

CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018

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CITY CLERK'S OFFICE

**CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



City of Brewton

Best 100 Small Towns in America

MAYOR

Yancey E. Lovelace

CITY CLERK

Alex B McDowell

CFO

Brooke Hartin

CITY COUNCIL

Carrie Brown

Lawrence Weaver

Feast Broughton

Joe Nathan Watson

Cheryl Barton

CITY ATTORNEY

Edward T. Hines

March 29, 2019

The Honorable Yancey E. Lovelace

Members of the City Council

Citizens of the City of Brewton, Alabama

The Comprehensive Annual Financial Report (CAFR) of the City of Brewton, Alabama (the "City") for the Fiscal Year ending September 30, 2018, 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.

Discreetly 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 Water Works Board of the City of Brewton is reported as a discretely presented component unit.

ANALYZING PAST TIMES

Brewton, AL, the County Seat of Escambia County, Alabama has an estimated 2018 population of 5,412. The residents are nestled into an 11.2 square mile area that is bordered by Foshee Rd. at Highway 31 to the south and Old Castleberry Rd at Highway 31 to the north. Brewton is not exempt from the effects of the national and even global economy, but factors particular to our area minimize the extreme variations from high to low that are seen in other areas. Some of the particulars that help Brewton maintain economic consistency are: expanding and established industry, small town life quality and progressive, visionary efforts by the City's leadership.

ASSESSING CURRENT TRENDS

The City's Enterprise Funds are adequate to strong. The Municipal Airport is bolstered by good grant funding. Natural Gas has strong income through residential and commercial customers. The Sewer and Sanitation Enterprise Funds both showed increases in their net position. The Water Board Component Unit has maintained its improved position for several years, and expanded by more than 600 customers last year. There was an increase of 15.76% in sales tax revenues in FY 2018 compared to FY 2017. Business openings and closings are at an approximate equilibrium. Significant infrastructure projects regarding paving, sewer and water were completed in FY 2018 and are continuing into FY 2019.

ANTICIPATING FUTURE TRIUMPHS

One reason for optimism is that a technology company established itself in Brewton in FY 2017, and it approximately doubled its number of employees in FY 2018. That business will expand into 2 new buildings in downtown Brewton in 2019. That business projects reaching its goal of locating 300 jobs in the City by December 31, 2022. The City along with its economic development partners is already deeply involved in preparing the permanent physical location of the technical company as well as preparing for education and other aspects of their employee's personnel needs. Construction of a new hotel in the City should be completed in 2019. Recent large investments by existing industries in their facilities bodes well for the City's economic longevity. Tax revenue growth resulting from these business expansions and new employees will allow the City to grow services, programs and projects. Aggressive pursuit of grant funding will continue to supplement municipal improvements and create opportunities for additional ones.

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, 2017. 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.

The City's current Standard & Poor's rating is "A+" and the intentional action of the City is to improve that mark.

Acknowledgements. The preparation of the CAFR 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,

A handwritten signature in blue ink, appearing to read 'Alex B McDowell', is written above the printed name.

Alex B McDowell
City Clerk / Treasurer



Government Finance Officers Association

**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

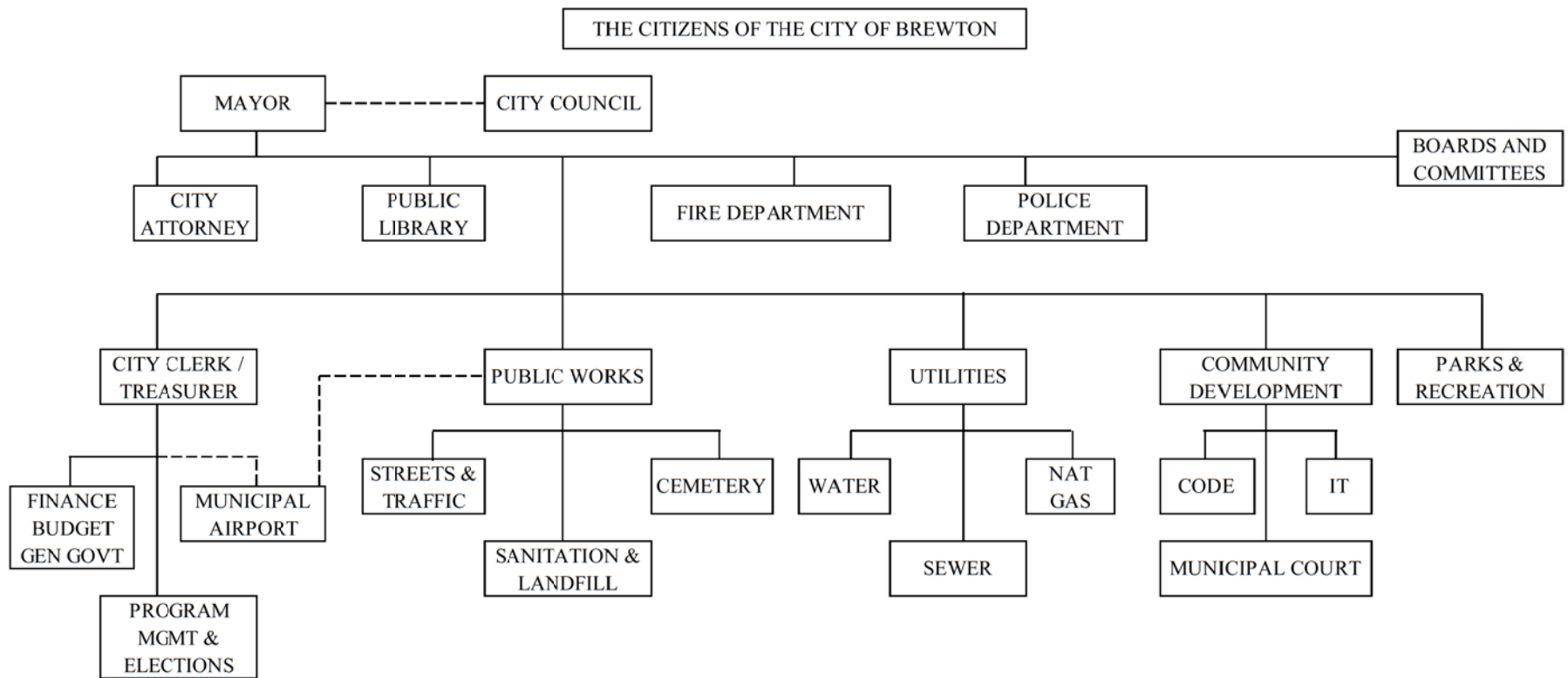
September 30, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF BREWTON, ALABAMA
Organizational Chart

CITY OF BREWTON, ALABAMA
Organizational Chart



CITY OF BREWTON, ALABAMA**LIST OF PRINCIPAL OFFICIALS****SEPTEMBER 30, 2018**

<i>TITLE</i>	<i>NAME</i>	<i>TERM OF OFFICE</i>
<i>Mayor</i>	Yank Lovelace	Expires November 2020
<i>City Council</i>		
District 1	Carrie Brown	Expires November 2020
District 2	Lawrence Weaver	Expires November 2020
District 3	Feast Broughton	Expires November 2020
District 4	Joe Watson	Expires November 2020
District 5	Cheryl Barton	Expires November 2020
<i>City Clerk</i>	Alex McDowell	
<i>City Attorney</i>	Edward T. Hines	

FINANCIAL SECTION

SHAREHOLDERS

J. Earl Blackmon, Jr., CPA
Dennis E. Sherrin, CPA
G. Allen Cave, Jr., CPA
Rachel M. Godwin, CPA

PRINCIPALS

LeeAnn M. May, CPA



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

OF COUNSEL

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
Sally S. Wagner, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund of City of Brewton, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Brewton, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Works Board of the City of Brewton, Alabama, a discretely presented component unit of the City of Brewton, Alabama. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Works Board of the City of Brewton, Alabama, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Fairhope | Brewton | Foley | Mobile

251-928-2443 • 115 St. Joseph Avenue • P.O. Box 773 • Brewton, AL 36427

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11–17 and the Schedule of Changes in the Net Pension Liability and Schedule of Employer Contributions on pages 57 and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Brewton, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of City of Brewton, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brewton, Alabama's internal control over financial reporting and compliance.

Hartmann, Blackmon & Kilgore, PC

Certified Public Accountants

March 29, 2019
Brewton, Alabama

Management's 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, 2018. 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 position of the governmental activities increased by \$515,000.
- As of September 30, 2018, the governmental funds reported a combined ending fund balance of \$5,252,482, a decrease of \$1,862,151 from the previous Fiscal Year.
- The General Fund reported a fund balance of \$2,804,523 with all of it available to support non-debt service obligations of the City, a decrease of \$259,535 from last year.
- The City's liabilities associated with governmental activities and business-type activities decreased by approximately 3.84% during FY 2018, with the major reduction being due to the payoff of the 2009 general obligation warrant.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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*.

The Water Works Board of the City of Brewton's activities are included in this report because of the relationship of the legally separate entity to the City. Financial information of the Water Works Board of the City of Brewton is referred to in the financial statements as that of the *discretely presented component unit*.

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 is the City's major governmental fund. The basic governmental fund financial statements can be found on pages 20-23 of this report.

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 29-56 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's *combined* net position decreased \$1,327,236 between Fiscal Years 2017 and 2018, culminating at approximately \$24,149,904. The largest contributor to that decrease was decreased natural gas sales.

CITY OF BREWTON, ALABAMA'S NET POSITION

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Current and other assets	\$ 6,230	\$ 8,178	\$ 2,792	\$ 5,100	\$ 9,022	\$ 13,278	-32.05%
Capital assets	24,693	22,758	13,951	13,485	38,644	36,243	6.62%
Total assets	30,923	30,936	16,743	18,585	47,666	49,521	-3.75%
Deferred outflows of resources	1,197	1,299	1,064	1,121	2,261	2,420	-6.57%
Long-term debt outstanding	9,887	10,699	13,810	14,326	23,697	25,025	-5.31%
Other liabilities	1,033	1,123	718	316	1,751	1,439	21.68%
Total liabilities	10,920	11,822	14,528	14,642	25,448	26,464	-3.84%
Net position							
Net investment in capital assets	21,350	20,650	6,188	6,330	27,538	26,980	2.07%
Restricted	2,448	4,050	-	-	2,448	4,050	-39.56%
Unrestricted	(2,870)	(4,287)	(2,966)	(1,266)	(5,836)	(5,553)	5.10%
Total net position	\$ 20,928	\$ 20,413	\$ 3,222	\$ 5,064	\$ 24,150	\$ 25,477	-5.21%

Changes in net position. The City's total revenues decreased 7.7% to approximately \$41,018,586, largely due to decreases in receipts from the sale of natural gas. Approximately 72% of the City's revenue was generated from charges for services, 24% from tax receipts, 2% from donations and grants, 2% from other taxes and other receipts.

The City's expenses decreased 2.1% from Fiscal Year End 2017 to FYE 2018. The largest increase in expenses occurred in general government and education. Expense increases in those costs categories combined for an approximate total of \$1,671,000. The largest decrease in expenses was approximately \$3,240,000 in natural gas purchases. The positive effect of decreased purchase expenses was offset by decreased natural gas sales receipts.

CITY OF BREWTON, ALABAMA
SOURCES OF REVENUE
FISCAL YEAR 2018

Source	%
Charges for services	72%
Operating grants	2%
Sales tax	21%
Other taxes	2%
Property taxes	3%
	<u>100%</u>

CITY OF BREWTON, ALABAMA
FUNCTIONAL EXPENSES
FISCAL YEAR 2018

Type	%
Business-type activities	65%
General government	10%
Public safety	8%
Public works	5%
Recreation	1%
Library	1%
Education	10%
	<u>100%</u>

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
REVENUES							
Program revenues							
Charges for services	\$ 1,509	\$ 1,802	\$ 27,821	\$ 32,216	\$ 29,330	\$ 34,018	-13.8%
Donations and operating grants	956	1,014	-	-	956	1,014	-5.7%
Capital grants	-	-	41	801	41	801	-94.9%
General revenues							
Sales tax	8,492	7,336	-	-	8,492	7,336	15.8%
Property tax	1,330	1,006	-	-	1,330	1,006	32.2%
Other taxes	573	448	-	-	573	448	27.9%
Investment earnings	48	27	12	4	60	31	93.5%
Receipts from Water Works Board	-	9	11	-	11	9	100.0%
Gain (loss) on sale of capital assets	(41)	-	-	(34)	(41)	(34)	100.0%
Bond issuance costs	-	(193)	-	(123)	-	(316)	100.0%
Other	226	74	-	-	226	74	205.4%
Total revenues	<u>13,093</u>	<u>11,523</u>	<u>27,885</u>	<u>32,864</u>	<u>40,978</u>	<u>44,387</u>	-7.7%
EXPENSES							
General government	4,017	3,189	-	-	4,017	3,189	26.0%
Public safety	3,579	3,301	-	-	3,579	3,301	8.4%
Public works	1,792	1,521	-	-	1,792	1,521	17.8%
Library	468	462	-	-	468	462	1.3%
Recreation	613	663	-	-	613	663	-7.5%
Education	4,046	3,244	-	-	4,046	3,244	24.7%
Water system	14	140	-	-	14	140	100.0%
Interest on long-term debt	178	194	-	-	178	194	-8.2%
Gas	-	-	24,975	28,212	24,975	28,212	-11.5%
Sewer	-	-	1,738	1,396	1,738	1,396	24.5%
Sanitation	-	-	691	663	691	663	4.2%
Airport	-	-	192	156	192	156	23.1%
Brewton Development Authority	-	-	2	80	2	80	-97.5%
Total expenses	<u>14,707</u>	<u>12,714</u>	<u>27,598</u>	<u>30,507</u>	<u>42,305</u>	<u>43,221</u>	-2.1%
Excess (deficiency) before special items and transfers	(1,614)	(1,191)	287	2,357	(1,327)	1,166	-213.8%
Transfers	<u>2,129</u>	<u>718</u>	<u>(2,129)</u>	<u>(718)</u>	<u>-</u>	<u>-</u>	0.0%
Net change in net position	515	(473)	(1,842)	1,639	(1,327)	1,166	-213.8%
Net position, beginning	<u>20,413</u>	<u>20,886</u>	<u>5,064</u>	<u>3,425</u>	<u>25,477</u>	<u>24,311</u>	4.8%
Net position, ending	<u>\$ 20,928</u>	<u>\$ 20,413</u>	<u>\$ 3,222</u>	<u>\$ 5,064</u>	<u>\$ 24,150</u>	<u>\$ 25,477</u>	-5.2%

Governmental Activities

Tax revenues for the City's governmental activities increased approximately \$1,605,000, or approximately 18%. Total revenues for governmental activities increased by approximately \$1,611,000, or approximately 14%, due mostly to increased tax revenues.

Business-type Activities

Revenues for the City's business-type activities decreased approximately \$5,007,000, due primarily to a decrease in receipts for the sale of natural gas to Georgia Pacific.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Activities

The City's governmental funds reported a combined fund balance of \$5,252,482, a decrease of \$1,862,151 from FYE 2017.

Business-type Activities

The City's business-type funds reported a combined net position of approximately \$3,221,000 which is approximately \$1,843,000 less than last year. The major changes to net position include the following:

- Natural Gas: decreased approximately \$1,146,000, or 30%.
- Sewer Fund: decreased approximately \$129,000, or 6%.
- Sanitation Fund: decreased \$40,000, or 49%.
- Municipal Airport: decreased \$531,000, or 16%.
- Brewton Development Authority: increased \$2,800, or 2%.

