	\$ (4,925,679)	\$ (5,467,025)	\$ (6,175,201)	\$ (13,102,668)	\$ (13,303,443)	\$ (8,099,410)
Business-type activities	63,662	375,783	(487,749)	107,754	1,057,479	21,735	788,279	(727,259)	(637,331)
Total primary government net expense	<u>\$ (4,415,863)</u>	<u>\$ (5,481,128)</u>	<u>\$ (5,903,404)</u>	<u>\$ (4,817,925)</u>	<u>\$ (4,409,546)</u>	<u>\$ (6,153,466)</u>	<u>\$ (12,314,389)</u>	<u>\$ (14,030,702)</u>	<u>\$ (8,736,741)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 505,715	\$ 247,915	\$ 250,094	\$ 570,600	\$ 601,302	\$ 601,636	\$ 617,203	\$ 662,968	\$ 658,190
Sales taxes	3,569,716	4,561,405	4,413,913	3,917,235	4,382,751	4,294,686	4,361,406	4,298,720	4,497,656
Other	786,203	523,486	616,657	535,964	640,149	601,062	524,404	630,527	643,931
Receipts from Brewton City School Board	-	-	-	-	-	360,539	1,547,424	408,635	2,509,921
Investment earnings	30,257	114,562	281,392	400,748	176,932	193,928	229,998	41,143	1,964
Other	101,860	178,012	206,203	178,466	8,253	15,624	14,164	43,654	186,062
Special item, transfer of Golf Fund to Governmental Activities	-	-	-	-	-	1,371,940	-	-	-
Gain/(Loss) on sale of property	(51,607)	-	-	-	-	310,402	-	-	-
Transfers in/(out)	-	(258,061)	(994,773)	(329,978)	442,665	(87,583)	311,787	(995,389)	(481,060)
Total government activities	<u>4,942,144</u>	<u>5,367,319</u>	<u>4,773,486</u>	<u>5,273,035</u>	<u>6,252,052</u>	<u>7,662,234</u>	<u>7,606,386</u>	<u>5,090,258</u>	<u>8,016,664</u>
Business-type activities:									
Investment earnings	11,160	10,961	28,367	23,230	20,813	3,401	25	26	16
Special item, transfer of Golf Fund to Governmental Activities	-	-	-	-	-	(1,371,940)	-	-	-
Gain/(Loss) on sale of property	-	-	-	-	-	-	-	40,000	-
Transfers in/(out)	-	258,061	994,773	329,978	(442,665)	87,583	(311,787)	995,389	481,060
Total business-type activities	<u>11,160</u>	<u>269,022</u>	<u>1,023,140</u>	<u>353,208</u>	<u>(421,852)</u>	<u>(1,280,956)</u>	<u>(311,762)</u>	<u>1,035,415</u>	<u>481,076</u>
Total primary government	<u>\$ 4,953,304</u>	<u>\$ 5,636,341</u>	<u>\$ 5,796,626</u>	<u>\$ 5,626,243</u>	<u>\$ 5,830,200</u>	<u>\$ 6,381,278</u>	<u>\$ 7,294,624</u>	<u>\$ 6,125,673</u>	<u>\$ 8,497,740</u>
Change in Net Assets									
Governmental activities	\$ 462,619	\$ (489,592)	\$ (642,169)	\$ 347,356	\$ 785,027	\$ 1,487,033	\$ (5,496,282)	\$ (8,213,185)	\$ (82,746)
Business-type activities	74,822	644,805	535,391	460,962	635,627	(1,259,221)	476,517	308,156	(156,255)
Total primary government	<u>\$ 537,441</u>	<u>\$ 155,213</u>	<u>\$ (106,778)</u>	<u>\$ 808,318</u>	<u>\$ 1,420,654</u>	<u>\$ 227,812</u>	<u>\$ (5,019,765)</u>	<u>\$ (7,905,029)</u>	<u>\$ (239,001)</u>

Note: The City implemented GASB 34 in 2004. Therefore, net asset information for prior years is not available.

