

CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

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FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

CITY CLERK'S OFFICE

**CITY OF BREWTON, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2017**

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**CITY OF BREWTON, ALABAMA
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SEPTEMBER 30, 2017**

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INTRODUCTORY SECTION



City of Brewton

Best 100 Small Towns in America

MAYOR

Yancey E. Lovelace

CITY CLERK

Alex B. McDowell

CITY COUNCIL

Lawrence Weaver

Carrie Brown

Feast Broughton

Joe Nathan Watson

Fred Barton

CITY ATTORNEY

Edward T. Hines

April 27, 2018

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, 2017, 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 2017 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

Some of the City's Enterprise Funds are adequate to strong. Sanitation meets requirements. The Municipal Airport is bolstered by good grant funding. Natural Gas has solid income through residential and commercial customers. The Sewer Enterprise Fund, as well as the Water Board Component Unit, are continuing to improve. There was an increase of 5.75% in sales tax revenues in FY 2017 (\$398,848) compared to FY 2016. Business openings and closings are at an approximate equilibrium. Significant infrastructure projects regarding paving, sewer and water were completed in FY 2017 and are continuing into FY 2018.

ANTICIPATING FUTURE TRIUMPHS

One reason for optimism is that a technology company established itself in Brewton in FY 2017, and it is very close to reaching its initial employment goal of 50 employees. 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 physical location of the new company as well as preparing for education and other aspects of their personnel needs. The 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, 2016. 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 on a timely basis has been accomplished with the efficient and dedicated service of the entire staff of the Finance Department.

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

Sincerely,



Alex B McDowell
City Clerk / Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Brewton
Alabama**

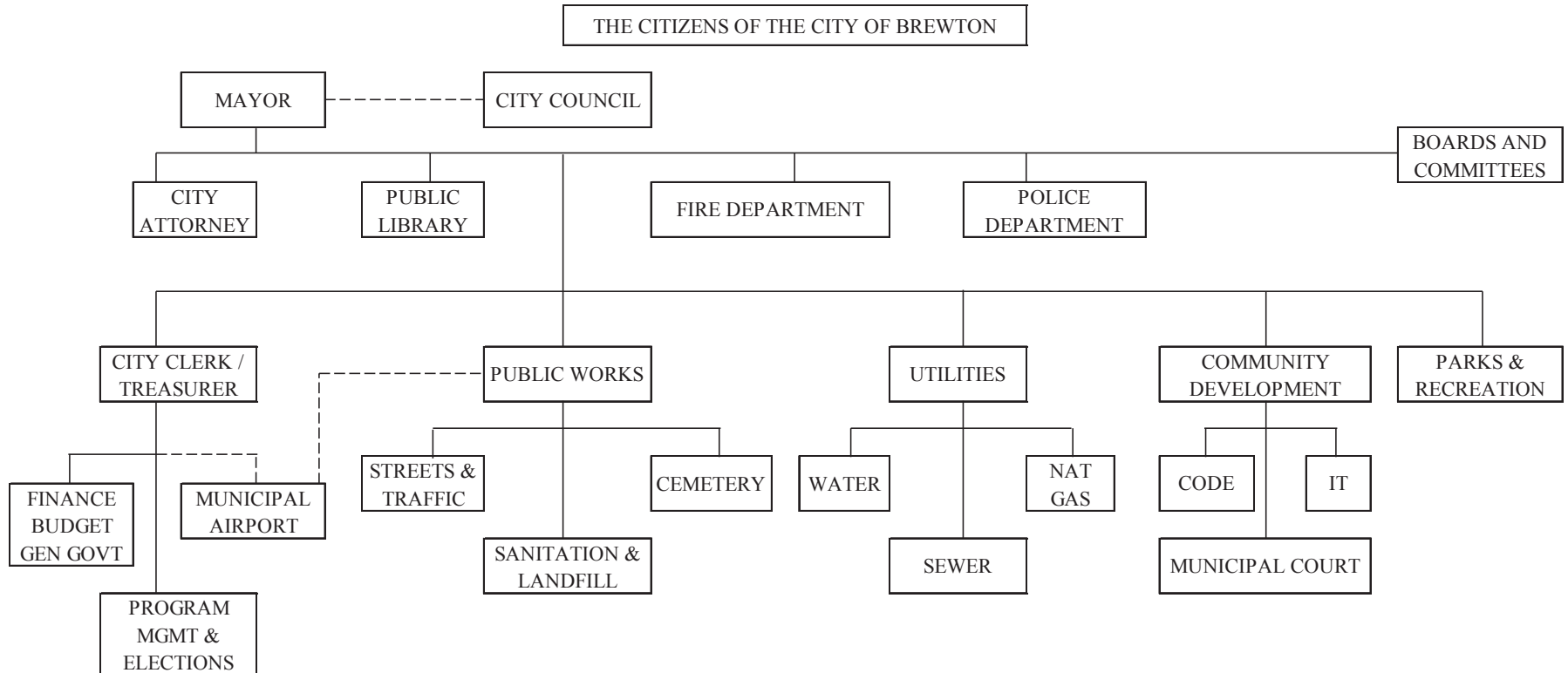
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF BREWTON, ALABAMA
Organizational Chart



CITY OF BREWTON, ALABAMA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

| <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 | Fred 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
B. Vance Kilgore, CPA
Dennis E. Sherrin, CPA
G. Allen Cave, Jr., CPA
Rachel M. Godwin, 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
Jerry Gibbons, 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, 2017, 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 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, 2017, 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.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 and schedule of expenditures of federal awards are 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 April 27, 2018, 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

April 27, 2018
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, 2017. 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 decreased by \$473,270.
- As of September 30, 2017, the governmental funds reported a combined ending fund balance of \$7,114,633, an increase of \$2,490,501 from the previous Fiscal Year.
- The General Fund reported a fund balance of \$3,064,058 with all of it available to support non-debt service obligations of the City, a decrease of \$1,052,063 from last year.
- The City's liabilities associated with governmental activities and business-type activities increased by approximately 29% during FY 2017, primarily due to the City's issuance of general obligation warrants.

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 increased \$1,166,529 between Fiscal Years 2016 and 2017, culminating at approximately \$25,477,140. The largest contributor to that increase was increased natural gas sales.

CITY OF BREWTON, ALABAMA'S NET POSITION
(in thousands of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|---------------------------------------|--------------------------------|------------------|---------------------------------|-----------------|------------------|------------------|--|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017-2016 |
| Current and other assets | \$ 8,178 | \$ 4,876 | \$ 5,100 | \$ 4,894 | \$ 13,278 | \$ 9,770 | 35.91% |
| Capital assets | 22,758 | 20,574 | 13,485 | 13,182 | 36,243 | 33,756 | 7.37% |
| Total assets | 30,936 | 25,450 | 18,585 | 18,076 | 49,521 | 43,526 | 13.77% |
| Deferred outflows of resources | 1,299 | 791 | 1,121 | 433 | 2,420 | 1,224 | 97.71% |
| Long-term debt outstanding | 10,699 | 5,092 | 14,326 | 13,408 | 25,025 | 18,500 | 35.27% |
| Other liabilities | 1,123 | 263 | 316 | 1,676 | 1,439 | 1,939 | -25.79% |
| Total liabilities | 11,822 | 5,355 | 14,642 | 15,084 | 26,464 | 20,439 | 29.48% |
| Net position | | | | | | | |
| Net investment in capital assets | 20,650 | 19,918 | 6,330 | 5,611 | 26,980 | 25,529 | 5.68% |
| Restricted | 4,050 | 508 | - | - | 4,050 | 508 | 697.24% |
| Unrestricted | (4,287) | 460 | (1,266) | (2,186) | (5,553) | (1,726) | 221.73% |
| Total net position | \$ 20,413 | \$ 20,886 | \$ 5,064 | \$ 3,425 | \$ 25,477 | \$ 24,311 | 4.80% |

Changes in net position. The City's total revenues increased 5% to approximately \$44,387,000, largely due to increases in receipts from the sale of natural gas. Approximately 77% of the City's revenue was generated from charges for services, 19% from tax receipts, 2% from donations and grants, 2% from other taxes and other receipts.

The City's expenses increased 62.5% from Fiscal Year End 2016 to FYE 2017. The largest increase in expenses occurred in the gas department and exceeded 13.3 million dollars. Those increases were primarily due to increase natural gas purchases. The increased purchases were offset by increased natural gas sales receipts.