General Fund Budgetary Highlights

The General Fund is able to support the Department budgets; revenue from business licenses, fines and forfeitures and sales tax continue 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 for 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, 2018, totals approximately \$38,644,000 (net of accumulated depreciation), an increase of approximately 7% from last year. 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. 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 40-43 of the notes.

CITY OF BREWTON'S CAPITAL ASSETS

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Land and construction in progress	\$ 5,658	\$ 4,374	\$ 1,349	\$ 683	\$ 7,007	\$ 5,057	38.6%
Buildings	8,718	8,569	3,065	3,022	11,783	11,591	1.7%
Improvements other than buildings	15,373	14,259	15,410	15,080	30,783	29,339	4.9%
Vehicles and equipment	7,589	7,298	4,226	4,231	11,815	11,529	2.5%
Less accumulated depreciation	(12,645)	(11,742)	(10,099)	(9,531)	(22,744)	(21,273)	6.9%
Total	\$ 24,693	\$ 22,758	\$ 13,951	\$ 13,485	\$ 38,644	\$ 36,243	6.6%

Long-term Debt

The City's debt decreased approximately \$992,000, primarily due to the payoff of the series 2009 general obligation warrant. Additional information regarding the City's long-term debt can be found in pages 44-48 of this report.

CITY OF BREWTON'S OUTSTANDING DEBT

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
General obligation warrants	\$ 5,891	\$ 6,353	\$ 12,544	\$ 12,967	\$ 18,435	\$ 19,320	-4.6%
Capital leases	201	269	301	343	502	612	-18.0%
Total	\$ 6,092	\$ 6,622	\$ 12,845	\$ 13,310	\$ 18,937	\$ 19,932	-5.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**Fiscal Year 2018 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 2018 budget. There is no major short term growth in population expected, but there has been significant growth in local industries in recent years with large capital expenditures resulting in growth of tax revenues and municipal gas sales. A new technical services business in the city is approaching 100 new employees, and those numbers are expected to increase to 300 or more in the next 3 to 4 years. The technical business expansion will help support the rental and home sales market and retail sales in the City. The Water Works Board of the City of Brewton (a discretely presented component unit) acquired a water system in 2018 with over 600 new customers. That acquisition will enhance water revenues. Revenue budgeting projections always factor in mid-year trends and are completed with a conservative bias.

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) 809-1773, or by sending an email to amcdowell@cityofbrewton.org.

Complete financial statements of the component unit can be obtained from its administrative office as follows:

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

BASIC FINANCIAL STATEMENTS

CITY OF BREWTON, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental	Business-type		Water Works
	Activities	Activities	Total	Board of the
				City of Brewton
ASSETS				
Cash and cash equivalents	\$ 5,420,479	\$ 1,591,648	\$ 7,012,127	\$ 1,502,126
Temporary cash investments	258,225	-	258,225	-
Receivables, net	512,915	293,321	806,236	64,828
Receivable from component units	-	30,000	30,000	-
Receivables from FEMA	38,877	-	38,877	-
Inventories	-	370,139	370,139	307,889
Restricted funds	-	506,545	506,545	1,796,127
Other assets	-	-	-	1,422
Capital assets, net				
Land, improvements, and construction in progress	5,657,982	1,349,197	7,007,179	122,206
Other capital assets, net of depreciation	19,034,632	12,601,776	31,636,408	9,276,267
TOTAL ASSETS	30,923,110	16,742,626	47,665,736	13,070,865
DEFERRED OUTFLOWS OF RESOURCES				
Employer retirement contributions	357,910	75,009	432,919	34,691
Changes of assumptions	302,968	62,936	365,904	31,543
Difference between expected and actual experiences	536,360	104,966	641,326	59,162
Defeasance of debt	-	821,084	821,084	129,929
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,197,238	1,063,995	2,261,233	255,325
LIABILITIES				
Accounts payable and accrued expenses	599,647	433,963	1,033,610	144,027
Line of credit	-	451,265	451,265	-
Payable to City of Brewton	-	-	-	30,000
Customer deposits	-	95,562	95,562	164,354
Internal balances	262,197	(262,197)	-	-
Due to other governments	170,940	-	170,940	-
Long-term liabilities				
Due within one year	524,913	476,308	1,001,221	326,721
Due in more than one year	9,361,972	13,333,241	22,695,213	7,596,283
TOTAL LIABILITIES	10,919,669	14,528,142	25,447,811	8,261,385
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on plan investments	272,205	57,048	329,253	26,384
TOTAL DEFERRED INFLOWS OF RESOURCES	272,205	57,048	329,253	26,384
NET POSITION				
Net investment in capital assets	21,350,100	6,187,690	27,537,790	2,978,898
Restricted - debt service	2,345,931	-	2,345,931	-
Restricted - street improvement and construction	102,028	-	102,028	-
Restricted - construction	-	-	-	1,796,127
Unrestricted	(2,869,585)	(2,966,259)	(5,835,844)	263,396
TOTAL NET POSITION	\$ 20,928,474	\$ 3,221,431	\$ 24,149,905	\$ 5,038,421

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

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

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Board of the City of Brewton
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Water Works	
					Governmental Activities	Business - type Activities		
Primary Government								
Governmental activities:								
General	\$ 4,017,243	\$ 1,322,415	\$ 955,508	\$ -	\$ (1,739,320)		\$ (1,739,320)	
Police	2,467,478	169,895	-	-	(2,297,583)		(2,297,583)	
Fire	1,111,793	-	-	-	(1,111,793)		(1,111,793)	
Street	1,547,367	-	-	-	(1,547,367)		(1,547,367)	
Animal control	119,372	-	-	-	(119,372)		(119,372)	
Code enforcement	124,110	-	-	-	(124,110)		(124,110)	
Library	467,573	8,236	-	-	(459,337)		(459,337)	
Recreation	612,620	8,144	-	-	(604,476)		(604,476)	
Education (payment to Board of Education)	4,046,038	-	-	-	(4,046,038)		(4,046,038)	
Water system (payment to Water Works Board)	14,407	-	-	-	(14,407)		(14,407)	
Interest on long-term debt	177,728	-	-	-	(177,728)		(177,728)	
Total governmental activities	14,705,729	1,508,690	955,508	-	(12,241,531)		(12,241,531)	
Business-type activities:								
Gas	24,975,101	25,935,876	-	-	-	\$ 960,775	960,775	
Sewer	1,738,175	1,126,555	-	-	-	(611,620)	(611,620)	
Sanitation	691,469	662,601	-	-	-	(28,868)	(28,868)	
Airport	191,860	96,124	-	40,543	-	(55,193)	(55,193)	
Brewton Development Authority	2,234	-	-	-	-	(2,234)	(2,234)	
Total business-type activities	27,598,839	27,821,156	-	40,543	-	262,860	262,860	
Total primary government	\$ 42,304,568	\$ 29,329,846	\$ 955,508	\$ 40,543	(12,241,531)	262,860	(11,978,671)	
Component Units	\$ 1,603,076	\$ 1,634,623	\$ -	\$ -				\$ 31,547
General revenues:								
Taxes								
Property					1,330,428	-	1,330,428	-
Sales					8,492,133	-	8,492,133	-
Other					572,587	-	572,587	-
Payments from City					-	-	-	14,416
Receipts from Water Works Board					-	11,204	11,204	-
Investment earnings					48,042	12,199	60,241	19,525
Capital gain (loss) on sale of capital assets					(41,253)	-	(41,253)	-
Other					226,096	-	226,096	-
Transfers in/(out)					2,129,162	(2,129,162)	-	-
Total general revenues and transfers					12,757,195	(2,105,759)	10,651,436	33,941
Change in net position					515,664	(1,842,899)	(1,327,235)	65,488
Net position, beginning					20,412,810	5,064,330	25,477,140	4,972,933
Net position, ending					\$ 20,928,474	\$ 3,221,431	\$ 24,149,905	\$ 5,038,421

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

**CITY OF BREWTON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

		2016 General Obligation Warrant Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	General			
ASSETS				
Cash and cash equivalents	\$ 3,095,366	\$ 2,223,085	\$ 102,028	\$ 5,420,479
Temporary cash investments	135,379	122,846	-	258,225
Receivables from FEMA	38,877	-	-	38,877
Due from other City funds	75,007	-	-	75,007
Taxes receivable	512,915	-	-	512,915
Total Assets	<u><u>\$ 3,857,544</u></u>	<u><u>\$ 2,345,931</u></u>	<u><u>\$ 102,028</u></u>	<u><u>\$ 6,305,503</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 544,877	\$ -	\$ -	\$ 544,877
Due to other City funds	337,197	-	-	337,197
Due to other governments	170,947	-	-	170,947
Total liabilities	<u>1,053,021</u>	<u>-</u>	<u>-</u>	<u>1,053,021</u>
FUND BALANCES				
Restricted for:				
Debt service	-	2,345,931	-	2,345,931
Street construction	-	-	94,302	94,302
Street improvements	-	-	7,726	7,726
Unassigned	2,765,646	-	-	2,765,646
Total fund balances	<u>2,804,523</u>	<u>2,345,931</u>	<u>102,028</u>	<u>5,252,482</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,857,544</u></u>	<u><u>\$ 2,345,931</u></u>	<u><u>\$ 102,028</u></u>	<u><u>\$ 6,305,503</u></u>

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

CITY OF BREWTON, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2018

Fund Balances as reported on page 20	\$ 5,252,482
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Net Position reported for governmental activities in the Statement of Net Position (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	\$ 5,657,982	
Other capital assets, net of \$12,645,004 accumulated depreciation	<u>19,034,632</u>	
Total capital assets		24,692,614

Some liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the fund financial statements	(54,770)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds

Employment retirement contributions	357,910
Changes of assumptions	302,968
Difference between expected and actual experiences	536,360
Deferred outflows and inflows of resources	(272,205)

Long-term liabilities, including general obligation debt, capital lease obligations, net pension liability and notes payable are not due and payable in the current period and therefore are not reported in the fund financial statements.

General obligation debt	(5,890,867)
Capital lease obligations	(201,006)
Compensated absences	(319,593)
Net pension liability	<u>(3,475,419)</u>

Net Position of Governmental Activities as reported on page 18	<u>\$ 20,928,474</u>
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CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		2016		
		General		
		Obligation		
		Warrant		
		Debt Service	Other	Total
	General	Fund	Governmental	Governmental
			Funds	Funds
REVENUES				
Taxes	\$ 10,152,497	\$ -	\$ 63,091	\$ 10,215,588
Intergovernmental	194,154	-	-	194,154
Licenses and permits	1,148,488	-	-	1,148,488
Fines and forfeitures	169,895	-	-	169,895
Fees and charges	137,235	-	-	137,235
Revenue from City Property	53,072	-	-	53,072
Interest	1,567	30,319	810	32,696
Donations	940,913	-	-	940,913
Other	223,451	-	2,500	225,951
Total revenues	13,021,272	30,319	66,401	13,117,992
EXPENDITURES				
General	2,319,461	-	-	2,319,461
Public safety	3,579,271	-	-	3,579,271
Public works	1,790,848	-	59,465	1,850,313
Payments to Brewton City Board of Education	4,046,038	-	-	4,046,038
Payments to Water Works Board	14,407	-	-	14,407
Other departments	1,607,797	-	-	1,607,797
Capital expenditures	2,992,917	-	-	2,992,917
Debt service:				
Principal	160,425	-	355,000	515,425
Interest	9,901	166,675	7,100	183,676
Total expenditures	16,521,065	166,675	421,565	17,109,305
Excess (deficiency) of revenues over expenditures	(3,499,793)	(136,356)	(355,164)	(3,991,313)
OTHER FINANCING SOURCES AND (USES)				
Transfers in	4,071,018	103,039	25,000	4,199,057
Transfers out	(830,760)	(1,237,972)	(1,163)	(2,069,895)
Total other financing sources and (uses)	3,240,258	(1,134,933)	23,837	2,129,162
Net change in fund balances	(259,535)	(1,271,289)	(331,327)	(1,862,151)
Fund balances-beginning of year	3,064,058	3,617,220	433,355	7,114,633
FUND BALANCES-END OF YEAR	\$ 2,804,523	\$ 2,345,931	\$ 102,028	\$ 5,252,482

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, 2018

Net change in fund balances--total governmental funds, page 22

\$ (1,862,151)

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:

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over
the lives of the assets.

Capital outlays for the year	2,992,917
Depreciation expense for the year	(1,017,512)
Loss on disposal of capital assets	(41,253)

Bonds and other debt proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of long-term liabilities is an expenditure in governmental funds, but the
repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments on notes and warrants	446,996
Principal payments on capital lease obligations	68,429
Amortization of warrant discount (premiums)	15,348

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

(22,228)

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.

Pension expense, current year (increase) decrease	(70,830)
Decrease (increase) in accrued interest payable	5,948

Change in Net Position of Government Activities, page 19

\$ 515,664

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, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Revenue			
Taxes	\$ 6,051,504	\$ 10,152,497	\$ 4,100,993
Licenses and permits	1,121,600	1,148,488	26,888
Fines and forfeitures	75,900	169,895	93,995
Fees and charges	86,920	137,235	50,315
Intergovernmental revenue	94,000	194,154	100,154
Revenue from City Property	20,500	53,072	32,572
Other revenue	-	1,165,931	1,165,931
Total Revenues	7,450,424	13,021,272	5,570,848
Expenditures			
Current expenditures:			
General government	1,442,924	2,319,461	(876,537)
Public safety	3,656,452	3,579,271	77,181
Public works	1,866,402	1,790,848	75,554
Payments to Brewton City Board of Education	-	4,046,038	(4,046,038)
Payments to Water Works Board	-	14,407	(14,407)
Other departments	1,792,182	1,607,797	184,385
Capital expenditures	-	2,992,917	(2,992,917)
Debt Service:			
Principal	63,333	160,425	(97,092)
Interest	20,150	9,901	10,249
Total Expenditures	8,841,443	16,521,065	(7,679,622)
Excess Revenues Over (Under) Expenditures	(1,391,019)	(3,499,793)	(2,108,774)
Other Financing Sources (Uses)			
Transfers in	1,525,000	4,071,018	2,546,018
Transfers out	-	(830,760)	(830,760)
Total Other Financing Sources (Uses)	1,525,000	3,240,258	1,715,258
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	133,981	(259,535)	(393,516)
Fund Balance at Beginning of Year	135,405	3,064,058	2,928,653
Fund Balance at End of Year	<u>\$ 269,386</u>	<u>\$ 2,804,523</u>	<u>\$ 2,535,137</u>

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

**CITY OF BREWTON, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	Major Funds				Nonmajor Fund Brewton Development Authority	
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport		Totals
Assets						
Current assets						
Cash	\$ 802,187	\$ 472,087	\$ 193,950	\$ 116,261	\$ 7,163	\$ 1,591,648
Restricted cash	69,343	437,202	-	-	-	506,545
Accounts receivable	88,475	168,620	31,643	4,583	-	293,321
Due from other funds	333,705	-	-	5,342	-	339,047
Receivable from component units	30,000	-	-	-	-	30,000
Inventories	242,623	127,516	-	-	-	370,139
Total current assets	1,566,333	1,205,425	225,593	126,186	7,163	3,130,700
Noncurrent assets						
Property, plant, and equipment						
Land, improvements and construction in progress	881,284	29,500	3,000	298,000	137,413	1,349,197
Utility systems	4,968,112	10,273,521	-	-	-	15,241,633
Buildings and improvements	168,022	-	-	3,065,154	-	3,233,176
Equipment	1,084,497	1,114,900	1,675,544	350,810	-	4,225,751
	7,101,915	11,417,921	1,678,544	3,713,964	137,413	24,049,757
Less accumulated depreciation	4,077,712	3,761,408	1,202,881	1,056,783	-	10,098,784
Net property, plant, and equipment	3,024,203	7,656,513	475,663	2,657,181	137,413	13,950,973
Total noncurrent assets	3,024,203	7,656,513	475,663	2,657,181	137,413	13,950,973
Total Assets	4,590,536	8,861,938	701,256	2,783,367	144,576	17,081,673
Deferred Outflows of Resources						
Defeasance of debt	58,407	762,677	-	-	-	821,084
Net difference between projected and actual earnings on plan investments	(1,369)	(1,913)	173	-	-	(3,109)
Difference between expected and actual experiences	72,985	23,216	11,874	-	-	108,075
Changes of assumptions	42,602	13,645	6,689	-	-	62,936
Employer retirement contributions	48,431	18,944	7,634	-	-	75,009
Total Deferred Outflows of Resources	221,056	816,569	26,370	-	-	1,063,995