CITY OF BREWTON, ALABAMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST NINE FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Ad Valorem Tax	Beer and Wine Tax	Cigarette Tax	Sales Tax	Gasoline Tax	Production Privilege Tax	Oil Severance Tax	Total
2004	\$ 505,715	\$ 71,469	\$ 17,184	\$ 3,569,716	\$ 187,857	\$ 117,239	\$ 103,918	\$ 4,573,098
2005	495,829	65,708	18,271	4,313,491	191,955	126,892	120,660	5,332,806
2006	500,188	74,237	21,815	4,163,819	194,176	158,049	168,380	5,280,664
2007	570,600	66,525	14,625	3,917,235	189,184	108,872	156,758	5,023,799
2008	601,302	61,441	16,683	4,382,751	203,372	124,827	233,826	5,624,202
2009	601,636	67,873	14,590	4,294,686	250,498	139,443	128,658	5,497,384
2010	617,203	65,346	13,307	4,361,406	249,419	92,733	103,618	5,503,032
2011	662,968	61,599	17,222	4,298,720	249,222	110,589	191,895	5,592,215
2012	658,190	73,801	14,619	4,497,656	234,319	92,527	228,665	5,799,777

Note: The City implemented GASB 34 in 2004. Therefore, governmental activities information for prior years is not available.

CITY OF BREWTON, ALABAMA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Unassigned	\$ 4,061,837	\$ 3,906,417	\$ 3,773,141	\$ 3,263,199	\$ 4,054,930	\$ 4,159,818	\$ 4,176,419	\$ 2,818,073	\$ 2,665,230	\$ 2,864,242
All other governmental funds										
Restricted for:										
School construction	\$ -		\$ -	\$ -	\$ -	\$ -	\$ 18,751,429	\$ 11,431,676	\$ 4,184,306	\$ 2,775,952
Debt service	1,341,012	1,550,383	1,560,085	1,842,093	1,029,230	1,368,930	2,509,460	3,141,612	2,309,981	477,188
Street construction	129,188	156,724	187,414	215,939	47,558	49,742	9,375	35,769	13,142	(16,265)
Street improvements	7,088	27,259	2,664	3,027	39,654	36,962	34,654	17,036	39,199	26,000
Assigned for:										
Sewer improvements	-	-	4,751,596	3,913,352	3,203,134	3,071,333	2,326,773	2,112,540	884,089	30,189
Total all other governmental funds	\$ 1,477,288	\$ 1,734,366	\$ 6,501,759	\$ 5,974,411	\$ 4,319,576	\$ 4,526,967	\$ 23,631,691	\$ 16,738,633	\$ 7,430,717	\$ 3,293,064

The City implemented GASB Statement number 54 in fiscal year 2011. This statement replaces the previous classifications of reserved, unreserved, designated, and undesignated fund balances.