CITY OF BREWTON, ALABAMA
SOURCES OF REVENUE
FISCAL YEAR 2017

| Source | % |
|----------------------|-------------|
| Charges for services | 77% |
| Operating grants | 2% |
| Sales tax | 17% |
| Other taxes | 2% |
| Property taxes | 2% |
| | <u>100%</u> |

CITY OF BREWTON, ALABAMA
FUNCTIONAL EXPENSES
FISCAL YEAR 2017

| Type | % |
|--------------------------|-------------|
| Business-type activities | 71% |
| General government | 7% |
| Public safety | 8% |
| Public works | 4% |
| Recreation | 2% |
| Library | 1% |
| Education | 7% |
| | <u>100%</u> |

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

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--|------------------------------------|------------------|-------------------------------------|-----------------|------------------|------------------|--|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017-2016 |
| REVENUES | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | \$ 1,802 | \$ 1,859 | \$ 32,216 | \$ 18,464 | \$ 34,018 | \$ 20,323 | 67.4% |
| Donations and operating grants | 1,014 | 107 | - | - | 1,014 | 107 | 847.7% |
| Capital grants | - | - | 801 | 555 | 801 | 555 | 44.3% |
| General revenues | | | | | | | |
| Sales tax | 7,336 | 6,937 | - | - | 7,336 | 6,937 | 5.8% |
| Property tax | 1,006 | 691 | - | - | 1,006 | 691 | 45.6% |
| Other taxes | 448 | 505 | - | - | 448 | 505 | -11.3% |
| Investment earnings | 27 | 2 | 4 | 2 | 31 | 4 | 675.0% |
| Receipts from School Board | - | 14,102 | - | - | - | 14,102 | -100.0% |
| Receipts from Water Works Board | 9 | 10 | - | 218 | 9 | 228 | 100.0% |
| Gain (loss) on sale of capital assets | - | - | (34) | - | (34) | - | 100.0% |
| Bond issuance costs | (193) | - | (123) | - | (316) | - | 100.0% |
| Loss on extinguishment of debt | - | (1,232) | - | - | - | (1,232) | 100.0% |
| Other | 74 | 57 | - | - | 74 | 57 | 29.8% |
| Total revenues | <u>11,523</u> | <u>23,038</u> | <u>32,864</u> | <u>19,239</u> | <u>44,387</u> | <u>42,277</u> | 5.0% |
| EXPENSES | | | | | | | |
| General government | 3,189 | 2,597 | - | - | 3,189 | 2,597 | 22.8% |
| Public safety | 3,301 | 3,352 | - | - | 3,301 | 3,352 | -1.5% |
| Public works | 1,521 | 1,495 | - | - | 1,521 | 1,495 | 1.7% |
| Library | 462 | 462 | - | - | 462 | 462 | 0.0% |
| Recreation | 663 | 616 | - | - | 663 | 616 | 7.6% |
| Education | 3,244 | 63 | - | - | 3,244 | 63 | 5049.2% |
| Water system | 140 | 7 | - | - | 140 | 7 | 100.0% |
| Interest on long-term debt | 194 | 560 | - | - | 194 | 560 | -65.4% |
| Gas | - | - | 28,212 | 14,932 | 28,212 | 14,932 | 88.9% |
| Sewer | - | - | 1,396 | 1,602 | 1,396 | 1,602 | -12.9% |
| Sanitation | - | - | 663 | 715 | 663 | 715 | -7.3% |
| Airport | - | - | 156 | 187 | 156 | 187 | -16.6% |
| Brewton Development Authority | - | - | 80 | 7 | 80 | 7 | 1042.9% |
| Total expenses | <u>12,714</u> | <u>9,152</u> | <u>30,507</u> | <u>17,443</u> | <u>43,221</u> | <u>26,595</u> | 62.5% |
| Excess (deficiency) before special items and transfers | (1,191) | 13,886 | 2,357 | 1,796 | 1,166 | 15,682 | -92.6% |
| Transfers | <u>718</u> | <u>400</u> | <u>(718)</u> | <u>(400)</u> | <u>-</u> | <u>-</u> | 0.0% |
| Net change in net position | (473) | 14,286 | 1,639 | 1,396 | 1,166 | 15,682 | -92.6% |
| Net position, beginning | <u>20,886</u> | <u>6,600</u> | <u>3,425</u> | <u>2,029</u> | <u>24,311</u> | <u>8,629</u> | 181.7% |
| Net position, ending | <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% |

Governmental Activities

Tax revenues for the City's governmental activities increased approximately \$657,000, or approximately 8%. Total revenues for governmental activities decreased by approximately \$11,515,000, or approximately 50%, due mostly to a reduction in receipts from the school board for payments on the 2008 general obligation school warrants. The reduction in school board receipts was partially offset by the payoff of and subsequent payments on the school board warrants by the school board.

Business-type Activities

Revenues for the City's business-type activities increased approximately \$13,625,000, due primarily to an increase 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 \$7,114,633, an increase of \$2,490,501 over FYE 2016.

Business-type Activities

The City's business-type funds reported a combined net position of \$5,064,330 which is \$1,639,799 more than last year. The major changes to net position include the following:

- Natural Gas: increased \$315,036, or 9%.
- Sewer Fund: increased \$212,325, or 9%.
- Sanitation Fund: increased \$131,572, or 62%.
- Municipal Airport: increased \$1,094,138, or 49%, primarily due to the receipt of grant funds.
- Brewton Development Authority: decreased \$113,272, or 44%, due largely to the sale of a speculative building at the industrial development park.

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, 2017, totals approximately \$36,243,000 (net of accumulated depreciation), an increase of 7.4% 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 |
|-----------------------------------|------------------------------------|------------------|-------------------------------------|------------------|------------------|------------------|--|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017-2016 |
| Land and construction in progress | \$ 4,374 | \$ 3,452 | \$ 683 | \$ 488 | \$ 5,057 | \$ 3,940 | 28.4% |
| Buildings | 8,569 | 8,411 | 3,022 | 2,297 | 11,591 | 10,708 | 8.2% |
| Improvements other than buildings | 14,259 | 12,790 | 15,080 | 15,278 | 29,339 | 28,068 | 4.5% |
| Vehicles and equipment | 7,298 | 7,152 | 4,231 | 4,121 | 11,529 | 11,273 | 2.3% |
| Less accumulated depreciation | (11,742) | (11,231) | (9,531) | (9,002) | (21,273) | (20,233) | 5.1% |
| Total | \$ 22,758 | \$ 20,574 | \$ 13,485 | \$ 13,182 | \$ 36,243 | \$ 33,756 | 7.4% |

Long-term Debt

The City's debt increased approximately \$5,589,000, primarily due to the issuance of the 2016 and 2017 series of general obligation warrants. 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 |
|-----------------------------|------------------------------------|-----------------|-------------------------------------|------------------|------------------|------------------|--|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017-2016 |
| General obligation warrants | \$ 6,353 | \$ 1,322 | \$ 12,967 | \$ 12,295 | \$ 19,320 | \$ 13,617 | 41.9% |
| Capital leases | 269 | 339 | 343 | 387 | 612 | 726 | -15.7% |
| Total | \$ 6,622 | \$ 1,661 | \$ 13,310 | \$ 12,682 | \$ 19,932 | \$ 14,343 | 39.0% |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**Fiscal Year 2017 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 2017 budget. There is no major short term growth in population expected, but there has been significant growth in local industries with large capital expenditures resulting in growth of tax revenues and municipal gas sales. There are additional expansions and new industries expected in the coming year. Total revenue growth projections factored into the budget are considered to be conservative in light of the expected expansions and new businesses. The business expansions will continue to help support the rental market and retail sales in the City, as it has in the past year.

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, 2017**

| | Primary Government | | | Component Unit |
|---|----------------------|---------------------|----------------------|---------------------|
| | Governmental | Business-type | | Water Works |
| | Activities | Activities | Total | Board of the |
| | | | | City of Brewton |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 6,689,168 | \$ 3,444,116 | \$ 10,133,284 | \$ 1,577,766 |
| Temporary cash investments | 497,162 | - | 497,162 | - |
| Receivables, net | 990,763 | 310,226 | 1,300,989 | 56,906 |
| Receivable from component units | - | 30,000 | 30,000 | - |
| Inventories | 585 | 417,733 | 418,318 | 276,520 |
| Restricted funds | - | 897,854 | 897,854 | 2,280,241 |
| Capital assets, net | | | | |
| Land, improvements, and construction in progress | 4,373,948 | 683,009 | 5,056,957 | 238,838 |
| Other capital assets, net of depreciation | 18,384,515 | 12,802,290 | 31,186,805 | 7,947,888 |
| TOTAL ASSETS | 30,936,141 | 18,585,228 | 49,521,369 | 12,378,159 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Employer retirement contributions | 320,558 | 66,741 | 387,299 | 33,009 |
| Changes of assumptions | 369,099 | 76,796 | 445,895 | 37,953 |
| Net difference between projected and actual earnings on | | | | |
| plan investments | 65,125 | 10,354 | 75,479 | 8,450 |
| Difference between expected and actual experiences | 544,495 | 109,965 | 654,460 | 57,812 |
| Defeasance of debt | - | 857,582 | 857,582 | 142,922 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 1,299,277 | 1,121,438 | 2,420,715 | 280,146 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 530,122 | 482,153 | 1,012,275 | 243,300 |
| Payable to City of Brewton | - | - | - | 30,000 |
| Customer deposits | - | 96,237 | 96,237 | 103,779 |
| Internal balances | 262,197 | (262,197) | - | - |
| Due to other governments | 331,445 | - | 331,445 | - |
| Net pension liability | 3,778,833 | 709,222 | 4,488,055 | 413,364 |
| Long-term liabilities | | | | |
| Accrued postclosure costs | - | 306,833 | 306,833 | - |
| Due within one year | 576,224 | 465,396 | 1,041,620 | 279,846 |
| Due in more than one year | 6,343,787 | 12,844,692 | 19,188,479 | 6,615,083 |
| TOTAL LIABILITIES | 11,822,608 | 14,642,336 | 26,464,944 | 7,685,372 |
| NET POSITION | | | | |
| Net investment in capital assets | 20,649,636 | 6,330,145 | 26,979,781 | 2,912,675 |
| Restricted - debt service | 3,979,673 | - | 3,979,673 | - |
| Restricted - street improvement and construction | 70,902 | - | 70,902 | - |
| Restricted - construction | - | - | - | 2,280,241 |
| Unrestricted | (4,287,401) | (1,265,815) | (5,553,216) | (219,983) |
| TOTAL NET POSITION | \$ 20,412,810 | \$ 5,064,330 | \$ 25,477,140 | \$ 4,972,933 |