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

CITY OF BREWTON, ALABAMA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Major Funds				Nonmajor Fund Brewton Development Authority	
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport		Totals
Liabilities and Net Position						
Current liabilities						
Accounts payable and accrued expenses	256,282	177,438	243	-	-	433,963
Due to other City funds	-	1,850	75,000	-	-	76,850
Long-term liabilities-current portion	69,943	304,943	101,422	-	-	476,308
Line of credit	451,265	-	-	-	-	451,265
Customer deposits	95,562	-	-	-	-	95,562
Total current liabilities	873,052	484,231	176,665	-	-	1,533,948
Noncurrent liabilities						
Long-term liabilities-less current portion	1,264,983	11,401,838	347,281	-	-	13,014,102
Accrued postclosure costs	-	-	319,139	-	-	319,139
Total noncurrent liabilities	1,264,983	11,401,838	666,420	-	-	13,333,241
Total liabilities	2,138,035	11,886,069	843,085	-	-	14,867,189
Deferred Inflows of Resources						
Net difference between projected and actual earnings on plan investments	36,834	14,408	5,806	-	-	57,048
Total Deferred Inflows of Resources	36,834	14,408	5,806	-	-	57,048
Net position						
Net investment in capital assets	1,817,027	1,549,109	26,960	2,657,181	137,413	6,187,690
Unrestricted	819,696	(3,771,079)	(148,225)	126,186	7,163	(2,966,259)
Total Net Position	\$ 2,636,723	\$ (2,221,970)	\$ (121,265)	\$ 2,783,367	\$ 144,576	\$ 3,221,431

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

CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Major Funds				Nonmajor Fund	
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport	Brewton Development Authority	Totals
Operating Revenues						
Charges for services	\$ 25,935,876	\$ 1,126,555	\$ 662,601	\$ 96,124	\$ -	\$ 27,821,156
Total operating revenues	<u>25,935,876</u>	<u>1,126,555</u>	<u>662,601</u>	<u>96,124</u>	<u>-</u>	<u>27,821,156</u>
Operating Costs and Expenses						
Cost of sales and services	23,419,486	-	316,435	-	-	23,735,921
Salaries and wages	558,317	269,789	85,398	18,000	-	931,504
Utilities	20,007	85,228	2,867	24,106	660	132,868
Maintenance and supplies	265,249	645,450	67,186	31,490	-	1,009,375
Employee benefits	150,704	66,231	28,167	-	-	245,102
Insurance	57,437	13,719	11,653	7,062	-	89,871
Professional fees	24,391	3	-	247	-	24,641
Office expense	25,687	3,216	4,047	231	-	33,181
Depreciation and amortization	111,346	251,908	140,942	110,641	-	614,837
Landfill postclosure expense	-	-	12,306	-	-	12,306
Other	267,541	1,750	7,477	83	1,574	278,425
Total operating costs and expenses	<u>24,900,165</u>	<u>1,337,294</u>	<u>676,478</u>	<u>191,860</u>	<u>2,234</u>	<u>27,108,031</u>
Operating Income (Loss)	<u>1,035,711</u>	<u>(210,739)</u>	<u>(13,877)</u>	<u>(95,736)</u>	<u>(2,234)</u>	<u>713,125</u>
Non-Operating Revenue (Expense)						
Interest earned	7,516	4,683	-	-	-	12,199
Receipt from Water Works Board	11,213	-	-	-	-	11,213
Payments to Water Works Board	(9)	-	-	-	-	(9)
Interest expense	<u>(74,936)</u>	<u>(400,881)</u>	<u>(14,991)</u>	<u>-</u>	<u>-</u>	<u>(490,808)</u>
Total non-operating revenue (expenses)	<u>(56,216)</u>	<u>(396,198)</u>	<u>(14,991)</u>	<u>-</u>	<u>-</u>	<u>(467,405)</u>
Income before contributions and transfers	979,495	(606,937)	(28,868)	(95,736)	(2,234)	245,720
Capital contributions	-	-	-	40,543	-	40,543
Transfers in	153,275	653,026	6,201	639	5,000	818,141
Transfers out	<u>(2,278,711)</u>	<u>(175,000)</u>	<u>(17,103)</u>	<u>(476,489)</u>	<u>-</u>	<u>(2,947,303)</u>
Change in Net Position	(1,145,941)	(128,911)	(39,770)	(531,043)	2,766	(1,842,899)
Net Position at Beginning of Year	<u>3,782,664</u>	<u>(2,093,059)</u>	<u>(81,495)</u>	<u>3,314,410</u>	<u>141,810</u>	<u>5,064,330</u>
Net Position at End of Year	<u>\$ 2,636,723</u>	<u>\$ (2,221,970)</u>	<u>\$ (121,265)</u>	<u>\$ 2,783,367</u>	<u>\$ 144,576</u>	<u>\$ 3,221,431</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, 2018**

	Major Funds				Nonmajor Fund	
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport	Brewton Development Authority	Totals
Cash Flows from Operating Activities:						
Receipts from customers	\$ 25,945,733	\$ 1,130,569	\$ 664,960	\$ 96,124	\$ -	\$ 27,837,386
Payments to suppliers	(24,076,444)	(704,234)	(422,249)	(63,219)	(2,234)	(25,268,380)
Payments to employees	(697,960)	(334,403)	(111,838)	(18,000)	-	(1,162,201)
Net Cash Provided (Used) by Operating Activities	<u>1,171,329</u>	<u>91,932</u>	<u>130,873</u>	<u>14,905</u>	<u>(2,234)</u>	<u>1,406,805</u>
Cash Flows from Noncapital Financing Activities						
Transfers in	153,275	653,026	6,201	639	5,000	818,141
Transfers out	(2,278,711)	(175,000)	(17,103)	(476,489)	-	(2,947,303)
Receipts from Water Works Board	11,213	-	-	-	-	11,213
Payments to Water Works Board	(9)	-	-	-	-	(9)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,114,232)</u>	<u>478,026</u>	<u>(10,902)</u>	<u>(475,850)</u>	<u>5,000</u>	<u>(2,117,958)</u>
Cash Flows from Capital and Related Financing Activities						
Principal paid on capital debt	(70,133)	(284,418)	(110,761)	-	-	(465,312)
Interest paid on capital debt	(74,936)	(400,881)	(14,991)	-	-	(490,808)
Capital contributions from grant	-	-	-	40,543	-	40,543
Proceeds from capital debt	451,265	-	-	-	-	451,265
Purchase of capital assets	(893,723)	(138,728)	-	(48,061)	-	(1,080,512)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(587,527)</u>	<u>(824,027)</u>	<u>(125,752)</u>	<u>(7,518)</u>	<u>-</u>	<u>(1,544,824)</u>
Cash Flows from Investing Activities						
Interest income	<u>7,516</u>	<u>4,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,200</u>
Net Increase (Decrease) in Cash	(1,522,914)	(249,385)	(5,781)	(468,463)	2,766	(2,243,777)
Cash at Beginning of Year	<u>2,394,444</u>	<u>1,158,674</u>	<u>199,731</u>	<u>584,724</u>	<u>4,397</u>	<u>4,341,970</u>
Cash at End of Year	<u>\$ 871,530</u>	<u>\$ 909,289</u>	<u>\$ 193,950</u>	<u>\$ 116,261</u>	<u>\$ 7,163</u>	<u>\$ 2,098,193</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 1,035,711	\$ (210,739)	\$ (13,877)	\$ (95,736)	\$ (2,234)	\$ 713,125
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and amortization	111,346	251,908	140,942	110,641	-	614,837
Change in deferred gain (loss) on debt defeasance	5,889	30,609	-	-	-	36,498
Change in pension expense as related to GASB 68	11,060	1,615	1,728	-	-	14,403
Change in accounts receivable	10,532	4,014	2,359	-	-	16,905
Change in inventories	(121,755)	169,351	-	-	-	47,596
Change in customer deposits	(675)	-	-	-	-	(675)
Change in accrued expenses	-	-	12,306	-	-	12,306
Change in accounts payable	119,221	(154,826)	(12,585)	-	-	(48,190)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,171,329</u>	<u>\$ 91,932</u>	<u>\$ 130,873</u>	<u>\$ 14,905</u>	<u>\$ (2,234)</u>	<u>\$ 1,406,805</u>

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

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

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* is governed by a board appointed by the City's elected council. The Authority operates the City's industrial park, however, the management of the Authority is performed by the City's employees. The services provided by the Authority are exclusively for the benefit of the City.

Discretely Presented Component Unit. The component unit column in the combined financial statements includes the financial data of the City's component unit, which does not meet the requirements for blending with the primary government. It is reported in separate column to emphasize that it is legally separate from the City. The governing board of the component unit is appointed by the City.

1. *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. In addition, the Board shares personnel, facilities, and other resources with the City.

Complete financial statements of the individual component unit can be obtained from the administrative office as follows:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position, 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:

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 *2016 General Obligation Warrant Debt Service Fund* is a debt service fund that accounts for the debt service requirements of the 2016 General Obligation Warrants.

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 recorded at estimated acquisition value at the date of donation.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (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

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 fund financial statements are presented on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Principles

GASB Statement No. 85, Omnibus 2017, was issued to address practice issues that have been identified during implementation and application of certain GASB statements. The statement was issued to address a variety of issues including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits) identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 85 are effective for fiscal year 2018. The adoption of GASB Statement No. 85 did not have any impact on the City's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued to improve consistency in accounting and reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of GASB Statement No. 86 are effective for fiscal year 2018 and its adoption has no impact on the City's financial statements.

Recently Issued Accounting Principles

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued to address accounting and financial reporting for certain retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance in this statement. The requirements of GASB Statement No. 83 are effective for fiscal year 2019. The City is currently evaluating the impact it may have on its financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2019. The City is currently evaluating the impact it may have on its financial statements.

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2021. The City is currently evaluating the impact it may have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the disclosures in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for the fiscal year 2019. The City is currently evaluating the impact that this statement may have on its financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for the fiscal year 2020. The City is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statement No. 14 and No. 61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB 90 are effective for fiscal year 2020. The City is currently evaluating the impact of GASB 90 may have on its financial statements.

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.

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 and sewer services (primary government) and water works (component unit) valued at cost which approximates market, using the first-in, first-out (FIFO) method.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 vacation and comp leave, which will be paid to employees upon separation from service. In governmental funds, the cost of vacation and comp 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.

Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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, 2018, 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.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following individual over expenditures were all approved by the City Council:

	<u>Excess Expenditures</u>		<u>Excess Expenditures</u>
<i>General Government:</i>		<i>Code Enforcement</i>	
Office supplies	\$ 11,811	Employee benefits	\$ 5,366
Dues and publications	2,454	Telephone	235
Repairs and maintenance	386,943	Fuel, oil and tires	567
Professional fees	347,557	<i>Other Departments:</i>	
Street lighting	85,566	<i>Municipal Court</i>	
Industrial development expenditures	40,723	Legal services	20,864
Capital expenditures	2,433,477	Other	2,729
Grants to local businesses	40,000	State fees	44,643
Other	103,688	<i>Library Department</i>	
<i>Public Safety:</i>		Salaries	8,334
<i>Police Department</i>		Employee benefits	4,915
Employee benefits	38,023	Telephone	110
Travel	45	Books purchased	23,272
Uniforms and equipment	2,671	Capital expenditures	22,057
Fuel, oil, and tires	357	<i>Recreation Department</i>	
Office supplies	1,288	Employee benefits	2,672
Other	5,919	Recreation activities	35,593
<i>Fire Department</i>		Capital expenditures	95,315
Salaries	3,598	Other	4,138
Employee benefits	11,611	<i>Cemetery Department</i>	
Office supplies	3,137	Salaries	1,241
Fuel, oil, and tires	57	Employee benefits	852
Capital expenditures	252,438	Gas and oil	754
<i>Public Works:</i>		<i>Traffic control</i>	
<i>Street Department</i>		Capital expenditures	7,760
Salaries	986	Repairs and maintenance	356
Employee benefits	2,871	<i>Beautification</i>	
Fuel, oil and tires	7,513	Capital expenditures	71,425
Capital expenditures	110,445	Other	8,496
Uniforms	1,648	<i>Payments to School Bd</i>	4,046,038
Telephone	274	<i>Payments to Water Bd</i>	14,407
Other	746	<i>Debt Service</i>	86,843
<i>Animal Control</i>		<i>Transfers Out</i>	830,760
Salaries	1,616		
Employee benefits	884		
Repairs and maintenance	1,882		

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Equity Classifications

Government-wide Financial Statements

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that superseded GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government*. Equity is classified as net position and displayed in three components:

- Net investment in capital assets—Consists of 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.
- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 general fund is the only fund appropriate to report a positive unassigned fund balance.

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 29, 2019, the date which the financial statements were available to be issued. On March 1, 2019 the City opened a new line of credit with an available limit of \$2,000,000. The line of credit matures March 5, 2020 and has an interest rate of 2.55% (See Note 7 for more information). There were no other material subsequent events which require disclosure at September 30, 2018.

NOTE 2 DEPOSITS AND INVESTMENTS

At September 30, 2018, the City had investments in U.S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$2,580,742. The average maturity of the portfolio was 21 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.

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, 2018, the City’s mutual fund investments were rated AAA 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.

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

NOTE 3 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 September 30, 2018, the largest customer for the gas fund accounted for approximately 96% of revenue in the gas fund.

NOTE 4 NET POSITION DEFICIT

At September 30, 2018, there was a deficit in net position of the Sewer Fund of \$2,221,970 and the Sanitation Fund of \$121,265. The City transferred funds in a subsequent fiscal year from the general fund to replenish the funds.