CITY OF BREWTON, ALABAMA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 4,126,093	\$ 4,455,859	\$ 5,205,914	\$ 5,122,615	\$ 4,914,927	\$ 5,499,375	\$ 5,357,941	\$ 5,410,299	\$ 5,490,633	\$ 5,707,250
Intergovernmental	889,428	405,775	663,202	739,940	938,680	368,195	693,687	982,614	630,564	214,526
Licenses and permits	775,579	801,932	829,160	844,958	937,230	994,996	1,040,084	1,091,915	1,243,344	1,124,053
Fines and forfeitures	67,240	36,547	25,387	50,675	135,061	119,208	155,661	233,101	400,220	362,906
Fees and charges	73,616	78,945	57,525	85,500	90,748	85,553	254,285	241,276	247,437	245,514
Revenue from City Property	53,659	141,726	28,682	21,235	24,551	36,478	584,860	36,471	51,480	72,242
Receipts from Brewton City School Board	-	-	-	-	-	-	360,539	1,547,424	408,635	2,509,921
Interest	23,939	30,257	114,562	281,392	400,748	176,932	193,928	229,998	41,143	1,964
Donations	40,291	281,500	40,928	91,973	50,000	40,500	608,855	52,684	535,096	30,669
Other	128,773	101,860	178,012	114,230	134,146	8,253	15,624	14,164	43,654	190,181
Total revenues	6,178,618	6,334,401	7,143,372	7,352,518	7,626,091	7,329,490	9,265,464	9,839,946	9,092,206	10,459,226
EXPENDITURES										
General government	1,131,031	834,014	1,137,782	904,349	973,785	809,546	857,749	923,930	1,120,115	837,073
Public safety	1,716,669	1,746,033	1,913,645	2,063,805	2,318,592	2,352,907	2,552,723	2,603,634	2,659,536	2,648,982
Public works	808,152	697,121	987,425	1,504,960	1,118,357	1,060,938	923,703	826,985	962,550	1,270,644
Education	617,300	617,340	1,248,538	617,340	617,340	617,340	1,443,918	8,015,062	8,332,971	2,159,312
Other departments	1,454,760	676,536	678,462	746,228	869,794	879,914	1,196,834	1,162,407	1,239,001	1,174,396
Capital expenditures	254,229	811,591	784,957	318,212	1,280,149	611,501	1,760,175	2,269,440	463,778	683,641
Debt service:										
Principal	529,665	579,817	599,330	645,781	639,289	665,916	3,557,347	1,353,094	1,729,940	4,262,434
Interest	433,078	429,951	563,944	594,360	583,268	559,547	968,610	1,318,390	1,275,033	1,251,358
Total expenditures	6,944,884	6,392,403	7,914,083	7,395,035	8,400,574	7,557,609	13,261,059	18,472,942	17,782,924	14,287,840
Excess (deficiency) of revenues over expenditures	(766,266)	(58,002)	(770,711)	(42,517)	(774,483)	(228,119)	(3,995,595)	(8,632,996)	(8,690,718)	(3,828,614)

CITY OF BREWTON, ALABAMA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OTHER FINANCING SOURCES (USES)										
Transfers in	1,762,660	1,377,496	1,591,021	1,733,937	1,667,402	2,614,804	9,020,651	4,614,323	3,417,816	3,923,698
Capital leases	56,871	106,660	62,889	-	241,357	97,733	52,685	69,805	-	305,886
Issuance of debt	-	53,000	5,600,000	-	-	-	23,744,728	-	225,349	65,147
Discount on bonds issued	-	-	-	-	-	-	(360,019)	-	-	-
Debt issue cost	-	-	-	-	-	-	(232,890)	-	-	-
Transfers out	(1,851,322)	(1,377,496)	(1,849,082)	(2,728,710)	(1,997,380)	(2,172,139)	(9,108,234)	(4,302,536)	(4,413,205)	(4,404,758)
Total other financing sources (uses)	(31,791)	159,660	5,404,828	(994,773)	(88,621)	540,398	23,116,921	381,592	(770,040)	(110,027)
Net change in fund balance	\$ (798,057)	\$ 101,658	\$ 4,634,117	\$ (1,037,290)	\$ (863,104)	\$ 312,279	\$ 19,121,326	\$ (8,251,404)	\$ (9,460,758)	\$ (3,938,641)
Debt service as a percentage of noncapital expenditures	14.4%	18.1%	16.3%	17.5%	17.2%	17.6%	39.4%	16.5%	17.4%	40.5%

CITY OF BREWTON
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Ad Valorem Tax	Beer and Wine Tax	Cigarette Tax	Sales Tax	Gasoline Tax	Production Privilege Tax	Oil Severance Tax
2003	\$ 483,732	\$ 69,803	\$ 20,962	\$ 3,311,986	\$ 150,985	\$ 152,364	\$ 88,625
2004	505,715	71,469	17,184	3,569,716	187,857	117,239	103,918
2005	495,829	65,708	18,271	4,313,491	191,955	126,892	120,660
2006	500,188	74,237	21,815	4,163,819	194,176	158,049	168,380
2007	570,600	66,525	14,625	3,914,235	189,184	108,872	156,758
2008	601,302	61,441	16,683	4,382,751	203,372	124,827	233,826
2009	601,636	67,873	14,590	4,294,686	250,498	139,443	128,658
2010	617,203	65,346	13,307	4,361,406	249,419	92,733	103,618
2011	662,968	61,599	17,222	4,298,720	249,222	110,589	191,895
2012	658,190	73,801	14,619	4,497,656	243,319	92,527	228,665