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

CITY OF BREWTON, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | Component Unit Water Works Board of the City of Brewton |
| Primary Government | | | | | | | |
| Governmental activities: | | | | | | | |
| General | \$ 3,189,213 | \$ 1,486,468 | \$ 1,014,196 | \$ - | \$ (688,549) | \$ (688,549) | |
| Police | 2,274,256 | 273,656 | - | - | (2,000,600) | (2,000,600) | |
| Fire | 1,026,734 | - | - | - | (1,026,734) | (1,026,734) | |
| Street | 1,303,971 | - | - | - | (1,303,971) | (1,303,971) | |
| Animal control | 108,458 | - | - | - | (108,458) | (108,458) | |
| Code enforcement | 107,738 | - | - | - | (107,738) | (107,738) | |
| Library | 462,468 | 3,162 | - | - | (459,306) | (459,306) | |
| Recreation | 663,088 | 38,863 | - | - | (624,225) | (624,225) | |
| Education (payment to Board of Education) | 3,244,382 | - | - | - | (3,244,382) | (3,244,382) | |
| Water system (payment to Water Works Board) | 139,517 | - | - | - | (139,517) | (139,517) | |
| Interest on long-term debt | 193,890 | - | - | - | (193,890) | (193,890) | |
| Total governmental activities | <u>12,713,715</u> | <u>1,802,149</u> | <u>1,014,196</u> | <u>-</u> | <u>(9,897,370)</u> | <u>(9,897,370)</u> | |
| Business-type activities: | | | | | | | |
| Gas | 28,211,313 | 30,187,899 | - | - | - | \$ 1,976,586 | 1,976,586 |
| Sewer | 1,396,339 | 1,098,140 | - | 117,789 | - | (180,410) | (180,410) |
| Sanitation | 663,237 | 772,074 | - | - | - | 108,837 | 108,837 |
| Airport | 155,919 | 158,743 | - | 683,723 | - | 686,547 | 686,547 |
| Brewton Development Authority | 79,773 | - | - | - | - | (79,773) | (79,773) |
| Total business-type activities | <u>30,506,581</u> | <u>32,216,856</u> | <u>-</u> | <u>801,512</u> | <u>-</u> | <u>2,511,787</u> | <u>2,511,787</u> |
| Total primary government | <u>\$ 43,220,296</u> | <u>\$ 34,019,005</u> | <u>\$ 1,014,196</u> | <u>\$ 801,512</u> | <u>(9,897,370)</u> | <u>2,511,787</u> | <u>(7,385,583)</u> |
| Component Units | <u>\$ 1,550,631</u> | <u>\$ 1,654,015</u> | <u>\$ -</u> | <u>\$ -</u> | | | <u>\$ 103,384</u> |
| General revenues: | | | | | | | |
| Taxes | | | | | | | |
| Property | | | | | 1,005,502 | - | 1,005,502 |
| Sales | | | | | 7,336,029 | - | 7,336,029 |
| Other | | | | | 447,829 | - | 447,829 |
| Payments from City | | | | | - | - | 148,062 |
| Receipts from Water Works Board | | | | | 9,144 | - | 9,144 |
| Investment earnings | | | | | 26,838 | 4,144 | 30,982 |
| Capital gain (loss) on sale of capital assets | | | | | - | (34,453) | (34,453) |
| Bond issuance costs | | | | | (193,286) | (123,296) | (316,582) |
| Other | | | | | 73,661 | - | 73,661 |
| Transfers in/(out) | | | | | 718,383 | (718,383) | - |
| Total general revenues and transfers | | | | | <u>9,424,100</u> | <u>(871,988)</u> | <u>156,895</u> |
| Change in net position | | | | | (473,270) | 1,639,799 | 260,279 |
| Net position, beginning | | | | | 20,886,080 | 3,424,531 | 4,712,654 |
| Net position, ending | | | | | <u>\$ 20,412,810</u> | <u>\$ 5,064,330</u> | <u>\$ 4,972,933</u> |

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

**CITY OF BREWTON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

| | | 2016 General Obligation Warrant Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|---|---|
| | General | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,001,069 | \$ 3,617,197 | \$ 70,902 | \$ 6,689,168 |
| Temporary cash investments | 134,686 | 23 | 362,453 | 497,162 |
| Inventory | 585 | - | - | 585 |
| Due from other City funds | 75,000 | - | - | 75,000 |
| Taxes receivable | 990,763 | - | - | 990,763 |
| Total Assets | \$ 4,202,103 | \$ 3,617,220 | \$ 433,355 | \$ 8,252,678 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 469,403 | \$ - | \$ - | \$ 469,403 |
| Due to other City funds | 337,197 | - | - | 337,197 |
| Due to other governments | 331,445 | - | - | 331,445 |
| Total liabilities | 1,138,045 | - | - | 1,138,045 |
| FUND BALANCES | | | | |
| Nonspendable | 585 | - | - | 585 |
| Restricted for: | | | | |
| Debt service | - | 3,617,220 | 362,453 | 3,979,673 |
| Street construction | - | - | 70,170 | 70,170 |
| Street improvements | - | - | 732 | 732 |
| Unassigned | 3,063,473 | - | - | 3,063,473 |
| Total fund balances | 3,064,058 | 3,617,220 | 433,355 | 7,114,633 |
| Total Liabilities and Fund Balances | \$ 4,202,103 | \$ 3,617,220 | \$ 433,355 | \$ 8,252,678 |

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, 2017

| | |
|---|--------------|
| Fund Balances as reported on page 20 | \$ 7,114,633 |
|---|--------------|

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 | \$ 4,373,948 | |
| Other capital assets, net of \$11,741,892 accumulated depreciation | 18,384,515 | |
| | | |
| Total capital assets | | 22,758,463 |

| | |
|---|----------|
| Some liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the fund financial statements | (60,719) |
|---|----------|

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 | 320,558 |
| Changes of assumptions | 369,099 |
| Net difference between projected and actual earnings on plan investments | 65,125 |
| Difference between expected and actual experiences | 544,495 |

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 | (6,353,211) |
| Capital lease obligations | (269,435) |
| Compensated absences | (297,365) |
| Net pension liability | (3,778,833) |

| | |
|---|----------------------|
| Net Position of Governmental Activities as reported on page 18 | \$ 20,412,810 |
|---|----------------------|