NOTE 5 GRANT PROCEEDS IN PROPRIETARY FUNDS

The Proprietary Funds received proceeds from a grant during the fiscal year September 30, 2018. The grant received in the Municipal Airport Fund was used to fund construction of runway improvements and is recorded as a capital contribution on the Statement of Revenues, Expenses and Changes in Fund Net Position.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 CAPITAL ASSETS

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

	Balance 09/30/17	Additions	Reclassifications/ Retirements	Balance 09/30/18
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 4,054,661	752,568	\$ -	\$ 4,807,229
Construction in progress	319,287	602,466	71,000	850,753
Total capital assets not being depreciated	4,373,948	1,355,034	71,000	5,657,982
<i>Capital assets being depreciated</i>				
Buildings	8,569,264	148,429	-	8,717,693
Improvements other than buildings	14,258,616	1,114,176	-	15,372,792
Vehicles and equipment	7,298,527	446,277	155,653	7,589,151
Total capital assets being depreciated	30,126,407	1,708,882	155,653	31,679,636
Less accumulated depreciation for:				
Buildings	2,714,766	187,236	-	2,902,002
Improvements other than buildings	3,405,339	362,933	-	3,768,272
Vehicles and equipment	5,621,787	467,343	114,400	5,974,730
Total accumulated depreciation	11,741,892	1,017,512	114,400	12,645,004
Total capital assets being depreciated	18,384,515	691,370	41,253	19,034,632
Capital assets, net	\$ 22,758,463	\$ 2,046,404	\$ 112,253	\$ 24,692,614
Depreciation was charged to governmental activities as follows:				
General	\$ 624,324			
Police	151,657			
Fire	95,254			
Street	88,982			
Recreation	50,375			
Library	6,920			
Total	\$ 1,017,512			

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Balance 09/30/17	Additions	Reclassifications/ Retirements	Balance 09/30/18
Business-type Activities				
Gas Service Fund				
<i>Capital assets not being depreciated</i>				
Land	\$ 11,100	\$ -	\$ -	\$ 11,100
Construction in progress	32,431	837,753	-	870,184
Total capital assets not being depreciated	43,531	837,753	-	881,284
<i>Capital assets being depreciated</i>				
Buildings and improvements	168,022	-	-	168,022
Utility systems	4,932,232	35,880	-	4,968,112
Equipment	1,083,902	20,090	19,495	1,084,497
Total capital assets being depreciated	6,184,156	55,970	19,495	6,220,631
Less accumulated depreciation for:				
Buildings and improvements	153,693	2,639	-	156,332
Utility systems	2,890,088	64,359	-	2,954,447
Equipment	942,080	44,348	19,495	966,933
Total accumulated depreciation	3,985,861	111,346	19,495	4,077,712
Total capital assets being depreciated	2,198,295	(55,376)	-	2,142,919
Capital assets, net	\$ 2,241,826	\$ 782,377	\$ -	\$ 3,024,203
Sewer Fund				
<i>Capital assets not being depreciated</i>				
Land	\$ 29,500	\$ -	\$ -	\$ 29,500
Construction in progress	171,565	-	171,565	-
Total capital assets not being depreciated	201,065	-	171,565	29,500
<i>Capital assets being depreciated</i>				
Utility systems	9,980,113	293,408	-	10,273,521
Equipment	1,125,637	16,884	27,621	1,114,900
Total capital assets being depreciated	11,105,750	310,292	27,621	11,388,421
Less accumulated depreciation for:				
Utility systems	2,580,358	205,290	-	2,785,648
Equipment	956,763	46,618	27,621	975,760
Total accumulated depreciation	3,537,121	251,908	27,621	3,761,408
Capital assets, net	\$ 7,769,694	\$ 58,384	\$ 171,565	\$ 7,656,513

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Balance 09/30/17	Additions	Reclassifications/ Retirements	Balance 09/30/18
Business-type Activities (continued)				
Sanitation Fund				
<i>Capital assets not being depreciated</i>				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
<i>Capital assets being depreciated</i>				
Equipment	1,675,544	-	-	1,675,544
Total capital assets being depreciated	1,675,544	-	-	1,675,544
Less accumulated depreciation for:				
Equipment	1,061,939	140,942	-	1,202,881
Total accumulated depreciation	1,061,939	140,942	-	1,202,881
Total capital assets being depreciated	613,605	(140,942)	-	472,663
Capital assets, net	\$ 616,605	\$ (140,942)	\$ -	\$ 475,663
Municipal Airport Fund				
<i>Capital assets not being depreciated</i>				
Land	\$ 298,000	\$ -	\$ -	\$ 298,000
Total capital assets not being depreciated	298,000	-	-	298,000
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,022,477	42,677	-	3,065,154
Equipment	345,426	5,384	-	350,810
Total capital assets being depreciated	3,367,903	48,061	-	3,415,964
Less accumulated depreciation for:				
Buildings and improvements	687,360	89,932	-	777,292
Equipment	258,782	20,709	-	279,491
Total accumulated depreciation	946,142	110,641	-	1,056,783
Total capital assets being depreciated	2,421,761	(62,580)	-	2,359,181
Capital assets, net	\$ 2,719,761	\$ (62,580)	\$ -	\$ 2,657,181
Brewton Development Authority				
<i>Capital assets not being depreciated</i>				
Land	\$ 137,413	\$ -	\$ -	\$ 137,413
Capital assets, net	\$ 137,413	\$ -	\$ -	\$ 137,413

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 CAPITAL ASSETS (CONTINUED)

Component Unit:	Balance 09/30/17	Additions	Reclassifications/ Retirements	Balance 09/30/18
Water Works Board				
<i>Capital assets not being depreciated</i>				
Land	\$ 83,423	\$ 1,783	\$ -	\$ 85,206
Construction in progress	155,415	37,000	155,415	37,000
Total capital assets not being depreciated	<u>238,838</u>	<u>38,783</u>	<u>155,415</u>	<u>122,206</u>
<i>Capital assets being depreciated</i>				
Water system	11,498,511	1,546,559	-	13,045,070
Machinery and equipment	1,455,234	115,102	-	1,570,336
Property under capital lease	40,653	-	-	40,653
Furniture and fixtures	67,609	-	-	67,609
Total capital assets being depreciated	<u>13,062,007</u>	<u>1,661,661</u>	<u>-</u>	<u>14,723,668</u>
Less accumulated depreciation for:				
Water system	3,862,846	258,197	-	4,121,043
Machinery and equipment	1,152,496	66,954	-	1,219,450
Property under capital lease	31,168	8,131	-	39,299
Furniture and fixtures	67,609	-	-	67,609
Total accumulated depreciation	<u>5,114,119</u>	<u>333,282</u>	<u>-</u>	<u>5,447,401</u>
Total capital assets being depreciated	<u>7,947,888</u>	<u>1,328,379</u>	<u>-</u>	<u>9,276,267</u>
Capital assets, net	<u>\$ 8,186,726</u>	<u>\$ 1,367,162</u>	<u>\$ 155,415</u>	<u>\$ 9,398,473</u>

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt	\$ 6,152,415	\$ -	\$ 446,996	\$ 5,705,419	\$ 399,449
Capital Lease Obligations	269,435	-	68,429	201,006	61,545
Compensated Absences	297,365	350,181	327,953	319,593	63,919
	<u>6,719,215</u>	<u>350,181</u>	<u>843,378</u>	<u>6,226,018</u>	<u>524,913</u>
Warrant Premium	<u>200,796</u>	<u>-</u>	<u>15,348</u>	<u>185,448</u>	<u>-</u>
Net Pension Liability	<u>3,778,834</u>	<u>-</u>	<u>303,415</u>	<u>3,475,419</u>	<u>-</u>
Governmental Activities, long-term liabilities	<u>10,698,845</u>	<u>350,181</u>	<u>1,162,141</u>	<u>9,886,885</u>	<u>524,913</u>
Business-type Activities					
General Obligation Debt	12,962,855	-	423,490	12,539,365	432,063
Capital Lease Obligations	343,436	-	41,962	301,474	44,245
Accrued Postclosure Costs	306,833	12,306	-	319,139	12,306
	<u>13,613,124</u>	<u>12,306</u>	<u>465,452</u>	<u>13,159,978</u>	<u>488,614</u>
Warrant Premium	85,713		3,960	81,753	-
Warrant Discount	<u>(81,916)</u>	<u>-</u>	<u>4,102</u>	<u>(77,816)</u>	<u>-</u>
Net Pension Liability	<u>709,222</u>	<u>-</u>	<u>63,588</u>	<u>645,634</u>	<u>-</u>
Business-type Activities, long-term liabilities	<u>14,326,143</u>	<u>12,306</u>	<u>537,102</u>	<u>13,809,549</u>	<u>488,614</u>
Total Long-term Liabilities	<u>\$ 25,024,988</u>	<u>\$ 362,487</u>	<u>\$ 1,699,243</u>	<u>\$ 23,696,434</u>	<u>\$ 1,013,527</u>

Compensated absences, typically, have been liquidated in the general fund.

Bonds and warrants payable at September 30, 2018, were comprised of the following:

General Obligation Bonds and Warrants:

2017 General Obligation Sewer Revenue Warrant
payable in annual installments of \$30,000 to \$310,000
through December 1, 2043, with interest at 2.00% to
3.40% payable June 1, and December 1.

\$ 5,295,000

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

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

2017 General Obligation Gas Revenue Warrant payable in annual installments of \$5,000 to \$95,000 through December 1, 2028, with interest at 2.00% to 2.30% payable June 1, and December 1.	680,000
2016 General Obligation Warrants payable in annual installments of \$365,000 to \$520,000 through December 1, 2030, with interest at 2.00% to 3.13% payable June 1, and December 1.	5,655,000
2013 General Obligation Sewer Revenue Warrant payable in annual installments of \$140,000 to \$350,000 through December 1, 2043, with interest at 4.750% to 5.00% payable June 1, and December 1.	5,860,000
2013 General Obligation Gas Revenue Warrant payable in annual installments of \$60,000 to \$65,000 through December 1, 2020, with interest at 2.00% to 4.25% payable on June 1, and December 1.	190,000
2014 Clean Water State Revolving Fund General Obligation Warrants payable in annual installments of \$20,000 to \$30,000 through February 15, 2035, with interest at 1.70% to 2.45% payable on February 15 and August 15.	425,000
Note payable for purchase of sanitation equipment dated October 14, 2016, due in 36 monthly installments of \$2,493, including interest at 2.80%, maturing October 21, 2019.	25,287
Note payable for purchase of Christmas lights October 2, 2013, due in 60 monthly installments of \$2,288, including interest at 2.19%, maturing October 2, 2018.	2,381
Note payable for purchase of street vehicle dated October 26, 2016, due in 24 monthly installments of \$564, including interest at 5.50%, maturing October 20, 2018.	553
Note payable for purchase of tractor dated April 30, 2015, due in 60 monthly installments of \$842, including interest at 2.00%, maturing April 30, 2020.	15,800
Note payable for purchase of trash truck dated April 15, 2015, due in 60 monthly installments of \$2,335, including interest at 1.75%, maturing April 15, 2020.	44,101

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Note payable for purchase of street sweeper dated March 8, 2015, due in 60 monthly installments of \$2,676, including interest at 1.79%, maturing March 8, 2020. 47,485

Note payable for purchase of dozer dated December 17, 2015, due in 36 monthly installments of \$1,409.18, including interest at 2.63%, maturing December 17, 2018. 4,177

Total General Obligation Bonds and Warrants \$ 18,244,784

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 399,449	\$ 163,670	\$ 432,063	\$ 440,967
2020	385,970	155,834	397,303	430,070
2021	380,000	146,350	385,000	419,875
2022	395,000	134,725	400,000	409,166
2023	405,000	122,725	410,000	397,740
2024-2028	2,225,000	409,750	2,225,000	1,793,537
2029-2033	1,515,000	69,075	2,240,000	1,412,749
2034-2038	-	-	2,470,000	981,160
2039-2043	-	-	2,920,000	451,090
2044	-	-	659,999	13,788
	<u>\$ 5,705,419</u>	<u>\$ 1,202,129</u>	<u>\$ 12,539,365</u>	<u>\$ 6,750,141</u>

Certain General Obligation Bonds and Warrants are not associated with the City's capital assets. The unspent proceeds of the 2016 General Obligation Warrant have not been included in the calculation of Net Investment in Capital Assets. The unspent proceeds of the 2013 and 2017 General Obligation Sewer and Gas Warrants have not been included in the calculation of Net Investment in Capital Assets.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of fire vehicles and various street equipment. Additionally, the City has financed the acquisition of certain items of equipment for the sanitation fund. 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.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 519,442	\$ 399,341
Less accumulated depreciation	301,427	160,846
Total	<u>\$ 218,015</u>	<u>\$ 238,495</u>

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

Year Ending September 30,	Governmental Activities	Business-type Activities
2019	\$ 66,920	\$ 59,186
2020	52,255	59,186
2021	47,365	59,186
2022	<u>47,364</u>	<u>165,987</u>
Total minimum lease payments	213,904	343,545
Less amount representing interest	<u>(12,898)</u>	<u>(42,071)</u>
Present value of minimum lease payments	<u>\$ 201,006</u>	<u>\$ 301,474</u>

Line of Credit and Letter of Credit

The City has a line of credit with a \$1,700,000 limit. As of September 30, 2018, the balance was \$451,265. The interest rate is 4.75% with a maturity date of June 30, 2019. In addition, the City also has an unused letter of credit (\$1,500,000 limit). Both were established to fund gas purchases in the Gas Fund (Business-type Activity). On March 1, 2019 the City opened a new line of credit with an available limit of \$2,000,000. The line of credit matures March 5, 2020 and has an interest rate of 2.55%.

NOTE 8 DEBT ISSUE COST

Issuance expense on long-term debt is accounted for as costs relating to the services provided in the current period and, as such, is expensed in the current period.

For governmental funds, bond discounts/premiums are treated as other financing sources (uses) in the year of issue in the fund financial statements. In the government-wide financial statements and proprietary fund financial statements, bond discounts/premiums are presented as a reduction/addition to the face amount of the bonds payable.

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

NOTE 9 DEBT DEFEASANCE

In a prior year, debt of the City was defeased by placing the proceeds of the refunding issue in an irrevocable trust to provide for all future debt service payments of the defeased debt issue. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At September 30, 2018, \$9,185,000 of defeased debt is outstanding.

NOTE 10 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 \$319,139 reported as accrued postclosure costs by the sanitation fund represents the cumulative amount of estimated costs through September 30, 2018. 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, 2018. Estimated total landfill capacity is 1,350,000 cubic yards of which 1,178,597 cubic yards or approximately 87 percent had been used at September 30, 2016. The landfill's estimated remaining life at September 30, 2018, was approximately 4 years.

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

NOTE 11 PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. The component unit, Water Works of Brewton, Alabama, is included in the City's pension plan. The plan is affiliated with the Employees Retirement System of Alabama (RSA), an agency multiple-employer pension plan. The State of Alabama has the authority to establish and amend the benefit provisions of the plans that participate. RSA issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

The RSA was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis to all cities, counties, towns and quasi public organizations. The responsibility for general administration and operation of the RSA 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 granted to retirees. RSA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.rsa-al.gov.

As established by state statute, all full-time employees of the City must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the City vest after 10 years of full-time employment. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions if vesting requirements are satisfied. During its 2012 session, the Alabama Legislature passed and the Governor signed into law changes in the pension plan creating a Tier 2 employee. Employees hired prior to January 1, 2013 (Tier 1 employees) must contribute 5% of his or her gross earnings to the pension plan. Employees hired on or after that date (Tier 2 employees) will contribute on gross earnings at rate of 6%.

A Tier 1 employee may retire after 25 years of credited service and receive pension benefits equal to 2.0125% of the employee's average final salary multiplied times years of credited service. A Tier 2 employee may retire after attainment of age 62 and ten years of service years and with benefits equal to 1.65% of the employee's average final salary multiplied times years of credited service. Average final salary for Tier 1 employees is defined as the average of the three highest years' salary out of the last ten years of service. Average final salary for Tier 2 employees is defined as the average of the five highest years' salary out of the last ten years of service. The pension plan also provides death benefits and disability benefits as determined by state statutes.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 PENSION PLAN (CONTINUED)

The City's contractually required contribution rate for the year ended September 30, 2018, was 9.79% for Tier 1 employees, and 7.15% for Tier 2 employees. The contribution requirements of plan members and the City are established and may be amended by RSA. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$432,919 and \$34,691 for the City and Water Works Board, respectively, for the year ended September 30, 2018.