CITY OF BREWTON, ALABAMA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30	Residential Property	Commercial Property	Industrial Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2003	\$ 13,306,880	\$ 13,113,720	\$ 25,992,620	\$ 6,291,300	\$ 46,121,920	15	\$ 691,828,800
2004	13,324,600	10,455,660	29,652,700	6,760,760	46,672,200	15	700,083,000
2005	13,494,680	13,724,840	26,537,420	7,001,480	46,755,460	15	701,331,900
2006	13,323,640	14,267,940	27,014,540	7,199,020	47,407,100	15	711,106,500
2007	16,492,980	12,507,320	33,939,320	8,454,060	54,485,560	15	817,283,400
2008	16,980,260	13,004,080	35,188,740	8,179,320	56,993,760	15	854,906,400
2009	17,991,200	13,901,020	35,777,120	9,262,680	58,406,660	15	876,099,900
2010	20,042,740	12,836,940	40,613,440	8,861,760	64,631,360	15	969,470,400
2011	21,320,560	13,669,100	39,721,500	8,459,080	66,252,080	15	993,781,200
2012	31,537,600	13,788,420	39,806,220	8,232,000	76,900,240	15	1,153,503,600

Source: Escambia County Tax Assessor

**CITY OF BREWTON, ALABAMA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING¹ GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Brewton				Overlapping Rates									Total Direct & Overlapping Rates
	City of Brewton				County				State					
	General Millage	School Millage	Bond Tax Millage	Total City Millage	General Millage	School Millage ²	Health Care Authority Millage	Total County Millage	General Millage	School Millage	Soldier Millage	Total State Millage		
2003	5.0	5.0	5.0	15.0	7.0	7.0	4.5	18.5	2.5	3.0	1.0	6.5	40.0	
2004	5.0	5.0	5.0	15.0	7.0	7.0	4.5	18.5	2.5	3.0	1.0	6.5	40.0	
2005	5.0	5.0	5.0	15.0	7.0	7.0	4.5	18.5	2.5	3.0	1.0	6.5	40.0	
2006	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	
2007	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	
2008	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	
2009	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	
2010	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	
2011	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	
2012	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0	

Source: Escambia County Commission and Escambia County Tax Collector

¹Overlapping rates are those of county and state governments that apply to property owners within the City of Brewton.

²The school millage increased in 2006 due to a 10.0 mill tax increase that was approved by vote.

**CITY OF BREWTON, ALABAMA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
T. R. Miller Mill Co., Inc.	\$ 6,328,400	1	32.0%	\$ 4,353,420	2	21.4%
Alabama Power Company	1,726,920	2	8.7%	1,417,120	4	7.1%
Wal-Mart Real Estate	1,534,620	3	7.8%	-		-
Grede II, LLC	1,433,580	4	7.2%	-		-
International Plastic & Equipment Corp	1,192,680	5	6.0%	-		-
BellSouth Communications	1,079,200	6	5.5%	1,489,200	3	7.4%
Citation Corporation	1,006,480	7	5.1%	-		-
BankTrust of Brewton	716,840	8	3.6%	-		-
CSX Transportation	676,500	9	3.4%	-		-
Hines Realty Company	663,120	10	3.3%	665,040	6	3.3%
Alabama Ductile Casting Company, Inc.	-		-	7,588,560	1	37.9%
Market Square II, LLC	-		-	777,240	5	3.9%
Brewton -Hall Apartments LTD	-		-	462,060	7	2.3%
Brewton Iron Works, Inc.	-		-	393,600	8	2.0%
First National Bank of Brewton	-		-	363,780	9	1.8%
Mediacom Southeast, LLC	-		-	354,960	10	1.8%
Totals	<u>\$ 16,358,340</u>		<u>82.6%</u>	<u>\$ 17,864,980</u>		<u>88.9%</u>