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

CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | | 2016 | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | | General | | |
| | | Obligation | | |
| | | Warrant | Other | Total |
| | General | Debt Service | Governmental | Governmental |
| | | Fund | Funds | Funds |
| REVENUES | | | | |
| Taxes | \$ 8,626,816 | \$ - | \$ 62,985 | \$ 8,689,801 |
| Intergovernmental | 637,238 | - | - | 637,238 |
| Licenses and permits | 1,276,208 | - | - | 1,276,208 |
| Fines and forfeitures | 273,656 | - | - | 273,656 |
| Fees and charges | 160,009 | - | - | 160,009 |
| Revenue from City Property | 92,277 | - | - | 92,277 |
| Receipts from Water Works Board | 9,144 | - | - | 9,144 |
| Interest | 1,881 | 10,323 | 565 | 12,769 |
| Donations | 476,516 | - | - | 476,516 |
| Other | 73,663 | - | - | 73,663 |
| Total revenues | 11,627,408 | 10,323 | 63,550 | 11,701,281 |
| EXPENDITURES | | | | |
| General | 1,567,263 | - | - | 1,567,263 |
| Public safety | 3,300,992 | - | - | 3,300,992 |
| Public works | 1,520,168 | - | 52,975 | 1,573,143 |
| Payments to Brewton City Board of Education | 3,244,382 | - | - | 3,244,382 |
| Payments to Water Works Board | 139,517 | - | - | 139,517 |
| Other departments | 1,645,355 | - | - | 1,645,355 |
| Capital expenditures | 3,074,685 | - | 21,165 | 3,095,850 |
| Debt service: | | | | |
| Principal | 349,156 | - | 650,000 | 999,156 |
| Interest | 17,304 | 108,516 | 19,200 | 145,020 |
| Total expenditures | 14,858,822 | 108,516 | 743,340 | 15,710,678 |
| Excess (deficiency) of revenues over expenditures | (3,231,414) | (98,193) | (679,790) | (4,009,397) |
| OTHER FINANCING SOURCES AND (USES) | | | | |
| Transfers in | 4,416,714 | - | 606,769 | 5,023,483 |
| Loan proceeds | 12,800 | 5,655,000 | - | 5,667,800 |
| Capital leases | 92,136 | - | - | 92,136 |
| Original issue premium | - | 214,865 | - | 214,865 |
| Bond issuance costs | - | (193,286) | - | (193,286) |
| Transfers out | (2,342,299) | (1,961,166) | (1,635) | (4,305,100) |
| Total other financing sources and (uses) | 2,179,351 | 3,715,413 | 605,134 | 6,499,898 |
| Net change in fund balances | (1,052,063) | 3,617,220 | (74,656) | 2,490,501 |
| Fund balances-beginning of year | 4,116,121 | - | 508,011 | 4,624,132 |
| FUND BALANCES-END OF YEAR | \$ 3,064,058 | \$ 3,617,220 | \$ 433,355 | \$ 7,114,633 |

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, 2017

Net change in fund balances--total governmental funds, page 22 **\$ 2,490,501**

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 | 3,095,850 |
| Depreciation expense for the year | (911,871) |

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.

| | |
|---|-------------|
| Capital leases incurred during the year | (92,136) |
| Loans incurred during the year | (5,667,800) |
| Principal payments on notes and warrants | 837,225 |
| Principal payments on capital lease obligations | 161,931 |
| Amortization of warrant discount (premiums) | (200,796) |

| | |
|---|----------|
| 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 | (31,800) |
|---|----------|

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 | (105,503) |
| Decrease (increase) in accrued interest payable | (48,871) |

Change in Net Position of Government Activities, page 19 **\$ (473,270)**

CITY OF BREWTON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|---|--|---------------------|---|
| Revenue | | | |
| Taxes | \$ 5,880,648 | \$ 8,626,816 | \$ 2,746,168 |
| Licenses and permits | 1,422,300 | 1,276,208 | (146,092) |
| Fines and forfeitures | 113,000 | 273,656 | 160,656 |
| Fees and charges | 226,200 | 160,009 | (66,191) |
| Intergovernmental revenue | 70,500 | 637,238 | 566,738 |
| Revenue from City Property | 12,450 | 92,277 | 79,827 |
| Receipts from Water Works Board | - | 9,144 | 9,144 |
| Other revenue | 47,000 | 552,060 | 505,060 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 7,772,098 | 11,627,408 | 3,855,310 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures | | | |
| Current expenditures: | | | |
| General government | 1,094,878 | 1,567,263 | (472,385) |
| Public safety | 3,262,405 | 3,300,992 | (38,587) |
| Public works | 1,589,084 | 1,520,168 | 68,916 |
| Payments to Brewton City Board of Education | - | 3,244,382 | (3,244,382) |
| Payments to Water Works Board | - | 139,517 | (139,517) |
| Other departments | 1,464,053 | 1,645,355 | (181,302) |
| Capital expenditures | 303,508 | 3,074,685 | (2,771,177) |
| Debt Service: | | | |
| Principal | 58,170 | 349,156 | (290,986) |
| Interest | - | 17,304 | (17,304) |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 7,772,098 | 14,858,822 | (7,086,724) |
| | <hr/> | <hr/> | <hr/> |
| Excess Revenues Over (Under) Expenditures | - | (3,231,414) | (3,231,414) |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 4,416,714 | 4,416,714 |
| Transfers out | - | (2,342,299) | (2,342,299) |
| Loan proceeds | - | 12,800 | 12,800 |
| Capital lease proceeds | - | 92,136 | 92,136 |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | - | 2,179,351 | 2,179,351 |
| | <hr/> | <hr/> | <hr/> |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | - | (1,052,063) | (1,052,063) |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance at Beginning of Year | 135,405 | 4,116,121 | 3,980,716 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance at End of Year | \$ 135,405 | \$ 3,064,058 | \$ 2,928,653 |
| | <hr/> | <hr/> | <hr/> |

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

**CITY OF BREWTON, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

| | Major Funds | | | | Nonmajor Fund | |
|---|------------------------|-----------------------|----------------------------|------------------------------|--|---------------|
| | Gas Service | Sewer Fund | Sanitation Fund | Municipal Airport | Brewton Development Authority | Totals |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash | \$ 1,869,053 | \$ 786,211 | \$ 199,731 | \$ 584,724 | \$ 4,397 | \$ 3,444,116 |
| Restricted cash | 525,391 | 372,463 | - | - | - | 897,854 |
| Accounts receivable | 99,007 | 172,634 | 34,002 | 4,583 | - | 310,226 |
| Due from other funds | 333,705 | - | - | 5,342 | - | 339,047 |
| Receivable from component units | 30,000 | - | - | - | - | 30,000 |
| Inventories | 120,868 | 296,865 | - | - | - | 417,733 |
| Total current assets | 2,978,024 | 1,628,173 | 233,733 | 594,649 | 4,397 | 5,438,976 |
| Noncurrent assets | | | | | | |
| Property, plant, and equipment | | | | | | |
| Land, improvements and construction in progress | 43,531 | 201,065 | 3,000 | 298,000 | 137,413 | 683,009 |
| Utility systems | 4,932,232 | 9,980,113 | - | - | - | 14,912,345 |
| Buildings and improvements | 168,022 | - | - | 3,022,477 | - | 3,190,499 |
| Equipment | 1,083,902 | 1,125,637 | 1,675,544 | 345,426 | - | 4,230,509 |
| | 6,227,687 | 11,306,815 | 1,678,544 | 3,665,903 | 137,413 | 23,016,362 |
| Less accumulated depreciation | 3,985,861 | 3,537,121 | 1,061,939 | 946,142 | - | 9,531,063 |
| Net property, plant, and equipment | 2,241,826 | 7,769,694 | 616,605 | 2,719,761 | 137,413 | 13,485,299 |
| Total noncurrent assets | 2,241,826 | 7,769,694 | 616,605 | 2,719,761 | 137,413 | 13,485,299 |
| Total Assets | 5,219,850 | 9,397,867 | 850,338 | 3,314,410 | 141,810 | 18,924,275 |
| Deferred Outflows of Resources | | | | | | |
| Defeasance of debt | 64,296 | 793,286 | - | - | - | 857,582 |
| Net difference between projected and actual earnings on plan investments | 7,324 | 1,487 | 1,543 | - | - | 10,354 |
| Difference between expected and actual experiences | 74,205 | 23,694 | 12,066 | - | - | 109,965 |
| Changes of assumptions | 51,551 | 17,146 | 8,099 | - | - | 76,796 |
| Employer retirement contributions | 44,853 | 14,833 | 7,055 | - | - | 66,741 |
| Total Deferred Outflows of Resources | 242,229 | 850,446 | 28,763 | - | - | 1,121,438 |

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

CITY OF BREWTON, ALABAMA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

| | Major Funds | | | | Nonmajor Fund | |
|--|---------------------|-----------------------|------------------------|--------------------------|--------------------------------------|---------------------|
| | Gas Service | Sewer Fund | Sanitation Fund | Municipal Airport | Brewton Development Authority | Totals |
| Liabilities and Net Position | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued expenses | 137,062 | 332,264 | 12,827 | - | - | 482,153 |
| Due to other City funds | - | 1,850 | 75,000 | - | - | 76,850 |
| Long-term liabilities-current portion | 69,846 | 284,846 | 110,704 | - | - | 465,396 |
| Customer deposits | 96,237 | - | - | - | - | 96,237 |
| Total current liabilities | 303,145 | 618,960 | 198,531 | - | - | 1,120,636 |
| Noncurrent liabilities | | | | | | |
| Long-term liabilities-less current portion | 890,199 | 11,579,399 | 375,094 | - | - | 12,844,692 |
| Net pension liability | 486,071 | 143,013 | 80,138 | - | - | 709,222 |
| Accrued postclosure costs | - | - | 306,833 | - | - | 306,833 |
| Total noncurrent liabilities | 1,376,270 | 11,722,412 | 762,065 | - | - | 13,860,747 |
| Total liabilities | 1,679,415 | 12,341,372 | 960,596 | - | - | 14,981,383 |
| Net position | | | | | | |
| Net investment in capital assets | 1,871,468 | 1,470,696 | 130,807 | 2,719,761 | 137,413 | 6,330,145 |
| Unrestricted | 1,911,196 | (3,563,755) | (212,302) | 594,649 | 4,397 | (1,265,815) |
| Total Net Position | \$ 3,782,664 | \$ (2,093,059) | \$ (81,495) | \$ 3,314,410 | \$ 141,810 | \$ 5,064,330 |