At September 30, 2018, the following employees were covered by the Plan:

	<u>Number</u>
Retired members or their beneficiaries currently receiving benefits	50
Vested inactive members	3
Non-vested inactive members	17
Active members	119
Post-DROP retired members still in active service	<u>0</u>
Total	<u><u>189</u></u>

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 PENSION PLAN (CONTINUED)

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

	Expected		Actual - 2017 Valuation Assumptions	
	City of Brewton	Water Board	City of Brewton	Water Board
(a) Total Pension Liability as of September 30, 2016	\$ 14,045,929	\$ 1,308,647	\$ 14,176,917	\$ 1,320,852
(b) Discount rate	7.75%	7.75%	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 to September 30, 2017	392,020	36,524	392,020	36,524
(d) Transfers Among Employers				
(e) Actual Benefit Payments & Refunds for October 1, 2016 to September 30, 2017	<u>(917,418)</u>	<u>(85,475)</u>	<u>(917,418)</u>	<u>(85,475)</u>
(f) Total Pension Liability as of September 30, 2017 [(a) x (1+(b)) + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 14,573,540</u>	<u>\$ 1,357,805</u>	<u>\$ 14,896,854</u>	<u>\$ 1,387,928</u>
(g) Difference between Expected and Actual			<u>\$ 323,314</u>	<u>\$ 30,123</u>
(h) Less Liability Transferred for Immediate Recognition			<u>182,174</u>	<u>16,973</u>
(i) Experience (Gain)/Loss = (g) - (h)			<u>\$ 141,140</u>	<u>\$ 13,150</u>

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability in the September 30, 2017, actuarial valuation was determined as part of actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of pension plan investment expense), (b) projected salary increases ranging from 3.75% to 7.25% per year, and an inflation component of 3%. Mortality rates for RSA were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.0%	5.0%
U.S. Large Stocks	34.0%	9.0%
U.S. Mid Stocks	8.0%	12.0%
U.S. Small Stocks	3.0%	15.0%
Inter'ntl Developed Mkt Stks	15.0%	11.0%
Inter'ntl Emerging Mkt Stks	3.0%	16.0%
Real Estate	10.0%	7.5%
Cash	2.0%	1.5%

*Includes assumed rate of inflation of 2.5%

Discount Rate - The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the RSA Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability		Plan Fiduciary Net Position		Net Pension Liability	
	City of Brewton	Water Board	City of Brewton	Water Board	City of Brewton	Water Board
Balances at September 30, 2016	\$ 14,045,929	\$ 1,308,647	\$ 9,562,250	\$ 890,907	\$ 4,483,679	\$ 417,740
Changes for the year:						
Service cost	392,020	36,524	-	-	392,021	36,524
Interest	1,053,010	98,108	-	-	1,053,010	98,108
Changes of assumptions	-	-	-	-	-	-
Differences between expected and actual experience	141,140	13,150	-	-	141,140	13,150
Contributions - employer	-	-	474,139	44,175	(474,139)	(44,175)
Contributions - employee	-	-	252,384	23,514	(252,384)	(23,514)
Net investment income	-	-	1,222,274	113,878	(1,222,274)	(113,878)
Benefit payments, including refunds of employee contributions	(917,418)	(85,475)	(917,418)	(85,475)	-	-
Administrative expense	-	-	-	-	-	-
Transfers among employers	182,174	16,973	182,174	16,973	-	-
Net Changes	850,926	79,280	1,213,553	113,065	(362,626)	(33,785)
Balances at September 30, 2017	<u>\$ 14,896,855</u>	<u>\$ 1,387,927</u>	<u>\$ 10,775,803</u>	<u>\$ 1,003,972</u>	<u>\$ 4,121,053</u>	<u>\$ 383,955</u>

Sensitivity of the net pension liability to changes in the discount rate - The following table presents the City and Water Board's net pension liability calculated using the discount rate of 7.75%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)		Current Discount Rate (7.75%)		1% Increase (8.75%)	
	City of Brewton	Water Board	City of Brewton	Water Board	City of Brewton	Water Board
Net pension liability	\$ 5,902,326	\$ 549,915	\$ 4,121,053	\$ 383,955	\$ 2,626,912	\$ 244,747

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 PENSION PLAN (CONTINUED)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2017. The auditor's report dated November 3, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$603,432 and \$56,221 for the City and Water Board, respectively. At September 30, 2018, the City and Water Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	City of Brewton	Water Board	City of Brewton	Water Board
Differences between expected and actual experience	\$ 641,326	\$ 56,938	\$ -	\$ -
Changes of assumptions	365,904	31,543	-	-
Net difference between projected and actual earnings on plan investments	-	-	323,103	32,534
Employer contributions subsequent to measurement date*	<u>432,919</u>	<u>34,691</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,440,149</u>	<u>\$ 123,172</u>	<u>\$ 323,103</u>	<u>\$ 32,534</u>

*Employer contributions made from October 1, 2017 through September 30, 2018, related to normal and accrued liability components of employer rate net of any refunds or error service payments. These amounts will be recognized in 2019 as a reduction of the net pension liability.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 PENSION PLAN (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ending September 30,	City of Brewton	Water Board	Total
2019	\$ 148,736	\$ 16,903	\$ 165,639
2020	217,293	18,485	235,778
2021	97,370	8,283	105,653
2022	89,924	7,650	97,574
2023	113,934	9,692	123,626
Thereafter	12,928	1,100	14,028
	<u>\$ 680,185</u>	<u>\$ 62,113</u>	<u>\$ 742,298</u>

NOTE 12 INTERFUND TRANSACTIONS

Interfund receivables and payables at September 30, 2018 are:

	Interfund Payables			
	General	Sewer	Sanitation	Totals
<u>Interfund Receivables</u>				
General	\$ -	\$ -	\$ 75,000	\$ 75,000
Airport	5,342	-	-	5,342
Gas Service	331,855	1,850	-	333,705
Totals	<u>\$ 337,197</u>	<u>\$ 1,850</u>	<u>\$ 75,000</u>	<u>\$ 414,047</u>

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 12 INTERFUND TRANSACTIONS (CONTINUED)

At September 30, 2018, interfund transfers consisted of the following:

	Transfers Out						
	General	2016 GOW DSF	Other Governmental	Gas Service	Sewer	Sanitation	Airport
<u>Transfers In</u>							
General	\$ -	\$ 1,166,136	\$ 1,163	\$ 2,245,711	\$ 175,000	\$ 6,519	\$ 476,489
Other Governmental	-	-	-	25,000	-	-	-
2016 GOW DSF	103,039	-	-	-	-	-	-
Gas Service	70,855	71,836	-	-	-	10,584	-
Sewer	653,026	-	-	-	-	-	-
Brewton Development Authority	-	-	-	5,000	-	-	-
Airport	639	-	-	-	-	-	-
Sanitation	3,201	-	-	3,000	-	-	-
Totals	<u>\$ 830,760</u>	<u>\$ 1,237,972</u>	<u>\$ 1,163</u>	<u>\$ 2,278,711</u>	<u>\$ 175,000</u>	<u>\$ 17,103</u>	<u>\$ 476,489</u>

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.

The 2016 GOW proceeds were used during the year to fund various City projects and operations in the gas service fund as well as the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BREWTON, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30,

	2017			2016			2015			2014		
	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total
Total pension liability												
Service cost	\$ 392,032	\$ 36,512	\$ 428,544	\$ 336,598	\$ 31,349	\$ 367,947	\$ 322,075	\$ 29,727	\$ 351,802	\$ 315,894	\$ 29,647	\$ 345,541
Interest	1,053,043	98,075	1,151,118	965,388	89,912	1,055,300	906,285	83,649	989,934	877,456	82,351	959,807
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	141,144	13,146	154,290	487,080	45,364	532,444	352,055	32,494	384,549	-	-	-
Changes of assumptions	-	-	-	521,664	48,585	570,249	-	-	-	-	-	-
Benefit payments, including												
refunds of employee contributions	(917,447)	(85,446)	(1,002,893)	(838,837)	(78,125)	(916,962)	(825,293)	(76,174)	(901,467)	(874,026)	(82,030)	(956,056)
Transfers among employers	182,180	16,967	199,147	87,704	8,168	95,872	-	-	-	-	-	-
Net change in total pension liability	850,952	79,254	930,206	1,559,597	145,253	1,704,850	755,122	69,696	824,818	319,324	29,968	349,292
Total pension liability- beginning	14,046,366	1,308,210	15,354,576	12,486,769	1,162,957	13,649,726	11,741,203	1,083,705	12,824,908	11,405,208	1,070,408	12,475,616
Total pension liability- ending (a)	\$ 14,897,318	\$ 1,387,464	\$ 16,284,782	\$ 14,046,366	\$ 1,308,210	\$ 15,354,576	\$ 12,496,325	\$ 1,153,401	\$ 13,649,726	\$ 11,724,532	\$ 1,100,376	\$ 12,824,908
Plan fiduciary net position												
Contributions- employer	\$ 474,107	\$ 44,206	\$ 518,314	\$ 446,756	\$ 41,609	\$ 488,365	\$ 426,890	\$ 39,402	\$ 466,292	\$ 353,734	\$ 33,199	\$ 386,933
Contributions- member	252,391	23,507	275,898	241,413	22,484	263,897	224,575	20,728	245,303	210,866	19,790	230,656
Net investment income	1,222,486	113,666	1,336,152	886,784	82,401	969,185	103,711	9,572	113,283	962,030	90,289	1,052,319
Benefit payments, including refunds of employee	(917,447)	(85,446)	(1,002,893)	(838,837)	(78,125)	(916,962)	(825,293)	(76,174)	(901,467)	(874,026)	(82,030)	(956,056)
Transfers among employers	182,180	16,967	199,147	87,704	8,168	95,872	(26,380)	(2,435)	(28,815)	8,699	816	9,515
Net change in plan fiduciary net position	1,213,717	112,900	1,326,618	823,820	76,537	900,357	(96,497)	(8,907)	(105,404)	661,303	62,064	723,367
Plan net position- beginning	9,562,548	890,609	10,453,157	8,738,901	813,899	9,552,800	8,842,086	816,118	9,658,204	8,168,228	766,609	8,934,837
Plan net position- ending (b)	\$ 10,776,265	\$ 1,003,509	\$ 11,779,775	\$ 9,562,721	\$ 890,436	\$ 10,453,157	\$ 8,745,589	\$ 807,211	\$ 9,552,800	\$ 8,829,531	\$ 828,673	\$ 9,658,204
Net pension liability (asset)- ending (a) - (b)	\$ 4,121,053	\$ 383,955	\$ 4,505,007	\$ 4,483,645	\$ 417,774	\$ 4,901,419	\$ 3,750,736	\$ 346,190	\$ 4,096,926	\$ 2,895,001	\$ 271,703	\$ 3,166,704
Plan fiduciary net position as a percentage of the total pension liability	66.18%	6.16%	72.34%	62.28%	5.80%	68.08%	64.08%	5.91%	69.99%	68.85%	6.46%	75.31%
Covered payroll *	\$ 4,393,816	\$ 409,218	\$ 4,803,034	\$ 4,314,520	\$ 401,833	\$ 4,716,353	\$ 4,055,403	\$ 374,311	\$ 4,429,714	\$ 4,049,645	\$ 380,069	\$ 4,429,714
Net pension liability (asset) as a percentage of covered-employee payroll	93.79%	93.83%	93.80%	103.92%	103.97%	103.92%	92.49%	92.49%	92.49%	71.49%	71.49%	71.49%

* Employer's covered-payroll during the measurement period is the total covered payroll. For FY2018 the measurement period is October 1, 2017 - September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY2017.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF BREWTON, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30,**

	2018			2017			2016			2015		
	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total
Actuarially determined contribution*	\$ 432,919	\$ 34,691	\$ 467,610	\$ 387,299	\$ 33,009	\$ 420,308	\$ 369,632	\$ 34,117	\$ 403,749	\$ 369,107	\$ 34,642	\$ 403,749
Contributions in relation to the actuarially determined contribution*	<u>432,919</u>	<u>34,691</u>	<u>467,610</u>	<u>387,299</u>	<u>33,009</u>	<u>420,308</u>	<u>369,632</u>	<u>34,117</u>	<u>403,749</u>	<u>369,107</u>	<u>34,642</u>	<u>403,749</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$ 4,733,607	\$ 440,865	\$ 5,174,472	\$ 4,393,816	\$ 409,218	\$ 4,803,034	\$ 4,317,821	\$ 398,532	\$ 4,716,353	\$ 4,049,645	\$ 380,069	\$ 4,429,714
Contributions as a percentage of covered-employee payroll	9.15%	7.87%	9.04%	8.81%	8.07%	8.75%	8.56%	8.56%	8.56%	9.11%	9.11%	9.11%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

** Employer's covered-payroll during fiscal year is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2018 were based on the September 30, 2016 actuarial valuation.

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.3 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75- 7.25 %, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes			
Ad valorem tax	\$ 625,000	\$ 1,330,428	\$ 705,428
Beer tax	55,000	54,171	(829)
Cigarette tax	9,000	13,217	4,217
Sales tax	5,210,504	8,492,133	3,281,629
City gasoline tax	149,000	197,937	48,937
Wine tax	3,000	3,263	263
Oil severance tax	-	61,348	61,348
Total Taxes	<u>6,051,504</u>	<u>10,152,497</u>	<u>4,100,993</u>
Licenses and Permits			
Business licenses	1,100,000	1,126,780	26,780
Building permits	21,600	21,708	108
Total Licenses and Permits	<u>1,121,600</u>	<u>1,148,488</u>	<u>26,888</u>
Fines and Forfeitures			
Fines and court costs	<u>75,900</u>	<u>169,895</u>	<u>93,995</u>
Fees and Charges			
Recreation and golf revenues	5,420	8,144	2,724
Library fees	-	8,236	8,236
Miscellaneous fees	81,500	120,855	39,355
Total Fees and Charges	<u>86,920</u>	<u>137,235</u>	<u>50,315</u>
Intergovernmental Revenues			
Federal grants	-	14,595	14,595
Production privilege tax	13,500	18,241	4,741
Financial excise tax	39,000	21,317	(17,683)
Motor vehicle license	17,500	17,167	(333)
Business privilege tax	24,000	24,910	910
ABC store revenue	-	1,383	1,383
State capital improvement revenue	-	96,541	96,541
Total Intergovernmental Revenues	<u>94,000</u>	<u>194,154</u>	<u>100,154</u>
Revenue From City Property			
Sale of City property	4,500	15,314	10,814
Rent	-	19,413	19,413
Community center	16,000	18,345	2,345
Total Revenue From City Property	<u>20,500</u>	<u>53,072</u>	<u>32,572</u>

(continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES (continued)
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Other Revenue			
Interest earned	-	1,567	1,567
Donations	-	940,913	940,913
Other	-	223,451	223,451
Total Other Revenue	-	1,165,931	1,165,931
Total Revenues	7,450,424	13,021,272	5,570,848
Other Financing Sources			
Transfers in	1,525,000	4,071,018	2,546,018
Total Other Financing Sources	1,525,000	4,071,018	2,546,018
Total Revenues and Other Financing Sources	<u>\$ 8,975,424</u>	<u>\$ 17,092,290</u>	<u>\$ 8,116,866</u>