Source: Escambia County Tax Assessor

**CITY OF BREWTON, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collected in subsequent years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 703,933	\$ 602,193	85.5%	\$ 87,222	\$ 689,415	97.9%
2004	705,564	666,353	94.4%	30,005	696,358	98.7%
2005	716,092	644,904	90.1%	68,311	713,215	99.6%
2006	822,618	645,364	78.5%	100,204	745,568	90.6%
2007	834,559	721,745	86.5%	101,623	823,368	98.7%
2008	900,824	798,277	88.6%	82,672	880,949	97.8%
2009	886,981	806,648	90.9%	40,801	847,449	95.5%
2010	909,709	867,553	95.4%	22,743	890,276	97.9%
2011	922,829	895,662	97.1%	16,374	912,036	98.8%
2012	926,422	898,633	97.0%	12,336	910,969	98.3%

Source: Escambia County Tax Assessor and Escambia County Tax Collector.

**CITY OF BREWTON, ALABAMA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Construction	\$ 2,159	\$ 5,302	\$ 6,236	\$ 5,374	\$ 29,074	\$ 27,099	\$ 40,682	\$ 31,141	\$ 42,324	\$ 45,418
Manufacturing	237,286	403,114	477,365	514,821	463,048	638,182	542,109	640,990	673,748	688,189
Wholesale	83,839	77,194	81,825	77,798	179,334	273,333	214,563	241,206	226,362	239,179
Retail	1,924,535	2,240,118	2,499,281	2,194,511	2,417,495	2,594,564	2,809,197	2,662,072	2,694,557	2,827,119
Information	14,068	46,574	20,471	18,054	9,088	50,223	49,857	52,234	47,006	20,645
Finance and Insurance	16,078	2,267	1,308	242	33,590	22,408	46,130	41,173	42,969	47,905
Real Estate and Rental and Leasing	20,098	14,968	18,450	15,990	53,244	19,447	52,640	69,042	57,207	57,225
Professional, Scientific, and Technical Services	2,006	6,009	5,497	2,711	12,918	19,549	20,815	20,950	18,552	13,132
Administration and Support and Waste Management and Remediation Services	2,007	383	1,031	1,212	10,922	1,991	5,390	6,458	6,109	6,967
Accommodation and Food Services	203,005	216,446	234,010	204,931	374,011	414,795	446,062	410,252	473,445	443,920
Other Services (except Public Administration)	5,024	9,100	8,745	7,544	84,803	58,562	51,933	53,463	135,003	58,254
Other	879,694	748,577	880,974	1,090,307	264,733	65,220	91,361	104,419	104,419	114,225
	<u>\$ 3,389,799</u>	<u>\$ 3,770,052</u>	<u>\$ 4,235,193</u>	<u>\$ 4,133,495</u>	<u>\$ 3,932,260</u>	<u>\$ 4,185,373</u>	<u>\$ 4,370,739</u>	<u>\$ 4,333,400</u>	<u>\$ 4,521,701</u>	<u>\$ 4,562,178</u>
City direct sales tax rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Source: AlaTax Revenue Discovery Systems

**CITY OF BREWTON, ALABAMA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

FISCAL YEAR	CITY DIRECT RATE	ESCAMBIA COUNTY	STATE OF ALABAMA
2003	3.00%	1.00%	4.00%
2004	3.00%	1.00%	4.00%
2005	3.00%	1.00%	4.00%
2006	3.00%	1.00%	4.00%
2007	3.00%	1.00%	4.00%
2008	3.00%	1.00%	4.00%
2009	3.00%	1.00%	4.00%
2010	3.00%	1.00%	4.00%
2011	3.00%	1.00%	4.00%
2012	3.00%	1.00%	4.00%