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, 2017

| | Major Funds | | | | Nonmajor Fund | |
|---|---------------------|-----------------------|--------------------|---------------------|-------------------------------|---------------------|
| | Gas Service | Sewer Fund | Sanitation Fund | Municipal Airport | Brewton Development Authority | Totals |
| Operating Revenues | | | | | | |
| Charges for services | \$ 30,178,392 | \$ 1,097,140 | \$ 687,551 | \$ 127,338 | \$ - | \$ 32,090,421 |
| Other | 9,507 | 1,000 | 84,523 | 31,405 | - | 126,435 |
| Total operating revenues | 30,187,899 | 1,098,140 | 772,074 | 158,743 | - | 32,216,856 |
| Operating Costs and Expenses | | | | | | |
| Cost of sales and services | 26,525,227 | - | 300,092 | - | - | 26,825,319 |
| Salaries and wages | 554,015 | 207,160 | 81,396 | 16,500 | - | 859,071 |
| Utilities | 19,135 | 80,893 | 3,025 | 19,440 | 589 | 123,082 |
| Maintenance and supplies | 365,471 | 344,017 | 55,716 | 15,686 | - | 780,890 |
| Employee benefits | 140,333 | 39,683 | 22,991 | - | - | 203,007 |
| Insurance | 54,101 | 9,025 | 7,331 | 7,093 | 1,806 | 79,356 |
| Professional fees | 12,572 | 736 | - | 1,183 | 62,465 | 76,956 |
| Office expense | 27,996 | 3,754 | 4,526 | 300 | - | 36,576 |
| Depreciation and amortization | 144,556 | 245,625 | 149,567 | 95,717 | 2,880 | 638,345 |
| Landfill postclosure expense | - | - | 12,306 | - | - | 12,306 |
| Other | 314,465 | 1,920 | 1,629 | - | 12,033 | 330,047 |
| Total operating costs and expenses | 28,157,871 | 932,813 | 638,579 | 155,919 | 79,773 | 29,964,955 |
| Operating Income (Loss) | 2,030,028 | 165,327 | 133,495 | 2,824 | (79,773) | 2,251,901 |
| Non-Operating Revenue (Expense) | | | | | | |
| Interest earned | 3,187 | 957 | - | - | - | 4,144 |
| Debt issue cost | (13,971) | (109,325) | - | - | - | (123,296) |
| Capital gain (loss) on sale of assets | - | - | - | - | (34,453) | (34,453) |
| Payments to Water Works Board | - | (8,545) | - | - | - | (8,545) |
| Interest expense | (53,442) | (454,981) | (24,658) | - | - | (533,081) |
| Total non-operating revenue (expenses) | (64,226) | (571,894) | (24,658) | - | (34,453) | (695,231) |
| Income before contributions and transfers | 1,965,802 | (406,567) | 108,837 | 2,824 | (114,226) | 1,556,670 |
| Capital contributions | - | 117,789 | - | 683,723 | - | 801,512 |
| Transfers in | 996,537 | 896,554 | 22,735 | 407,591 | 954 | 2,324,371 |
| Transfers out | (2,647,303) | (395,451) | - | - | - | (3,042,754) |
| Change in Net Position | 315,036 | 212,325 | 131,572 | 1,094,138 | (113,272) | 1,639,799 |
| Net Position at Beginning of Year | 3,467,628 | (2,305,384) | (213,067) | 2,220,272 | 255,082 | 3,424,531 |
| Net Position at End of Year | \$ 3,782,664 | \$ (2,093,059) | \$ (81,495) | \$ 3,314,410 | \$ 141,810 | \$ 5,064,330 |

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, 2017**

| | Major Funds | | | | No nmajor Fund | |
|--|---------------------|---------------------|------------------------|--------------------------|--------------------------------------|---------------------|
| | Gas Service | Sewer Fund | Sanitation Fund | Municipal Airport | Brewton Development Authority | Totals |
| Cash Flows from Operating Activities : | | | | | | |
| Receipts from customers | \$ 30,208,692 | \$ 978,776 | \$ 772,632 | \$ 158,743 | \$ - | \$ 32,118,843 |
| Payments to suppliers | (28,191,277) | (968,705) | (541,623) | (79,824) | (76,947) | (29,858,376) |
| Payments to employees | (681,916) | (243,891) | (101,925) | (16,500) | - | (1,044,232) |
| Net Cash Provided (Used) by Operating Activities | <u>1,335,499</u> | <u>(233,820)</u> | <u>129,084</u> | <u>62,419</u> | <u>(76,947)</u> | <u>1216,235</u> |
| Cash Flows from Noncapital Financing Activities | | | | | | |
| Transfers in | 996,537 | 896,554 | 22,735 | 407,591 | 954 | 2,324,371 |
| Transfers out | (2,647,303) | (395,451) | - | - | - | (3,042,754) |
| Change in interfund receivable | (251,855) | - | - | - | - | (251,855) |
| Payments to Water Works Board | - | (8,545) | - | - | - | (8,545) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(1,902,621)</u> | <u>492,558</u> | <u>22,735</u> | <u>407,591</u> | <u>954</u> | <u>(978,783)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | | |
| Principal paid on capital debt | 24,345 | 785,984 | (32,400) | - | - | 777,929 |
| Interest paid on capital debt | (53,442) | (495,075) | (24,658) | - | - | (573,175) |
| Capital contributions from grant | - | 117,789 | - | 683,723 | - | 801,512 |
| Debt issue cost | (13,971) | (109,325) | - | - | - | (123,296) |
| Proceeds from disposal of capital assets | - | - | - | - | 65,000 | 65,000 |
| Purchase of capital assets | (48,866) | (264,938) | - | (724,684) | - | (1,038,488) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(91,934)</u> | <u>34,435</u> | <u>(57,058)</u> | <u>(40,961)</u> | <u>65,000</u> | <u>(90,518)</u> |
| Cash Flows from Investing Activities | | | | | | |
| Interest income | 3,187 | 957 | - | - | - | 4,144 |
| Net Increase (Decrease) in Cash | <u>(655,869)</u> | <u>294,130</u> | <u>94,761</u> | <u>429,049</u> | <u>(10,993)</u> | <u>151,078</u> |
| Cash at Beginning of Year | <u>3,050,313</u> | <u>864,544</u> | <u>104,970</u> | <u>155,675</u> | <u>15,390</u> | <u>4,190,892</u> |
| Cash at End 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> |
| Reconciliation of Operating Income (Loss) to Net Cash | | | | | | |
| Provided (Used) by Operating Activities: | | | | | | |
| Operating Income (Loss) | \$ 2,030,028 | \$ 165,327 | \$ 133,495 | \$ 2,824 | \$ (79,773) | \$ 2,251,901 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation and amortization | 144,556 | 245,625 | 149,567 | 95,717 | 2,880 | 638,345 |
| Change in deferred gain (loss) on debt defeasance | (64,787) | (477,091) | - | - | - | (541,878) |
| Change in pension expense as related to GASB 68 | 12,432 | 2,953 | 2,461 | - | - | 17,846 |
| Change in accounts receivable | 11,013 | (119,364) | 558 | - | - | (107,793) |
| Change in inventories | 51,903 | 1,767 | - | - | - | 53,670 |
| Change in customer deposits | 9,780 | - | - | - | - | 9,780 |
| Change in accrued expenses | - | (40,094) | 12,306 | - | - | (27,788) |
| Change in accounts payable | (859,426) | (12,943) | (169,303) | (36,122) | (54) | (1,077,848) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,335,499</u> | <u>\$ (233,820)</u> | <u>\$ 129,084</u> | <u>\$ 62,419</u> | <u>\$ (76,947)</u> | <u>\$ 1216,235</u> |

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

**CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 include 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, 2017**

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, 2017**

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, 2017**

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, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Principles

On October 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The adoption of GASB Statement No. 62 did not have any impact on the City's consolidated financial statements.

On October 1, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Balance Sheet is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources.

During fiscal year 2013, the City early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires certain items that were previously reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources or current-period outflows (expenses) and inflows (revenues). These determinations are based on the following definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*:

Deferred outflows of resources are consumptions of net position by the City that are applicable to a future reporting period.

Deferred inflows of resources are acquisitions of net position by the City that are applicable to a future reporting period.

Outflows of resources are consumptions of net position by the City that are applicable to the reporting period.

Inflows of resources are acquisitions of net position by the City that are applicable to the reporting period.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued to improve financial reporting by giving users of the financial statements essential information that is not consistently or comprehensively reported to the public at the present. The requirements of GASB Statement No. 77 are effective for fiscal year 2017 with no significant impact to the City's financial statements.