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
Salaries	\$ 564,867	\$ 482,969	\$ 81,898
Employee benefits	82,212	81,056	1,156
Utilities	70,500	61,186	9,314
Lease	69,000	63,040	5,960
Telephone	36,600	34,317	2,283
Office supplies	13,000	24,811	(11,811)
Dues and publications	2,850	5,304	(2,454)
Travel	33,500	25,259	8,241
Insurance	75,638	42,540	33,098
Repairs and maintenance	146,800	533,743	(386,943)
Professional fees	122,500	470,057	(347,557)
Street lighting	-	85,566	(85,566)
Fire hydrant rental	18,000	17,745	255
Industrial development expenditures	13,500	54,223	(40,723)
Appropriation	10,757	10,757	-
Capital expenditures	-	2,433,477	(2,433,477)
Grants to local businesses	-	40,000	(40,000)
Other	183,200	286,888	(103,688)
Total General Government	<u>1,442,924</u>	<u>4,752,938</u>	<u>(3,310,014)</u>
Public Safety			
Police Department			
Salaries	1,674,669	1,664,492	10,177
Employee benefits	356,661	394,684	(38,023)
Travel	20,000	20,045	(45)
Telephone	25,000	23,397	1,603
Uniforms and equipment	36,000	38,671	(2,671)
Repairs and maintenance	101,500	40,672	60,828
Fuel, oil, and tires	75,000	75,357	(357)
Ammunition	4,000	3,150	850
Insurance	165,380	146,258	19,122
Jail expenditures	1,000	-	1,000
Laundry	1,500	383	1,117
Investigation and education	31,500	30,663	837
Office supplies	8,000	9,288	(1,288)
Other	14,500	20,419	(5,919)
Total Police Department	<u>2,514,710</u>	<u>2,467,479</u>	<u>47,231</u>

(continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES (continued)
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Public Safety (Continued)			
Fire Department			
Salaries	\$ 766,488	\$ 770,086	\$ (3,598)
Employee benefits	190,000	201,611	(11,611)
Insurance	60,004	47,630	12,374
Repairs and maintenance	35,200	15,211	19,989
Tools and supplies	17,250	8,563	8,687
Utilities	11,500	11,148	352
Telephone	19,200	19,003	197
Office supplies	4,800	7,937	(3,137)
Uniforms	6,000	3,069	2,931
Education and travel	17,000	13,815	3,185
Fuel, oil, and tires	13,500	13,557	(57)
Laundry	500	37	463
Miscellaneous	300	125	175
Capital expenditures	-	252,438	(252,438)
Total Fire Department	<u>1,141,742</u>	<u>1,364,230</u>	<u>(222,488)</u>
 Total Public Safety	 <u>3,656,452</u>	 <u>3,831,709</u>	 <u>(175,257)</u>
Public Works			
Street Department			
Salaries	862,621	863,607	(986)
Employee benefits	209,165	212,036	(2,871)
Insurance	97,533	70,944	26,589
Repairs and maintenance	301,725	253,824	47,901
Tools and supplies	20,000	18,538	1,462
Fuel, oil, and tires	67,000	74,513	(7,513)
Chemicals	5,000	1,790	3,210
Capital expenditures	-	110,445	(110,445)
Uniforms	21,060	22,708	(1,648)
Utilities	16,000	14,773	1,227
Telephone	10,000	10,274	(274)
Other	3,613	4,359	(746)
Total Street Department	<u>1,613,717</u>	<u>1,657,811</u>	<u>(44,094)</u>
Animal Control			
Salaries	71,811	73,427	(1,616)
Employee benefits	16,995	17,879	(884)
Uniforms	900	897	3
Insurance	2,173	1,023	1,150
Repairs and maintenance	12,100	13,982	(1,882)
Tools and supplies	5,500	4,905	595
Telephone	900	860	40
Utilities	6,800	6,119	681
Other	775	279	496
Total Animal Control	<u>117,954</u>	<u>119,371</u>	<u>(1,417)</u>

(continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES (continued)
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Code Enforcement			
Salaries	\$ 82,413	\$ 81,593	\$ 820
Employee benefits	17,804	23,170	(5,366)
Travel	2,500	931	1,569
Office supplies	12,300	4,307	7,993
Insurance	5,164	2,165	2,999
Repairs and maintenance	7,750	4,343	3,407
Telephone	5,800	6,035	(235)
Fuel, oil, and tires	1,000	1,567	(567)
Total Code Enforcement	134,731	124,111	10,620
Total Public Works	1,866,402	1,901,293	(34,891)
Other Departments			
Municipal Court			
Salaries	170,669	159,788	10,881
Employee benefits	22,583	19,920	2,663
Legal services	2,500	23,364	(20,864)
Court supplies	2,000	1,879	121
Travel	1,500	1,345	155
Telephone	8,400	7,731	669
Other	6,700	9,429	(2,729)
State fees	-	44,643	(44,643)
Total Municipal Court	214,352	268,099	(53,747)
Library Department			
Salaries	280,069	288,403	(8,334)
Employee benefits	55,277	60,192	(4,915)
Insurance	24,626	21,922	2,704
Utilities	31,000	29,653	1,347
Telephone	12,500	12,610	(110)
Repairs and maintenance	23,000	11,141	11,859
Travel	3,000	-	3,000
Books purchased	8,000	31,272	(23,272)
Capital expenditures	-	22,057	(22,057)
Office supplies	15,300	12,380	2,920
Total Library Department	452,772	489,630	(36,858)
Recreation Department			
Salaries	223,515	218,438	5,077
Employee benefits	56,000	58,672	(2,672)
Utilities	48,500	43,998	4,502
Insurance	37,007	20,047	16,960
Recreation activities	176,000	211,593	(35,593)
Capital expenditures	-	95,315	(95,315)
Other	8,150	12,288	(4,138)
Repairs and maintenance	184,500	47,584	136,916
Total Recreation Department	733,672	707,935	25,737

(continued)

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES (continued)
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Other Departments (Continued)			
Cemetery Department			
Salaries	\$ 49,964	\$ 51,205	\$ (1,241)
Employee benefits	15,895	16,747	(852)
Insurance	9,902	7,962	1,940
Utilities	3,300	2,605	695
Uniforms	1,775	1,657	118
Gas and oil	4,600	5,354	(754)
Repairs and maintenance	22,650	5,998	16,652
Total Cemetery Department	<u>108,086</u>	<u>91,528</u>	<u>16,558</u>
Traffic Control			
Capital expenditures		7,760	(7,760)
Repairs and maintenance	38,300	38,656	(356)
Total Traffic Control	<u>38,300</u>	<u>46,416</u>	<u>(8,116)</u>
Beautification and Fine Arts			
Repairs and maintenance	243,000	118,825	124,175
Capital expenditures	-	71,425	(71,425)
Other	2,000	10,496	(8,496)
Total Beautification and Fine Arts	<u>245,000</u>	<u>200,746</u>	<u>44,254</u>
Total Other Departments	<u>1,792,182</u>	<u>1,804,354</u>	<u>(4,412)</u>
Payments to Brewton City Board of Education	-	4,046,038	(4,046,038)
Payments to Water Works Board	-	14,407	(14,407)
Debt Service			
Principal	63,333	160,425	(97,092)
Interest	20,150	9,901	10,249
Total Debt Service	<u>83,483</u>	<u>170,326</u>	<u>(86,843)</u>
Total Expenditures	8,841,443	16,521,065	(7,679,622)
Other Financing Uses			
Transfers out	-	830,760	(830,760)
Total Expenditures and Other Financing Uses	<u>\$ 8,841,443</u>	<u>\$ 17,351,825</u>	<u>\$ (8,510,382)</u>

**CITY OF BREWTON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Debt Service Fund	Special Revenue Funds			
	2009 General Obligation Warrant Fund	Street Construction Fund	Street Improvement Fund	Total	Total Nonmajor Governmental Funds
Assets					
Cash	\$ -	\$ 94,302	\$ 7,726	\$ 102,028	\$ 102,028
Total Assets	<u>\$ -</u>	<u>\$ 94,302</u>	<u>\$ 7,726</u>	<u>\$ 102,028</u>	<u>\$ 102,028</u>
Fund Balances					
Fund Balances					
Restricted for:					
Street construction	\$ -	\$ 94,302	\$ -	\$ 94,302	\$ 94,302
Street improvements	-	-	7,726	7,726	7,726
Total Fund Balances	<u>-</u>	<u>94,302</u>	<u>7,726</u>	<u>102,028</u>	<u>102,028</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>\$ 94,302</u>	<u>\$ 7,726</u>	<u>\$ 102,028</u>	<u>\$ 102,028</u>

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

	Debt Service Fund	Special Revenue Funds			
	2009				
	General Obligation Warrant Fund	Street Construction Fund	Street Improvement Fund	Total	Total Nonmajor Governmental Funds
Revenues					
State gasoline tax	\$ -	\$ 27,732	\$ 35,359	\$ 63,091	\$ 63,091
Interest earned	810	-	-	-	810
Other revenue	-	-	2,500	2,500	2,500
Total Revenues	810	27,732	37,859	65,591	66,401
Expenditures					
Public works program	-	3,600	55,865	59,465	59,465
Debt Service:					
Principal	355,000	-	-	-	355,000
Interest	7,100	-	-	-	7,100
Total Expenditures	362,100	3,600	55,865	59,465	421,565
Excess Revenues Over (Under) Expenditures	(361,290)	24,132	(18,006)	6,126	(355,164)
Other Financing Sources (Uses)					
Transfers in/(out)	(1,163)	-	25,000	25,000	23,837
Total Other Financing Sources (Uses)	(1,163)	-	25,000	25,000	23,837
Net change in fund balances	(362,453)	24,132	6,994	31,126	(331,327)
Fund Balances at Beginning of Year	362,453	70,170	732	70,902	433,355
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 94,302</u>	<u>\$ 7,726</u>	<u>\$ 102,028</u>	<u>\$ 102,028</u>

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>	68-74
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>	75-81
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>	82-85
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>	86-87
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>	88-90

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 8,010,933	\$ 13,033,711	\$ 13,606,403	\$ 12,711,696	\$ 20,227,853	\$ 20,331,482	\$ 20,148,056	\$ 19,918,415	\$ 20,649,636	\$ 21,350,100
Restricted	370,707	606,140	52,341	9,735	172,464	122,114	462,520	508,011	4,050,575	2,447,959
Unrestricted	<u>6,725,123</u>	<u>(4,029,370)</u>	<u>(12,261,448)</u>	<u>(11,406,881)</u>	<u>(15,767,496)</u>	<u>(12,757,434)</u>	<u>(14,310,472)</u>	<u>459,654</u>	<u>(4,287,401)</u>	<u>(2,869,585)</u>
Total governmental activities net position	<u>\$ 15,106,763</u>	<u>\$ 9,610,481</u>	<u>\$ 1,397,296</u>	<u>\$ 1,314,550</u>	<u>\$ 4,632,821</u>	<u>\$ 7,696,162</u>	<u>\$ 6,300,104</u>	<u>\$ 20,886,080</u>	<u>\$ 20,412,810</u>	<u>\$ 20,928,474</u>
Business-type activities										
Net investment in capital assets	\$ 8,357,169	\$ 9,178,771	\$ 9,319,561	\$ 9,185,275	\$ 5,629,785	\$ 6,494,970	\$ 4,860,102	\$ 5,610,626	\$ 6,330,145	\$ 6,187,690
Unrestricted	<u>263,689</u>	<u>184,749</u>	<u>352,115</u>	<u>330,146</u>	<u>(1,128,582)</u>	<u>(2,341,771)</u>	<u>(2,831,542)</u>	<u>(2,186,095)</u>	<u>(1,265,815)</u>	<u>(2,966,259)</u>
Total business-type activities net position	<u>\$ 8,620,858</u>	<u>\$ 9,363,520</u>	<u>\$ 9,671,676</u>	<u>\$ 9,515,421</u>	<u>\$ 4,501,203</u>	<u>\$ 4,153,199</u>	<u>\$ 2,028,560</u>	<u>\$ 3,424,531</u>	<u>\$ 5,064,330</u>	<u>\$ 3,221,431</u>
Primary government										
Net investment in capital assets	\$ 16,368,102	\$ 22,212,482	\$ 22,925,964	\$ 21,896,971	\$ 25,857,638	\$ 26,826,452	\$ 25,008,158	\$ 25,529,041	\$ 26,979,781	\$ 27,537,790
Restricted	370,707	606,140	52,341	9,735	172,464	122,114	462,520	508,011	4,050,575	2,447,959
Unrestricted	<u>6,988,812</u>	<u>(3,844,621)</u>	<u>(11,909,333)</u>	<u>(11,076,735)</u>	<u>(16,896,078)</u>	<u>(15,099,205)</u>	<u>(17,142,014)</u>	<u>(1,726,441)</u>	<u>(5,553,216)</u>	<u>(5,835,844)</u>
Total primary government net position	<u>\$ 23,727,621</u>	<u>\$ 18,974,001</u>	<u>\$ 11,068,972</u>	<u>\$ 10,829,971</u>	<u>\$ 9,134,024</u>	<u>\$ 11,849,361</u>	<u>\$ 8,328,664</u>	<u>\$ 24,310,611</u>	<u>\$ 25,477,140</u>	<u>\$ 24,149,905</u>

The City implemented GASB Statement No. 63 in fiscal year 2013. This statement replaces the previous classifications of net position and invested in capital assets, net of related debt. Prior periods have been retroactively changed to reflect the required classifications.