Sources: City Clerk's Office

**CITY OF BREWTON, ALABAMA
PRINCIPAL SALES TAX REMITTERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Tax Remitter</u>	<u>2012</u>			<u>2003</u>		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Wal-Mart Stores East	\$ 1,269,435	1	28.2%	\$ 712,807	1	21.0%
Georgia Pacific Brewton	265,884	2	5.9%	-	-	-
Grede II, LLC	242,169	3	5.4%	-	-	-
Food Giant Supermarkets	146,062	4	3.3%	-	-	-
Southern Family Markets	96,367	5	2.1%	-	-	-
Marvin's, Inc.	89,818	6	2.0%	-	-	-
DolgenCorp, LLC	83,578	7	1.9%	62,288	10	1.8%
T. R. Miller Mill, Inc.	77,429	8	1.7%	71,726	7	2.1%
McDonald's	76,367	9	1.7%	-	-	-
Jim Peach Motors	69,262	10	1.5%	-	-	-
Winn Dixie Montgomery	-	-	-	207,406	2	6.1%
ABBC, Inc.	-	-	-	144,946	3	4.3%
Bruno's Supermarkets	-	-	-	130,165	4	3.8%
Citation Corporation	-	-	-	120,762	5	3.6%
Smurfit Stone Container Corp	-	-	-	107,017	6	3.2%
Jefferson Smurfit (Closed)	-	-	-	67,933	8	2.0%
Bondurant Lumber & Hardware, Inc.	-	-	-	63,907	9	1.9%
	<u>\$ 2,416,371</u>		<u>53.8%</u>	<u>\$ 1,688,957</u>		<u>49.7%</u>

Source: City Clerk's Office and AlaTax Revenue Discovery Systems

CITY OF BREWTON, ALABAMA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2003	\$ 9,061,739	\$ 258,640	\$ 590,000	\$ 87,238	\$ 9,997,617	9.13%	1,815
2004	8,610,728	272,940	595,500	20,810	9,499,978	8.34%	1,724
2005	13,744,603	200,626	-	13,115	13,958,344	12.02%	2,585
2006	13,172,602	126,853	-	197,642	13,497,097	11.24%	2,512
2007	12,646,972	233,763	-	369,048	13,249,783	11.05%	2,488
2008	12,080,770	231,783	502,210	292,342	13,107,105	10.20%	2,482
2009	32,400,000	194,918	326,508	180,805	33,102,231	24.81%	6,271
2010	31,165,000	146,629	158,514	176,847	31,646,990	22.69%	6,040
2011	29,764,705	42,333	-	749,873	30,556,911	27.61%	5,650
2012	25,656,746	258,889	-	601,221	26,516,856	17.03%	4,807

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Demographic and Economic Statistics on page 78 for personal income and population data.

CITY OF BREWTON, ALABAMA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2003	\$ 9,061,739	\$ 1,341,012	\$ 7,720,727	1.10%	1,401
2004	8,610,728	1,550,383	7,060,345	1.00%	1,282
2005	13,744,603	1,560,085	12,184,518	1.70%	2,256
2006	13,172,602	1,842,093	11,330,509	1.60%	2,109
2007	12,646,972	2,055,493	10,591,479	1.30%	1,989
2008	12,080,770	2,416,660	9,664,110	1.13%	1,830
2009	32,400,000	2,543,912	29,856,088	3.41%	5,656
2010	31,165,000	3,141,612	28,023,388	2.89%	5,348
2011	29,764,705	2,309,981	27,454,724	2.76%	5,077
2012	25,656,746	477,188	25,179,558	2.18%	4,565

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 67 for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics on page 78.

**CITY OF BREWTON, ALABAMA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt: Escambia County	\$ 765,000	31.458%	\$ 240,654
Subtotal, overlapping debt			
City of Brewton direct debt			<u>25,915,635</u>
Total direct and overlapping debt			<u><u>\$ 26,156,289</u></u>

Sources: Estimated percentage applicable and debt outstanding data provided by the Escambia County clerk.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Brewton, Alabama. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using the population. Applicable percentages were estimated by determining the portion of the county's population that is within the government's boundaries and dividing it by the county's total population.