GASB Statement No. 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*, was issued to address pension issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee

**CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(plan member) contribution requirements. The requirements of GASB Statement No. 82 are effective for fiscal year 2017 with no significant impact to 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. 85, *Omnibus 2017*, was issued to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of GASB Statement No. 85 are effective for fiscal year 2018. The City is currently evaluating the impact it may have on its 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. 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.

Cash and Investments

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad Valorem Taxes

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

Inventories

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

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no instances of settlements that exceeded insurance coverage in the last three fiscal years.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused 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, 2017, 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, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following individual overexpenditures were all approved by the City Council:

| | <u>Excess Expenditures</u> | | <u>Excess Expenditures</u> |
|-----------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| <i>General Government:</i> | | <i>Code Enforcement</i> | |
| Employee benefits | \$ 2,192 | Employee benefits | \$ 9,374 |
| Utilities | 35,485 | Travel | 504 |
| Lease | 47,981 | Repairs and maintenance | 15,389 |
| Telephone | 13,032 | Telephone | 782 |
| Travel | 31,692 | Fuel, oil and tires | 41 |
| Repairs and maintenance | 238,326 | <i>Other Departments:</i> | |
| Professional fees | 259,729 | <i>Municipal Court</i> | |
| Appropriation | 10,757 | Employee benefits | 8,812 |
| Capital expenditures | 2,345,077 | Legal services | 10,840 |
| Other | 48,167 | Court supplies | 679 |
| <i>Public Safety:</i> | | Telephone | 1,863 |
| <i>Police Department</i> | | Other | 6,600 |
| Salaries | 65,589 | State fees | 63,040 |
| Employee benefits | 195,253 | <i>Library Department</i> | |
| Travel | 1,086 | Salaries | 4,721 |
| Investigation and education | 26,047 | Employee benefits | 37,626 |
| Office supplies | 754 | Utilities | 2,760 |
| Other | 17,824 | Telephone | 4,795 |
| <i>Fire Department</i> | | Repairs and maintenance | 13,755 |
| Employee benefits | 80,344 | Books purchased | 33,975 |
| Repairs and maintenance | 6,888 | Office supplies | 20,565 |
| Tools and supplies | 3,398 | <i>Recreation Department</i> | |
| Telephone | 953 | Employee benefits | 24,290 |
| Office supplies | 2,260 | Capital expenditures | 157,987 |
| <i>Public Works:</i> | | Repairs and maintenance | 208,166 |
| <i>Street Department</i> | | <i>Cemetery Department</i> | |
| Salaries | 8,251 | Employee benefits | 12,950 |
| Employee benefits | 118,824 | Utilities | 760 |
| Fuel, oil and tires | 968 | Capital expenditures | 4,654 |
| Capital expenditures | 326,781 | <i>Beautification</i> | |
| Uniforms | 3,731 | Repairs and maintenance | 48,787 |
| Utilities | 4,073 | Capital expenditures | 46,232 |
| Telephone | 2,253 | Other | 42 |
| <i>Animal Control</i> | | <i>Payments to School Bd</i> | 3,244,382 |
| Salaries | 5,627 | <i>Payments to Water Bd</i> | 139,517 |
| Employee benefits | 11,219 | <i>Debt Service</i> | 308,290 |
| Uniforms | 255 | <i>Transfers Out</i> | 2,342,299 |
| Repairs and maintenance | 303 | | |
| Tools and supplies | 3,057 | | |
| Utilities | 2,369 | | |
| Other | 640 | | |

**CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017**

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 April 27, 2018, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2017.

NOTE 2 DEPOSITS AND INVESTMENTS

At September 30, 2017, the City had investments in U.S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$362,476. The average maturity of the portfolio was 24 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, 2017, 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, 2017**

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, 2017, 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, 2017, there was a deficit in net position of the Sewer Fund of \$2,093,059 and the Sanitation Fund of \$81,495. 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 two grants during the fiscal year September 30, 2017. 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. The grant received in the Sewer Fund was used for various capital improvement projects 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, 2017

NOTE 6 CAPITAL ASSETS

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

| | Balance 09/30/16 | Additions | Reclassifications/ Retirements | Balance 09/30/17 |
|---|---------------------|--------------|-----------------------------------|---------------------|
| Governmental Activities | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 3,452,496 | \$ 602,165 | \$ - | \$ 4,054,661 |
| Construction in progress | - | 319,287 | - | 319,287 |
| Total capital assets not being depreciated | 3,452,496 | 921,452 | - | 4,373,948 |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings | 8,411,034 | 158,230 | - | 8,569,264 |
| Improvements other than buildings | 12,790,101 | 1,468,515 | - | 14,258,616 |
| Vehicles and equipment | 7,152,451 | 630,574 | 484,498 | 7,298,527 |
| Total capital assets being depreciated | 28,353,586 | 2,257,319 | 484,498 | 30,126,407 |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,554,394 | 160,372 | - | 2,714,766 |
| Improvements other than buildings | 3,122,529 | 282,810 | - | 3,405,339 |
| Vehicles and equipment | 5,554,674 | 468,689 | 401,576 | 5,621,787 |
| Total accumulated depreciation | 11,231,597 | 911,871 | 401,576 | 11,741,892 |
| Total capital assets being depreciated | 17,121,989 | 1,345,448 | 82,922 | 18,384,515 |
| Capital assets, net | \$ 20,574,485 | \$ 2,266,900 | \$ 82,922 | \$ 22,758,463 |
| Depreciation was charged to governmental activities as follows: | | | | |
| General | \$ 507,588 | | | |
| Police | 171,375 | | | |
| Fire | 87,729 | | | |
| Street | 84,054 | | | |
| Recreation | 54,128 | | | |
| Library | 6,997 | | | |
| Total | \$ 911,871 | | | |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 CAPITAL ASSETS (CONTINUED)

| | Balance 09/30/16 | Additions | Reclassifications/ Retirements | Balance 09/30/17 |
|---|---------------------|-------------|-----------------------------------|---------------------|
| Business-type Activities | | | | |
| Gas Service Fund | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 11,100 | \$ - | \$ - | \$ 11,100 |
| Construction in progress | - | 32,431 | - | 32,431 |
| Total capital assets not being depreciated | 11,100 | 32,431 | - | 43,531 |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings and improvements | 168,022 | - | - | 168,022 |
| Utility systems | 4,932,232 | - | - | 4,932,232 |
| Equipment | 1,067,467 | 16,435 | - | 1,083,902 |
| Total capital assets being depreciated | 6,167,721 | 16,435 | - | 6,184,156 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 151,054 | 2,639 | - | 153,693 |
| Utility systems | 2,815,435 | 74,653 | - | 2,890,088 |
| Equipment | 875,307 | 66,773 | - | 942,080 |
| Total accumulated depreciation | 3,841,796 | 144,065 | - | 3,985,861 |
| Total capital assets being depreciated | 2,325,925 | (127,630) | - | 2,198,295 |
| Capital assets, net | \$ 2,337,025 | \$ (95,199) | \$ - | \$ 2,241,826 |
| 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 | 29,500 | 171,565 | - | 201,065 |
| <i>Capital assets being depreciated</i> | | | | |
| Utility systems | 9,980,113 | - | - | 9,980,113 |
| Equipment | 1,032,264 | 93,373 | - | 1,125,637 |
| Total capital assets being depreciated | 11,012,377 | 93,373 | - | 11,105,750 |
| Less accumulated depreciation for: | | | | |
| Utility systems | 2,380,454 | 199,904 | - | 2,580,358 |
| Equipment | 913,593 | 43,170 | - | 956,763 |
| Total accumulated depreciation | 3,294,047 | 243,074 | - | 3,537,121 |
| Capital assets, net | \$ 7,747,830 | \$ 21,864 | \$ - | \$ 7,769,694 |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 CAPITAL ASSETS (CONTINUED)

| | Balance 09/30/16 | Additions | Reclassifications/ Retirements | Balance 09/30/17 |
|---|---------------------|--------------|-----------------------------------|---------------------|
| 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 | 912,372 | 149,567 | - | 1,061,939 |
| Total accumulated depreciation | 912,372 | 149,567 | - | 1,061,939 |
| Total capital assets being depreciated | 763,172 | (149,567) | - | 613,605 |
| Capital assets, net | \$ 766,172 | \$ (149,567) | \$ - | \$ 616,605 |
| 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 | 2,297,793 | 724,684 | - | 3,022,477 |
| Equipment | 345,426 | - | - | 345,426 |
| Total capital assets being depreciated | 2,643,219 | 724,684 | - | 3,367,903 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 612,082 | 75,278 | - | 687,360 |
| Equipment | 238,342 | 20,440 | - | 258,782 |
| Total accumulated depreciation | 850,424 | 95,718 | - | 946,142 |
| Total capital assets being depreciated | 1,792,795 | 628,966 | - | 2,421,761 |
| Capital assets, net | \$ 2,090,795 | \$ 628,966 | \$ - | \$ 2,719,761 |
| Brewton Development Authority | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 145,940 | \$ - | \$ 8,527 | \$ 137,413 |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings and improvements | 197,500 | - | 197,500 | - |
| Total capital assets being depreciated | 197,500 | - | 197,500 | - |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 103,694 | 2,880 | 106,574 | - |
| Total accumulated depreciation | 103,694 | 2,880 | 106,574 | - |
| Total capital assets being depreciated | 93,806 | (2,880) | 90,926 | - |
| Capital assets, net | \$ 239,746 | \$ (2,880) | \$ 99,453 | \$ 137,413 |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 CAPITAL ASSETS (CONTINUED)