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

Expenses	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General	\$ 1,646,833	\$ 1,759,220	\$ 1,953,615	\$ 1,680,297	\$ 1,979,955	\$ 2,813,132	\$ 3,481,011	\$ 2,596,948	\$ 3,189,213	\$ 4,017,243
Public safety										
Police	1,962,140	2,014,975	2,045,155	1,986,011	2,217,730	2,215,587	2,459,560	2,313,076	2,274,256	2,467,478
Fire	743,098	749,389	780,243	829,671	961,853	1,017,221	1,030,101	1,039,194	1,026,734	1,111,793
Public works										
Street	818,186	728,896	869,372	1,063,448	941,421	1,010,684	1,689,858	1,287,294	1,303,971	1,547,367
Animal control	-	-	-	133,358	122,649	84,524	18,397	102,213	108,458	119,372
Code Enforcement	147,222	127,317	115,030	112,770	124,893	133,828	136,173	103,719	107,738	124,110
Library	366,674	310,210	307,386	285,412	283,654	361,353	446,609	462,395	462,468	467,573
Recreation	564,458	578,783	617,398	582,219	527,334	570,584	667,369	616,457	663,088	612,620
Education (payment to Board of Education)	1,443,918	8,015,062	8,332,971	2,159,312	3,451,722	650,382	683,140	63,300	3,244,382	4,046,038
Water system (payment to Water Works Board)	-	-	-	-	-	-	20,190	7,278	139,517	14,407
Interest on long-term debt	1,130,661	1,364,163	1,288,831	1,224,295	1,002,026	790,923	734,666	560,242	193,890	177,728
Total governmental activities expenses	8,823,190	15,648,015	16,310,001	10,056,793	11,613,237	9,648,218	11,367,074	9,152,116	12,713,715	14,705,729
Business-type activities:										
Gas	11,131,295	16,316,113	11,461,549	9,094,670	12,758,400	21,165,274	18,410,851	14,931,968	28,211,113	24,975,101
Sewer	604,102	632,723	1,716,138	1,484,925	788,828	1,232,519	1,466,061	1,601,481	1,396,339	1,738,175
Sanitation	678,469	680,333	690,290	676,903	723,314	733,466	727,943	714,941	663,237	691,469
Airport	100,971	127,520	128,070	134,819	143,592	151,679	157,176	186,730	155,919	191,860
Brewton Development Authority	-	8,229	5,872	7,555	6,582	9,772	8,579	7,468	79,773	2,234
Total business-type activities expenses	12,514,837	17,764,918	14,001,919	11,398,872	14,420,716	23,292,710	20,770,610	17,442,588	30,506,581	27,598,839
Total primary government expenses	\$ 21,338,027	\$ 33,412,933	\$ 30,311,920	\$ 21,455,665	\$ 26,033,953	\$ 32,940,928	\$ 32,137,684	\$ 26,594,704	\$ 43,220,296	\$ 42,304,568
Program Revenues										
Governmental activities:										
Fees, fines, and charges for services:										
General	\$ 1,149,219	\$ 1,215,878	\$ 1,387,381	\$ 1,275,574	\$ 1,309,799	\$ 1,330,693	\$ 1,488,185	\$ 1,430,128	\$ 1,486,468	\$ 1,322,415
Police	155,661	233,101	400,220	362,906	345,273	380,831	274,112	315,923	273,656	169,895
Animal control	-	-	-	8,891	5,300	-	-	-	-	-
Recreation	180,010	153,803	154,880	157,344	123,654	104,889	5,293	110,096	38,863	8,144
Library	-	-	-	-	-	10,898	103,131	3,000	3,162	8,236
Operating grants and contributions	608,855	52,684	820,376	152,668	122,206	324,220	112,701	106,957	1,014,196	955,508
Capital grants and contributions	554,244	889,881	243,701	-	-	-	-	-	-	-
Total governmental activities program revenues	2,647,989	2,545,347	3,006,558	1,957,383	1,906,232	2,151,531	1,983,422	1,966,104	2,816,345	2,464,198
Business-type activities:										
Fees, fines, and charges for services:										
Gas	11,022,248	16,811,215	11,926,347	9,452,491	13,520,888	22,047,360	19,110,792	16,507,635	30,187,899	25,935,876
Sewer	445,903	419,514	411,330	410,169	560,220	1,051,523	1,013,633	1,130,429	1,098,140	1,126,555
Sanitation	570,503	593,078	618,795	666,227	660,937	628,254	610,103	691,881	772,074	662,601
Airport	66,741	69,349	70,175	101,679	99,255	111,482	114,096	120,900	158,743	96,124
Brewton Development Authority	-	-	4	-	-	-	264	12,577	-	-
Operating grants and contributions	-	-	65,000	15,000	123,749	-	-	-	-	-
Capital grants and contributions	43,117	660,041	183,009	115,975	163,216	800,622	100,910	555,175	801,512	40,543
Total business-type activities program revenues	12,536,572	18,553,197	13,274,660	10,761,541	15,128,265	24,639,241	20,949,798	19,018,597	33,018,368	27,861,699
Total primary government program revenues	\$ 15,184,561	\$ 21,098,544	\$ 16,281,218	\$ 12,718,924	\$ 17,034,497	\$ 26,790,772	\$ 22,933,220	\$ 20,984,701	\$ 35,834,713	\$ 30,325,897

The City implemented GASB Statement No. 63 in fiscal year 2013. This statement replaces the previous classifications of net assets and invested in capital assets, net of related debt. Prior periods have been retroactively changed to reflect the required classifications.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense)/revenue										
Governmental activities	\$ (6,175,201)	\$ (13,102,668)	\$ (13,303,443)	\$ (8,099,410)	\$ (9,707,005)	\$ (7,496,687)	\$ (9,423,652)	\$ (7,186,012)	\$ (9,897,370)	\$ (12,241,531)
Business-type activities	21,735	788,279	(727,259)	(637,331)	707,549	1,346,531	179,188	1,576,009	2,511,787	262,860
Total primary government net expense	<u>\$ (6,153,466)</u>	<u>\$ (12,314,389)</u>	<u>\$ (14,030,702)</u>	<u>\$ (8,736,741)</u>	<u>\$ (8,999,456)</u>	<u>\$ (6,150,156)</u>	<u>\$ (9,244,464)</u>	<u>\$ (5,610,003)</u>	<u>\$ (7,385,583)</u>	<u>\$ (11,978,671)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 601,636	\$ 617,203	\$ 662,968	\$ 658,190	\$ 666,400	\$ 643,140	\$ 639,287	\$ 690,590	\$ 1,005,502	\$ 1,330,428
Sales	4,294,686	4,361,406	4,298,720	4,497,656	5,539,409	6,494,323	6,974,151	6,937,181	7,336,029	8,492,133
Other	601,062	524,404	630,527	643,931	711,237	599,722	582,733	504,744	447,829	572,587
Receipts from Brewton City Board of Education	360,539	1,547,424	408,635	2,509,921	352,451	1,102,451	600,000	14,102,637	-	-
Receipts from Water Works Board	-	-	-	-	-	-	9,974	9,974	9,144	-
Investment earnings	193,928	229,998	41,143	1,964	1,648	2,129	2,107	2,115	26,838	48,042
Bond issuance costs	-	-	-	-	-	-	-	-	(193,286)	-
Other	15,624	14,164	43,654	186,062	31,530	17,287	87,288	(1,175,272)	73,661	226,096
Special item, transfer of Golf Fund to Governmental Activities	1,371,940	-	-	-	-	-	-	-	-	-
Gain/(Loss) on sale of property	310,402	-	-	-	-	-	-	-	-	(41,253)
Transfers in/(out)	(87,583)	311,787	(995,389)	(481,060)	5,722,601	1,700,976	1,873,949	400,388	718,383	2,129,162
Total government activities	<u>7,662,234</u>	<u>7,606,386</u>	<u>5,090,258</u>	<u>8,016,664</u>	<u>13,025,276</u>	<u>10,560,028</u>	<u>10,769,489</u>	<u>21,472,357</u>	<u>9,424,100</u>	<u>12,757,195</u>
Business-type activities:										
Investment earnings	3,401	25	26	16	834	6,441	2,130	2,325	4,144	12,199
Receipts from Water Works Board	-	-	-	-	-	-	1,485	218,025	-	11,204
Special item, transfer of Golf Fund to Governmental Activities	(1,371,940)	-	-	-	-	-	-	-	-	-
Gain/(Loss) on sale of property	-	-	40,000	-	-	-	7,500	-	(34,453)	-
Bond issuance costs	-	-	-	-	-	-	-	-	(123,296)	-
Transfers in/(out)	87,583	(311,787)	995,389	481,060	(5,722,601)	(1,700,976)	(1,873,949)	(400,388)	(718,383)	(2,129,162)
Total business-type activities	<u>(1,280,956)</u>	<u>(311,762)</u>	<u>1,035,415</u>	<u>481,076</u>	<u>(5,721,767)</u>	<u>(1,694,535)</u>	<u>(1,862,834)</u>	<u>(180,038)</u>	<u>(871,988)</u>	<u>(2,105,759)</u>
Total primary government	<u>\$ 6,381,278</u>	<u>\$ 7,294,624</u>	<u>\$ 6,125,673</u>	<u>\$ 8,497,740</u>	<u>\$ 7,303,509</u>	<u>\$ 8,865,493</u>	<u>\$ 8,906,655</u>	<u>\$ 21,292,319</u>	<u>\$ 8,552,112</u>	<u>\$ 10,651,436</u>
Change in Net Position										
Governmental activities	\$ 1,487,033	\$ (5,496,282)	\$ (8,213,185)	\$ (82,746)	\$ 3,318,271	\$ 3,063,341	\$ 1,345,837	\$ 14,286,345	\$ (473,270)	\$ 515,664
Business-type activities	(1,259,221)	476,517	308,156	(156,255)	(5,014,218)	(348,004)	(1,683,646)	1,395,971	1,639,799	(1,842,899)
Total primary government	<u>\$ 227,812</u>	<u>\$ (5,019,765)</u>	<u>\$ (7,905,029)</u>	<u>\$ (239,001)</u>	<u>\$ (1,695,947)</u>	<u>\$ 2,715,337</u>	<u>\$ (337,809)</u>	<u>\$ 15,682,316</u>	<u>\$ 1,166,529</u>	<u>\$ (1,327,235)</u>

The City implemented GASB Statement No. 63 in fiscal year 2013. This statement replaces the previous classifications of net assets and invested in capital assets, net of related debt. Prior periods have been retroactively changed to reflect the required classifications.

CITY OF BREWTON, ALABAMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN 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
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
2013	666,400	56,537	16,096	5,539,409	314,786	120,419	203,399	6,917,046
2014	643,140	59,322	14,514	6,494,323	245,372	99,884	180,630	7,737,185
2015	639,287	61,317	14,723	6,974,151	264,284	126,614	115,795	8,196,171
2016	690,590	62,090	15,921	6,937,181	152,542	103,416	58,683	8,020,423
2017	1,005,502	62,368	11,332	7,336,029	149,134	99,559	62,451	8,726,375
2018	1,330,428	57,434	13,217	8,492,133	197,937	83,018	61,348	10,235,515

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585	\$ 38,877
Unassigned	<u>4,176,419</u>	<u>2,818,073</u>	<u>2,665,230</u>	<u>2,864,242</u>	<u>2,326,731</u>	<u>3,772,779</u>	<u>3,688,902</u>	<u>4,116,121</u>	<u>3,063,473</u>	<u>2,765,646</u>
Total general fund	<u>\$ 4,176,419</u>	<u>\$ 2,818,073</u>	<u>\$ 2,665,230</u>	<u>\$ 2,864,242</u>	<u>\$ 2,326,731</u>	<u>\$ 3,772,779</u>	<u>\$ 3,688,902</u>	<u>\$ 4,116,121</u>	<u>\$ 3,064,058</u>	<u>\$ 2,804,523</u>
All other governmental funds										
Restricted for:										
School construction	\$ 18,751,429	\$ 11,431,676	\$ 4,184,306	\$ 2,775,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	2,509,460	3,141,612	2,309,981	477,188	402,592	407,893	412,377	424,319	3,979,673	2,345,931
Street construction	9,375	35,769	13,142	(16,265)	25,872	46,662	43,099	67,350	70,170	94,302
Street improvements	34,654	17,036	39,199	26,000	146,592	75,452	7,044	16,342	732	7,726
Assigned for:										
Sewer improvements	<u>2,326,773</u>	<u>2,112,540</u>	<u>884,089</u>	<u>30,189</u>	<u>1,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 23,631,691</u>	<u>\$ 16,738,633</u>	<u>\$ 7,430,717</u>	<u>\$ 3,293,064</u>	<u>\$ 576,743</u>	<u>\$ 530,007</u>	<u>\$ 462,520</u>	<u>\$ 508,011</u>	<u>\$ 4,050,575</u>	<u>\$ 2,447,959</u>

The City implemented GASB Statement No. 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 basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 5,357,941	\$ 5,410,299	\$ 5,490,633	\$ 5,707,250	\$ 6,796,627	\$ 7,637,301	\$ 8,069,557	\$ 8,029,099	\$ 8,689,801	\$ 10,215,588
Intergovernmental	693,687	982,614	630,564	214,526	228,434	99,884	174,942	133,581	637,238	194,154
Licenses and permits	1,040,084	1,091,915	1,243,344	1,124,053	1,183,726	1,199,499	1,230,778	1,189,820	1,276,208	1,148,488
Fines and forfeitures	155,661	233,101	400,220	362,906	345,273	380,831	274,112	315,923	273,656	169,895
Fees and charges	254,285	241,276	247,437	245,514	223,928	224,488	282,665	295,510	160,009	137,235
Revenue from City Property	584,860	36,471	51,480	72,242	31,099	22,493	43,166	57,894	92,277	53,072
Receipts from Brewton City Board of Education	360,539	1,547,424	408,635	2,509,921	352,451	1,102,451	600,000	14,102,637	-	-
Receipts from Water Works Board	-	-	-	-	-	-	9,974	9,974	9,144	-
Interest	193,928	229,998	41,143	1,964	1,648	2,129	2,107	1,587	12,769	32,696
Donations	608,855	52,684	535,096	30,669	14,191	324,220	64,373	76,792	476,516	940,913
Other	15,624	14,164	43,654	190,181	31,530	17,286	106,279	57,159	73,663	225,951
Total revenues	<u>9,265,464</u>	<u>9,839,946</u>	<u>9,092,206</u>	<u>10,459,226</u>	<u>9,208,907</u>	<u>11,010,582</u>	<u>10,857,953</u>	<u>24,269,976</u>	<u>11,701,281</u>	<u>13,117,992</u>
EXPENDITURES										
General government	857,749	923,930	1,120,115	837,073	947,270	1,823,168	2,611,395	1,567,912	1,567,263	2,319,461
Public safety	2,552,723	2,603,634	2,659,536	2,648,982	2,992,192	3,059,140	3,288,003	3,110,300	3,300,992	3,579,271
Public works	923,703	826,985	962,550	1,270,644	1,146,234	1,183,221	1,775,954	1,489,625	1,573,143	1,850,313
Payments to Brewton City Board of Education	1,443,918	8,015,062	8,332,971	2,159,312	3,451,722	650,382	683,140	63,300	3,244,382	4,046,038
Payments to Water Works Board	-	-	-	-	-	-	20,190	7,278	139,517	14,407
Other departments	1,196,834	1,162,407	1,239,001	1,174,396	1,163,533	1,392,913	1,514,237	1,519,923	1,645,355	1,607,797
Capital expenditures	1,760,175	2,269,440	463,778	683,641	509,306	839,804	864,965	356,809	3,095,850	2,992,917
Debt service:										
Principal	3,557,347	1,353,094	1,729,940	4,262,434	7,320,703	1,793,150	1,869,622	14,312,339	999,156	515,425
Interest	968,610	1,318,390	1,275,033	1,251,358	1,062,497	777,372	719,315	700,715	145,020	183,676
Total expenditures	<u>13,261,059</u>	<u>18,472,942</u>	<u>17,782,924</u>	<u>14,287,840</u>	<u>18,593,457</u>	<u>11,519,150</u>	<u>13,346,821</u>	<u>23,128,201</u>	<u>15,710,678</u>	<u>17,109,305</u>
Excess (deficiency) of revenues over expenditures	(3,995,595)	(8,632,996)	(8,690,718)	(3,828,614)	(9,384,550)	(508,568)	(2,488,868)	1,141,775	(4,009,397)	(3,991,313)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OTHER FINANCING SOURCES (USES)										
Transfers in	9,020,651	4,614,323	3,417,816	3,923,698	8,475,720	5,317,224	6,438,325	6,436,789	5,023,483	4,199,057
Capital leases	52,685	69,805	-	305,886	408,117	40,653	116,826	-	92,136	-
Issuance of debt	23,744,728	-	225,349	65,147	-	166,250	346,729	-	5,667,800	-
Payments to escrow	-	-	-	-	-	-	-	(1,069,453)	-	-
Premium (discount) on bonds issued	(360,019)	-	-	-	-	-	-	-	214,865	-
Debt issue cost	(232,890)	-	-	-	-	-	-	-	(193,286)	-
Transfers out	(9,108,234)	(4,302,536)	(4,413,205)	(4,404,758)	(2,753,119)	(3,616,248)	(4,564,376)	(6,036,401)	(4,305,100)	(2,069,895)
 Total other financing sources (uses)	 23,116,921	 381,592	 (770,040)	 (110,027)	 6,130,718	 1,907,879	 2,337,504	 (669,065)	 6,499,898	 2,129,162
 Net change in fund balance	 <u>\$19,121,326</u>	 <u>\$ (8,251,404)</u>	 <u>\$ (9,460,758)</u>	 <u>\$ (3,938,641)</u>	 <u>\$ (3,253,832)</u>	 <u>\$ 1,399,311</u>	 <u>\$ (151,364)</u>	 <u>\$ 472,710</u>	 <u>\$ 2,490,501</u>	 <u>\$ (1,862,151)</u>
 Debt service as a percentage of noncapital expenditures	 39.4%	 16.5%	 17.4%	 40.5%	 46.4%	 24.1%	 20.7%	 65.9%	 9.1%	 5.0%