**CITY OF BREWTON, ALABAMA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 10,780,988	\$ 11,042,804	\$ 11,345,424	\$ 10,897,112	\$ 10,897,112	\$ 11,398,752	\$ 11,681,332	\$ 12,926,272	\$ 13,250,416	\$ 15,380,048
Total net debt applicable to limit	(23,891)	200,728	5,334,603	4,762,602	4,236,972	3,670,770	4,455,400	3,220,400	1,820,105	692,146
Legal debt margin	<u>\$ 10,804,879</u>	<u>\$ 10,842,076</u>	<u>\$ 6,010,821</u>	<u>\$ 6,134,510</u>	<u>\$ 6,660,140</u>	<u>\$ 7,727,982</u>	<u>\$ 7,225,932</u>	<u>\$ 9,705,872</u>	<u>\$ 11,430,311</u>	<u>\$ 14,687,902</u>
Total net debt applicable to the limit as a percentage of debt limit	-0.22%	1.82%	47.02%	43.71%	38.88%	32.20%	38.14%	24.91%	13.74%	4.50%

Legal Debt Margin Calculation for Fiscal Year 2012

Total assessed value	\$ 76,900,240
Debt limit (20% of total assessed value)	15,380,048
Debt applicable to limit:	
General obligation bonds	25,656,746
Less items excluded from legal debt limit:	
General obligation debt exempted by State law:	
Proceeds used for the construction of schools	(20,000,000)
Proceeds used for the construction of sewer system	<u>(4,964,600)</u>
Total net debt applicable to limit	<u>692,146</u>
Legal debt margin	<u>\$ 14,687,902</u>

**CITY OF BREWTON, ALABAMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
2003	5,509	\$ 109,507,902	\$ 19,878	1,380	8.0%
2004	5,509	113,882,048	20,672	1,377	7.0%
2005	5,400	116,094,600	21,499	1,372	5.0%
2006	5,373	120,134,907	22,359	1,320	4.4%
2007	5,326	119,914,890	22,515	1,307	4.7%
2008	5,281	128,634,598	24,358	1,295	6.8%
2009	5,279	133,437,283	25,277	1,198	13.9%
2010	5,240	139,446,880	26,612	1,176	11.1%
2011	5,408	110,685,536	20,467	1,220	10.5%
2012	5,516	155,700,132	28,227	1,180	9.3%

Data Sources:

State Department of Labor

Brewton City Board of Education

**CITY OF BREWTON, ALABAMA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Georgia Pacific Brewton, LLC	450	1	16.4%	-		-
Grede II, LLC	350	2	12.8%	-		-
D.W. McMillan Hospital	259	3	9.5%	280	4	11.5%
T. R. Miller Mill Co., Inc.	190	4	6.9%	455	2	18.6%
Wal-Mart Stores East	128	5	4.7%	143	6	5.9%
City of Brewton, Alabama	84	6	3.1%	-		-
Frit Car & Equipment Co.	77	7	2.8%	75	8	3.1%
Bank Trust of Brewton	64	8	2.3%	-		-
Brewton City School Board	60	9	2.2%	145	5	5.9%
Brewton Iron Works	49	10	1.8%	49	9	2.0%
Smurfit Stone Corporation	-		-	603	1	24.7%
Citation Corporation	-		-	380	3	15.6%
Natural Decorations, Inc.	-		-	105	7	4.3%
International Plastics & Equipment Corp., Inc.	-		-	35	10	1.4%
Totals	<u>1,711</u>		<u>62.4%</u>	<u>2,270</u>		<u>93.0%</u>

Source: City Clerk's Office

CITY OF BREWTON, ALABAMA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government ¹	10	10	10	10	10	10	10	10	10	10
Public Safety										
Police										
Officers	28	28	30	30	30	28	29	28	26	26
Dispatch	6	6	6	7	7	7	9	6	5	7
Fire										
Firefighters and officers	28	29	29	30	31	28	28	26	25	26
Highways and streets										
Public works	8	8	8	8	8	7	8	8	8	8
Sanitation	3	3	3	3	3	3	3	3	3	3
Culture and recreation	15	16	16	18	17	16	16	15	14	14
Sewer	4	4	4	4	4	4	4	4	4	4
Total	102	104	106	110	110	103	107	100	95	98

¹This figure includes the mayor and council who are not full-time employees of the City. However, they are paid from the general government funds.