| Component Unit: | Balance 09/30/16 | Additions | Reclassifications/ Retirements | Balance 09/30/17 |
|---|---------------------|-------------------|-----------------------------------|---------------------|
| Water Works Board | | | | |
| <i>Capital assets not being depreciated</i> | | | | |
| Land | \$ 83,423 | \$ - | \$ - | \$ 83,423 |
| Construction in progress | - | 155,415 | - | 155,415 |
| Total capital assets not being depreciated | <u>83,423</u> | <u>155,415</u> | <u>-</u> | <u>238,838</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Water system | 11,113,647 | 384,864 | - | 11,498,511 |
| Machinery and equipment | 1,438,799 | 16,435 | - | 1,455,234 |
| Property under capital lease | 40,653 | - | - | 40,653 |
| Furniture and fixtures | 67,609 | - | - | 67,609 |
| Total capital assets being depreciated | <u>12,660,708</u> | <u>401,299</u> | <u>-</u> | <u>13,062,007</u> |
| Less accumulated depreciation for: | | | | |
| Water system | 3,619,422 | 243,424 | - | 3,862,846 |
| Machinery and equipment | 1,089,094 | 63,402 | - | 1,152,496 |
| Property under capital lease | 23,037 | 8,131 | - | 31,168 |
| Furniture and fixtures | 67,609 | - | - | 67,609 |
| Total accumulated depreciation | <u>4,799,162</u> | <u>314,957</u> | <u>-</u> | <u>5,114,119</u> |
| Total capital assets being depreciated | <u>7,861,546</u> | <u>86,342</u> | <u>-</u> | <u>7,947,888</u> |
| Capital assets, net | <u>\$ 7,944,969</u> | <u>\$ 241,757</u> | <u>\$ -</u> | <u>\$ 8,186,726</u> |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2017:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--|----------------------|----------------------|---------------------|----------------------|-----------------------------------|
| <u>Governmental Activities</u> | | | | | |
| General Obligation Debt | \$ 1,321,840 | \$ 5,667,800 | \$ 837,225 | \$ 6,152,415 | \$ 446,996 |
| Capital Lease Obligations | 339,230 | 92,136 | 161,931 | 269,435 | 69,755 |
| Compensated Absences | 265,565 | 286,289 | 254,489 | 297,365 | 59,473 |
| | <u>1,926,635</u> | <u>6,046,225</u> | <u>1,253,645</u> | <u>6,719,215</u> | <u>576,224</u> |
| Warrant Premium | - | 214,865 | 14,069 | 200,796 | - |
| Governmental Activities, long-term liabilities | <u>1,926,635</u> | <u>6,261,090</u> | <u>1,267,714</u> | <u>6,920,011</u> | <u>576,224</u> |
| <u>Business-type Activities</u> | | | | | |
| General Obligation Debt | 12,294,956 | 6,084,900 | 5,417,001 | 12,962,855 | 423,434 |
| Capital Lease Obligations | 386,878 | - | 43,442 | 343,436 | 41,962 |
| Accrued Postclosure Costs | 294,527 | 12,306 | - | 306,833 | 12,306 |
| | <u>12,976,361</u> | <u>6,097,206</u> | <u>5,460,443</u> | <u>13,613,124</u> | <u>477,702</u> |
| Warrant Premium | - | 86,043 | 330 | 85,713 | - |
| Warrant Discount | (149,675) | - | 67,761 | (81,916) | - |
| Business-type Activities, long-term liabilities | <u>12,826,686</u> | <u>6,183,249</u> | <u>5,528,534</u> | <u>13,616,921</u> | <u>477,702</u> |
| Total Long-term Liabilities | <u>\$ 14,753,321</u> | <u>\$ 12,444,339</u> | <u>\$ 6,796,248</u> | <u>\$ 20,536,932</u> | <u>\$ 1,053,926</u> |

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

Bonds and warrants payable at September 30, 2017, 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. \$ 5,325,000

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. 685,000

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

| | |
|---|-----------|
| 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. | 6,090,000 |
| 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. | 250,000 |
| 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. | 445,000 |
| 2009 General Obligation Warrants payable in annual installments of \$355,000 to \$510,000 through December 1, 2017, with interest at 2.00% to 4.00% payable on June 1 and December 1. | 355,000 |
| 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. | 50,291 |
| Note payable for purchase of police vehicle dated January 8, 2014, due in 48 monthly installments of \$831, including interest at 4.70%, maturing January 8, 2018. | 3,163 |
| 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. | 29,461 |
| 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. | 7,098 |
| 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. | 25,492 |
| 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. | 71,331 |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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. 78,441

Note payable for purchase of police vehicles dated April 8, 2015, due in 36 monthly installments of \$5,469 including interest at 1.20%, maturing April 8, 2018. 24,252

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. 20,741

Total General Obligation Bonds and Warrants \$ 19,115,270

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 |
| 2018 | \$ 446,996 | \$ 175,705 | \$ 423,434 | \$ 414,611 |
| 2019 | 399,449 | 163,670 | 432,118 | 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 |
| 2023-2027 | 2,155,000 | 479,900 | 2,165,000 | 1,861,161 |
| 2028-2032 | 1,990,000 | 121,650 | 2,250,000 | 1,492,082 |
| 2033-2037 | - | - | 2,410,000 | 1,074,017 |
| 2038-2042 | - | - | 2,805,000 | 568,191 |
| 2043-2045 | - | - | 1,295,000 | 54,613 |
| | <u>\$ 6,152,415</u> | <u>\$ 1,377,834</u> | <u>\$ 12,962,855</u> | <u>\$ 7,164,753</u> |

Certain General Obligation Bonds and Warrants are not associated with the City's capital assets. The 2009 General Obligation Warrant was used to fund non-capital projects. 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 gas, sewer and sanitation funds. The leases qualify as capital leases for accounting purposes since there are bargain purchase elements at the end of the initial lease terms and the present values of the minimum lease payments are greater than 90 percent of the asset purchase prices. Each asset has, therefore, been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets and the enterprise funds, respectively.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 | 244,476 | 94,289 |
| Total | <u>\$ 274,966</u> | <u>\$ 305,052</u> |

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2017, were as follows:

| Year Ending September 30, | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| 2018 | \$ 75,897 | \$ 59,186 |
| 2019 | 66,920 | 59,186 |
| 2020 | 52,255 | 59,186 |
| 2021 | 47,365 | 59,186 |
| 2022 | 47,364 | 165,987 |
| Thereafter | <u>-</u> | <u>-</u> |
| Total minimum lease payments | 289,801 | 402,731 |
| Less amount representing interest | <u>(20,366)</u> | <u>(59,295)</u> |
| Present value of minimum lease payments | <u>\$ 269,435</u> | <u>\$ 343,436</u> |

Line of Credit and Letter of Credit

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

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, 2017**

NOTE 9 DEBT DEFEASANCE

In a prior year and during 2017, 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, 2017, \$9,830,000 of defeased debt is outstanding.

Governmental Defeasance

On October 31, 2016, the City of Brewton issued 2016 General Obligation Warrants in the amount of \$5,655,000. The proceeds were used to advance refund a portion of the 2009 General Obligation Warrants. The defeased portion of the outstanding warrants had a balance of \$340,826. The net proceeds from the issuance of the warrants of \$340,826 were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the 2006 General Obligation Warrants until they are called. The advance refunding met the requirements of an in-substance debt defeasance and the defeased portion of the 2009 General Obligation Warrants was removed from the City's government-wide general financial statements.

The advanced refunding of the 2009 General Obligation Warrants did not produce an economic gain or loss.

Business-Type Defeasances

On August 17, 2017, the City of Brewton issued 2017-A General Obligation Warrants and 2017-B General Obligation Gas Revenue Warrants in the amount of \$5,325,000 and \$685,000, respectively. The proceeds were used to advance refund a portion of the 2013-A and 2013-B Warrants. The defeased portion of the outstanding 2013-A and 2013-B warrants had balances of \$4,875,768 and \$673,784, respectively. The net proceeds from the issuance of the warrants of \$4,875,768 and \$673,784 were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the 2013-A and 2013-B General Obligation Warrants, respectively, until they are called. The advance refunding met the requirements of an in-substance debt defeasance and the defeased portion of the 2013-A and 2013-B warrants was removed from the City's proprietary fund financial statements.