CITY OF BREWTON, ALABAMA
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
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
2013	666,400	56,537	16,096	5,539,409	314,786	120,419	203,399
2014	643,140	59,322	14,514	6,494,323	245,372	99,884	180,630
2015	639,287	61,317	14,723	6,974,515	264,284	126,614	115,795
2016	690,590	62,090	15,921	6,937,181	152,542	103,416	58,683
2017	1,005,502	62,368	11,332	7,336,029	149,134	99,559	62,451
2018	1,330,428	57,434	13,217	8,492,133	197,937	83,018	61,348

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
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
2013	31,661,540	13,152,940	39,602,680	8,636,620	75,780,540	15	1,136,708,100
2014	30,391,300	12,892,220	38,464,700	8,241,560	73,506,660	15	1,102,599,900
2015	30,116,400	12,954,000	38,792,720	8,251,580	73,611,540	15	1,104,173,100
2016	30,435,620	14,183,100	40,683,040	8,085,780	77,215,980	15	1,158,239,700
2017	30,125,920	13,522,380	40,510,060	8,055,120	76,103,240	15	1,141,548,600
2018	32,669,160	15,267,500	47,222,660	9,245,100	85,914,220	15	1,288,713,300

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
					County				State				
	General	School	Bond Tax	Total City	General	School	Health Care	Total County	General	School	Soldier	Total State	
							Authority						
Millage	Millage	Millage	Millage	Millage	Millage	Millage2	Millage	Millage	Millage	Millage	Millage	Millage	
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
2013	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
2014	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
2015	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
2016	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
2017	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
2018	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

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

² The 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>2018</u>			<u>2009</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.	\$ 7,629,940	1	8.9%	\$ 4,425,260	1	7.6%
Grede/Citation/Alabama Ductile Casting, Inc.	6,042,720	2	7.0%	2,914,640	2 & 7	5.0%
Walmart	3,365,060	3	3.9%	1,514,680	4	2.6%
Alabama Power Co.	2,387,240	4	2.8%	1,635,560	3	2.8%
Brewton -Hall Apartments, LTD, I & II	1,301,000	5	1.5%	-		-
Brewton Realty, LLC	1,287,960	6	1.5%	-		-
Frit Car, Inc.	856,980	7	1.0%	-		-
CSX Transportation, Inc.	750,420	8	0.9%	-		-
The Brewton S/C, LLC	688,340	9	0.8%	-		-
DOE Properties	598,040	10	0.7%	-		-
BellSouth Telecommunications	-		-	1,486,900	5	2.5%
Banktrust of Brewton	-		-	666,080	10	1.1%
Escambia County Alabama	-		-	1,012,580	6	1.7%
Brewton Area YMCA	-		-	773,940	8	1.3%
Gordy Timber & Development	-		-	689,840	9	1.2%
Totals	<u>\$ 24,907,700</u>		<u>29.0%</u>	<u>\$ 15,119,480</u>		<u>25.8%</u>
Total City Property Taxable Assessed Value	<u>\$ 85,914,200</u>			<u>\$ 58,406,660</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
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%
2013	950,543	909,098	95.6%	17,681	926,779	97.5%
2014	924,688	877,655	94.9%	17,283	894,938	96.8%
2015	925,137	877,893	94.9%	15,919	893,812	96.6%
2016	980,224	858,493	87.6%	16,031	874,524	89.2%
2017	966,731	907,636	93.9%	48,337	955,973	98.9%
2018	1,090,611	905,262	83.0%	24,393	929,655	85.2%

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Construction	\$ 40,682	\$ 31,141	\$ 42,324	\$ 45,418	\$ 55,816	\$ 47,034	\$ 98,626	\$ 65,406	\$ 66,613	\$ 34,065
Manufacturing	542,109	640,990	673,748	688,189	695,614	890,861	952,501	1,035,450	1,479,178	1,380,470
Wholesale	214,563	241,206	226,362	239,179	297,674	328,196	395,150	401,485	331,583	360,806
Retail	2,809,197	2,662,072	2,694,557	2,827,119	3,489,682	4,085,651	4,125,793	4,201,317	4,068,372	4,140,413
Information	49,857	52,234	47,006	20,645	43,490	59,821	77,361	96,119	99,599	71,471
Finance and Insurance	46,130	41,173	42,969	47,905	53,798	47,724	50,690	52,038	51,119	57,189
Real Estate and Rental and Leasing	52,640	69,042	57,207	57,225	105,791	129,190	147,317	128,792	143,286	102,158
Professional, Scientific, and Technical Services	20,815	20,950	18,552	13,132	28,429	33,418	36,702	83,307	114,791	126,484
Administration and Support and Waste Management and Remediation Services	5,390	6,458	6,109	6,967	7,975	8,111	10,294	14,228	14,894	14,279
Accommodation and Food Services	446,062	410,252	473,445	443,920	527,799	574,436	578,769	678,191	618,078	655,406
Other Services (except Public Administration)	51,933	53,463	135,003	58,254	49,355	53,611	48,847	52,165	47,841	42,545
Other	91,361	104,419	104,419	114,225	144,060	184,203	407,786	295,526	200,713	223,455
	<u>\$ 4,370,739</u>	<u>\$ 4,333,400</u>	<u>\$ 4,521,701</u>	<u>\$ 4,562,178</u>	<u>\$ 5,499,483</u>	<u>\$ 6,442,256</u>	<u>\$ 6,929,836</u>	<u>\$ 7,104,024</u>	<u>\$ 7,236,067</u>	<u>\$ 7,208,741</u>
City direct sales tax rate	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

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
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%
2013	4.00%	1.00%	4.00%
2014	4.00%	1.00%	4.00%
2015	4.00%	1.00%	4.00%
2016	4.00%	1.00%	4.00%
2017	4.00%	2.00%	4.00%
2018	4.00%	2.00%	4.00%

Source: City Clerk's Office

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

Tax Remitter	2018			2009		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Wal-Mart Stores East	\$ 1,968,638	1	26.6%	\$ 777,238	1	17.9%
Grede/Citation	400,384	2	5.9%	106,112	6	2.4%
Georgia Pacific/Smurfit	261,459	3	3.6%	273,474	2	6.3%
Food Giant Supermarket/Pic-N-Save	256,126	4	3.5%	213,600	4	4.9%
Peach Automotive	124,508	5	1.8%	91,142	9	2.1%
Jim Peach Motors	118,812	6	1.5%	79,851	10	1.8%
Marvins	117,743	7	1.5%	100,851	8	2.3%
Dorso	114,672	8	1.5%	-		-
T.R. Miller Mill Co.	106,228	9	1.4%	101,877	7	2.3%
Bondurant Hardware	102,849	10	1.2%	-		-
Dolgen Corp, LLC	-		-	-		-
Tractor Supply	-		-	-		-
Winn Dixie	-		-	229,885	3	5.3%
Southern Family Mkt	-		-	107,646	5	2.5%
	<u>\$ 3,571,419</u>		<u>48.5%</u>	<u>\$ 2,081,676</u>		<u>47.8%</u>

Sources: 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			
2009	\$ 32,056,314	\$ 194,918	\$ 326,508	\$ 180,805	\$ 32,758,545	24.55%	\$ 6,205
2010	30,850,168	146,629	158,514	176,847	31,332,158	22.47%	5,979
2011	29,478,727	42,333	-	749,873	30,270,933	27.35%	5,597
2012	25,399,622	258,889	-	601,221	26,259,732	16.87%	4,761
2013	18,229,045	545,734	12,116,460	488,545	31,379,784	19.67%	5,869
2014	16,757,579	459,807	12,492,748	372,602	30,082,736	17.47%	5,534
2015	15,371,694	431,153	12,437,722	233,674	28,474,243	17.32%	5,326
2016	1,321,840	339,230	12,145,281	386,878	14,193,229	8.72%	2,644
2017	6,353,211	269,435	12,966,652	343,436	19,932,734	11.76%	3,667
2018	5,890,867	201,006	12,543,302	301,474	18,936,649	11.27%	3,587

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

¹ See the Schedule of Demographic and Economic Statistics on page 86 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
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
2013	18,457,315	402,592	18,054,723	1.59%	3,377
2014	16,956,995	407,893	16,549,102	1.50%	3,044
2015	15,542,256	412,377	15,129,879	1.37%	2,798
2016	14,220,416	424,319	13,796,097	1.19%	2,544
2017	18,498,492	3,979,673	14,518,819	1.27%	2,671
2018	18,434,169	2,345,931	16,088,238	1.25%	3,048

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

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 75 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 86.

**CITY OF BREWTON, ALABAMA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt: Escambia County	\$ 2,784,110	31.458%	\$ 875,825
Subtotal, overlapping debt			
City of Brewton direct debt			<u>6,091,873</u>
Total direct and overlapping debt			<u><u>\$ 6,967,698</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									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 11,681,332	\$ 12,926,272	\$ 13,250,416	\$ 15,380,048	\$ 15,156,108	\$ 14,701,332	\$ 14,722,308	\$ 15,443,196	\$ 15,220,648	\$ 17,182,844
Total net debt applicable to limit	<u>4,455,400</u>	<u>3,220,400</u>	<u>1,820,105</u>	<u>692,146</u>	<u>2,567,315</u>	<u>1,436,995</u>	<u>520,942</u>	<u>1,891,796</u>	<u>8,072,714</u>	<u>7,202,228</u>
Legal debt margin	<u>\$ 7,225,932</u>	<u>\$ 9,705,872</u>	<u>\$ 11,430,311</u>	<u>\$ 14,687,902</u>	<u>\$ 12,588,793</u>	<u>\$ 13,264,337</u>	<u>\$ 14,201,366</u>	<u>\$ 13,551,400</u>	<u>\$ 7,147,934</u>	<u>\$ 9,980,616</u>
Total net debt applicable to the limit as a percentage of debt limit	38.14%	24.91%	13.74%	4.50%	16.94%	9.77%	3.54%	12.25%	53.04%	41.92%

Legal Debt Margin Calculation for Fiscal Year 2018

Total assessed value	\$ 85,914,220
Debt limit (20% of total assessed value)	17,182,844
Debt applicable to limit:	
General obligation bonds	18,244,784
Less items excluded from legal debt limit:	
General obligation debt exempted by State law:	
Proceeds used for the construction of sewer system	<u>(11,042,556)</u>
Total net debt applicable to limit	<u>7,202,228</u>
Legal debt margin	<u>\$ 9,980,616</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
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%
2013	5,347	159,565,174	29,842	1,108	8.2%
2014	5,436	172,234,224	31,684	1,129	8.3%
2015	5,408	166,323,040	30,755	1,146	7.0%
2016	5,424	164,575,008	30,342	1,102	7.0%
2017	5,435	169,430,690	31,174	1,116	5.0%
2018	5,279	168,093,918	31,842	1,115	4.6%

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>2018</u>			<u>2009</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 (formerly Smurfit Stone)	450	1	11.6%	-		-
AAMP/Grede/MPG	350	2	9.0%	250	2	12.1%
D.W. McMillan Hospital	250	3	7.7%	273	1	13.3%
Walmart Stores East	235	4	6.8%	130	5	6.3%
Escambia County Commission	220	5	5.5%	-		-
T R Miller Mill Co	204	6	5.3%	215	3	10.4%
Westgate Village	171	7	5.2%	-		-
City of Brewton	141	8	3.7%	88	7	4.3%
Brewton City Schools	127	9	3.6%	151	4	7.3%
Frit Car	97	10	2.4%	77	8	3.7%
Natural Decorations, Inc.	-		-	92	6	4.5%
Trustmark/Banktrust of Brewton	-		-	73	9	3.5%
Totals	<u>2,245</u>		<u>60.8%</u>	<u>1,349</u>		<u>65.4%</u>

Source: Coastal Gateway Economic Development Alliance

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government ¹	10	10	10	10	10	10	17	20	20	20
Public Safety										
Police										
Officers	29	28	26	26	27	26	25	25	24	24
Dispatch	9	6	5	7	5	5	4	4	4	4
Admin Assistants	-	-	-	-	-	-	2	2	2	2
Animal Control	-	-	-	-	-	-	1	2	2	2
Fire										
Firefighters and officers	28	26	25	26	15	16	15	15	15	15
Highways and streets										
Public works	8	8	8	8	8	23	22	23	23	23
Sanitation	3	3	3	3	3	3	2	2	2	2
Culture and recreation	4	4	4	4	4	3	5	5	5	5
Sewer	16	15	14	14	13	8	19	19	20	22
Library	-	-	-	-	-	-	6	6	6	6
Total	107	100	95	98	85	94	118	123	123	125

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	491	420	267	532	501	427	327	309	269	109
Parking violations	-	-	-	-	-	-	-	-	-	-
Traffic violations	2,476	1,497	2,316	1,414	1,514	1,641	1,552	912	444	177
Fire										
Number of calls answered	895	995	1,139	1,054	1,041	1,235	1,206	1,303	1,120	1,146
Inspections	756	1,012	1,019	1,037	1,128	1,130	1,133	1,140	1,143	1,155
Highways and streets										
Street resurfacing (miles)	1	11	2	2	-	1	8	3	8	3
Potholes repaired	51	48	56	55	60	100	98	104	82	50
Sanitation										
Refuse collected (tons/week)	32.2	33.5	34.2	36.8	37.2	34.2	53.0	48.2	46.0	46.0
Recyclables collected (tons/week) ¹	-	-	-	-	-	1	1	1	1	1
Culture and recreation										
Golf course rounds	8,458	7,850	7,216	7,169	6,538	5,865	5,765	5,649	1,889	-
Pavilion parties	129	258	250	249	241	213	179	165	105	110
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,350	1,355	1,387	1,388	1,410	1,400	1,400	1,200	1,200	1,200

¹ Recycling ended in August 2006, but resumed in 2014.

Sources: Various government departments

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	27	28	27	27	27	26	26	25	25
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	88	88	88	89	89	89	89	89	87	87
Streetlights	850	860	875	888	902	904	904	904	910	910
Traffic signals	10	10	11	11	11	11	11	11	11	11
Culture and recreation										
Parks acreage	40	40	40	40	66	116	116	116	116	116
Parks	6	6	6	6	8	9	9	9	9	9
Swimming pools	3	3	2	2	1	1	-	-	-	-
Tennis courts	10	10	10	10	10	10	6	6	6	6
Community center	1	1	1	1	1	2	2	2	2	2
Sewer										
Sanitary sewers (miles)	58	58	60	60	62	63	65	65	68	68
Storm sewers (miles)	24	30	32	38	39	42	42	43	45	45
Maximum daily treatment capacity (thousands of gallons)	812	822	828	1,680	1,695	2,000	2,000	2,200	2,000	2,000

Sources: Various city departments

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

COMPLIANCE SECTION

SHAREHOLDERS

J. Earl Blackmon, Jr., CPA
Dennis E. Sherrin, CPA
G. Allen Cave, Jr., CPA
Rachel M. Godwin, CPA



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PRINCIPALS

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INDEPENDENT AUDITORS' 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, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Brewton, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Brewton Alabama's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Brewton, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Brewton, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Brewton, Alabama's internal control.

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 a 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and described it in the following paragraph.

Segregation of Duties

Our study and evaluation disclosed that because of the limited size of your accounting staff, your organization has limited segregation of duties. A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that your organization is not large enough to permit an adequate segregation of duties in all respects, it is important that you be aware of this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Brewton, Alabama's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartmann, Blackmon & Kilgore, PC

Certified Public Accountants

March 29, 2019
Brewton, Alabama