Source: City Clerk's Office

**CITY OF BREWTON, ALABAMA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	285	284	335	350	535	402	491	420	267	532
Parking violations	7	10	8	2	-	-	-	-	-	-
Traffic violations	1,256	729	1,272	962	766	890	2,476	1,497	2,316	1,414
Fire										
Number of calls answered	222	481	513	654	758	905	895	995	1,139	1,054
Inspections	736	736	738	740	972	967	756	1,012	1,019	1,037
Highways and streets										
Street resurfacing (miles)	4.2	5.0	6.8	17.2	7.6	1.8	0.8	11.2	1.6	1.9
Potholes repaired	45	72	32	48	42	38	51	48	56	55
Sanitation										
Refuse collected (tons/week)	28.6	29.8	29.6	30.6	31.2	31.7	32.2	33.5	34.2	36.8
Recyclables collected (tons/week) ¹	1.7	1.9	1.6	1.1	-	-	-	-	-	-
Culture and recreation										
Golf course rounds	7,219	7,383	7,131	7,456	7,457	8,782	8,458	7,850	7,216	7,169
Pavilion parties	112	120	123	125	127	144	129	258	250	249
Wastewater										
Average daily sewage treatment (thousands of gallons)	980	990	1,000	1,300	1,400	1,420	1,350	1,355	1,387	1,388

¹Recycling ended in August 2006

Sources: Various government departments

**CITY OF BREWTON, ALABAMA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	22	25	25	25	28	27	28	27
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	88	88	88	88	88	88	88	88	88	89
Streetlights	810	789	830	835	840	844	850	860	875	888
Traffic signals	9	9	9	9	9	10	10	10	11	11
Culture and recreation										
Parks acreage	38	38	39	39	40	40	40	40	40	40
Parks	5	5	6	6	6	6	6	6	6	6
Swimming pools	4	3	3	3	3	3	3	3	2	2
Tennis courts	10	10	10	10	10	10	10	10	10	10
Community center	1	1	1	1	1	1	1	1	1	1
Sewer										
Sanitary sewers (miles)	42	42	42	42	44	58	58	58	60	60
Storm sewers (miles)	18	18	19	20	21	22	24	30	32	38
Maximum daily treatment capacity (thousands of gallons)	720	720	720	720	722	809	812	822	828	1,680

Sources: Various city departments.

Note: No capital asset indicators are available for the general government function.

COMPLIANCE SECTION



Hartmann, Blackmon & Kilgore, P.C.
Certified Public Accountants & Consultants

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
J. Earl Blackmon, Jr., CPA
B. Vance Kilgore, CPA
Sally S. Wagner, CPA
Dennis E. Sherrin, CPA, CVA
Melissa M. Thomas, CPA

311 SOWELL STREET • P.O. BOX 1379 • BREWTON, ALABAMA 36427 • (251) 867-3801 • FAX (251) 867-3276

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
of the City of Brewton, Alabama

We have audited the basic financial statements of the City of Brewton, Alabama as of and for the year ended September 30, 2012, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Brewton, Alabama is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Brewton, Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Brewton, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brewton, Alabama's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency:

7 cent Gas Tax Funds

Our study and evaluation disclosed that the 7 cent Gas Tax Funds were used for debt service payments for debt not associated with road construction or improvements. We do not believe these debt payments qualify under the approved disbursements for the Gas Tax Funds.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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


Certified Public Accountants

March 15, 2013
Brewton, Alabama