As a result of the advance refunding, the City achieved an economic gain of approximately \$466,620 from the present value of the change in cash flow requirements and additional funds on hand.

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 \$306,833 reported as accrued postclosure costs by the sanitation fund represents the cumulative amount of estimated costs through September 30, 2017. 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, 2017. Estimated total landfill capacity is 1,350,000 cubic yards of which 141,314 cubic yards or approximately 10 percent had been used at September 30, 2002. The landfill's estimated remaining life at September 30, 2017, was approximately 20 years.

**CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017

NOTE 11 PENSION PLAN (CONTINUED)

The City's contractually required contribution rate for the year ended September 30, 2017, was 9.77% for Tier 1 employees, and 7.04% 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, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$375,455 and \$44,853 for the City and Water Works Board, respectively, for the year ended September 30, 2017.

At September 30, 2017, the following employees were covered by the Plan:

| | <u>Number</u> |
|---|-------------------|
| Retired members or their beneficiaries currently receiving benefits | 50 |
| Vested inactive members | 2 |
| Non-vested inactive members | 14 |
| Active members | 118 |
| Post-DROP retired members still in active service | <u>1</u> |
| Total | <u><u>185</u></u> |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 PENSION PLAN (CONTINUED)

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

| | Expected | | Actual - 2015 Valuation Assumptions | | Actual - 2016 Valuation Assumptions | |
|---|----------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|
| | City of Brewton | Water Board | City of Brewton | Water Board | City of Brewton | Water Board |
| (a) Total Pension Liability as of September 30, 2015 | \$ 12,498,568 | \$ 1,151,158 | \$ 12,949,994 | \$ 1,192,736 | \$ 13,459,856 | \$ 1,239,696 |
| (b) Discount rate | 8.00% | 8.00% | 8.00% | 8.00% | 7.75% | 7.75% |
| (c) Entry Age Normal Cost for the period October 1, 2015 to September 30, 2016 | 336,916 | 31,031 | 336,916 | 31,031 | 341,022 | 31,409 |
| (d) Transfers Among Employers | | | | | | |
| (e) Actual Benefit Payments & Refunds for October 1, 2015 to September 30, 2016 | <u>(839,629)</u> | <u>(77,333)</u> | <u>(839,629)</u> | <u>(77,333)</u> | <u>(839,629)</u> | <u>(77,333)</u> |
| (f) Total Pension Liability as of September 30, 2016 [(a) x (1+(b)) + (c) + (d) + [(e) x (1+0.5*(b))] | <u>\$ 12,962,155</u> | <u>\$ 1,193,856</u> | <u>\$ 13,537,482</u> | <u>\$ 1,246,845</u> | <u>\$ 14,059,639</u> | <u>\$ 1,294,937</u> |
| (g) Difference between Expected and Actual | | | <u>\$ 575,327</u> | <u>\$ 52,989</u> | | |
| (h) Less Liability Transferred for Immediate Recognition | | | <u>87,787</u> | <u>8,085</u> | | |
| (i) Experience (Gain)/Loss = (g) - (h) | | | <u>\$ 487,540</u> | <u>\$ 44,904</u> | | |
| (j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss | | | | | <u>\$ 522,157</u> | <u>\$ 48,092</u> |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability in the September 30, 2014, 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, 2014, valuation were based on the results of an investigation of the economic and demographic experience for the RSA based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the 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, 2017

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, 2015 | \$ 12,498,568 | \$ 1,151,158 | \$ 8,747,159 | \$ 805,641 | \$ 3,751,409 | \$ 345,517 |
| Changes for the year: | | | | | | |
| Service cost | 336,916 | 31,031 | - | - | 336,915 | 31,032 |
| Interest | 966,301 | 88,999 | - | - | 966,301 | 88,999 |
| Changes of assumptions | 522,157 | 48,092 | - | - | 522,157 | 48,092 |
| Differences between expected and actual experience | 487,540 | 44,904 | - | - | 487,540 | 44,904 |
| Contributions - employer | - | - | 447,178 | 41,187 | (447,178) | (41,187) |
| Contributions - employee | - | - | 241,641 | 22,256 | (241,641) | (22,256) |
| Net investment income | - | - | 887,448 | 81,737 | (887,448) | (81,737) |
| Benefit payments, including refunds of employee contributions | (839,629) | (77,333) | (839,629) | (77,333) | - | - |
| Administrative expense | - | - | - | - | - | - |
| Transfers among employers | 87,787 | 8,085 | 87,787 | 8,085 | - | - |
| Net Changes | <u>1,561,072</u> | <u>143,778</u> | <u>824,425</u> | <u>75,932</u> | <u>736,646</u> | <u>67,847</u> |
| Balances at September 30, 2016 | <u>\$ 14,059,640</u> | <u>\$ 1,294,936</u> | <u>\$ 9,571,584</u> | <u>\$ 881,573</u> | <u>\$ 4,488,055</u> | <u>\$ 413,364</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 | \$ 6,100,510 | \$ 561,876 | \$ 4,488,055 | \$ 413,364 | \$ 3,133,757 | \$ 288,629 |

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2015. The auditor's report dated October 17, 2016 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, 2017, the City recognized pension expense of \$594,820 and 50,601 for the City and Water Board, respectively. At September 30, 2017, 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 | \$ 654,460 | \$ 57,812 | \$ - | \$ - |
| Changes of assumptions | 445,895 | 37,953 | - | - |
| Net difference between projected and actual earnings on plan investments | 75,479 | 8,450 | - | - |
| Employer contributions subsequent to measurement date* | <u>387,299</u> | <u>33,009</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,563,133</u> | <u>\$ 137,224</u> | <u>\$ -</u> | <u>\$ -</u> |

*Employer contributions made from October 1, 2016 through September 30, 2017, related to normal and accrued liability components of employer rate net of any refunds or error service payments. These amounts will be recognized in 2018 as a reduction of the net pension liability.

CITY OF BREWTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 | |
|------------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 611,574 | \$ 56,276 | \$ 667,850 |
| 2019 | 228,135 | 19,407 | 247,542 |
| 2020 | 292,775 | 24,906 | 317,681 |
| 2021 | 172,852 | 14,704 | 187,556 |
| 2022 | 165,408 | 14,071 | 179,479 |
| Thereafter | 92,389 | 7,860 | 100,249 |
| | <u>\$ 1,563,133</u> | <u>\$ 137,224</u> | <u>\$ 1,700,357</u> |

NOTE 12 INTERFUND TRANSACTIONS

Interfund receivables and payables at September 30, 2017 are:

| | Interfund Payables | | | |
|-----------------------|--------------------|-----------------|------------------|-------------------|
| | General | Sewer | Sanitation | Totals |
| Interfund Receivables | | | | |
| 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, 2017

NOTE 12 INTERFUND TRANSACTIONS (CONTINUED)

At September 30, 2017, interfund transfers consisted of the following:

| | Transfers Out | | | | | Totals |
|-------------------------------|---------------------|---------------------|-----------------------|---------------------|-------------------|---------------------|
| | General | 2016 GOW DSF | Other Governmental | Gas Service | Sewer | |
| Transfers In | | | | | | |
| General | \$ - | \$ 1,767,776 | \$ 1,635 | \$ 2,647,303 | \$ - | \$ 4,416,714 |
| Other Governmental | 413,379 | 193,390 | - | - | - | 606,769 |
| Gas Service | 601,086 | - | - | - | 395,451 | 996,537 |
| Sewer | 896,554 | - | - | - | - | 896,554 |
| Brewton Development Authority | 954 | - | - | - | - | 954 |
| Airport | 407,591 | - | - | - | - | 407,591 |
| Sanitation | 22,735 | - | - | - | - | 22,735 |
| Totals | <u>\$ 2,342,299</u> | <u>\$ 1,961,166</u> | <u>\$ 1,635</u> | <u>\$ 2,647,303</u> | <u>\$ 395,451</u> | <u>\$ 7,347,854</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.

REQUIRED SUPPLEMENTARY INFORMATION

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

| | 2016 | | | 2015 | | | 2014 | | |
|---|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| | City of Brewton | Water Board | Total | City of Brewton | Water Board | Total | City of Brewton | Water Board | Total |
| Total pension liability | | | | | | | | | |
| Service cost | \$ 336,929 | \$ 31,018 | \$ 367,947 | \$ 322,075 | \$ 29,727 | \$ 351,802 | \$ 315,894 | \$ 29,647 | \$ 345,541 |
| Interest | 966,338 | 88,962 | 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 | 487,559 | 44,885 | 532,444 | 352,055 | 32,494 | 384,549 | - | - | - |
| Changes of assumptions | 522,177 | 48,072 | 570,249 | - | - | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (839,662) | (77,300) | (916,962) | (825,293) | (76,174) | (901,467) | (874,026) | (82,030) | (956,056) |
| Transfers among employers | 87,790 | 8,082 | 95,872 | - | - | - | - | - | - |
| Net change in total pension liability | <u>1,561,131</u> | <u>143,719</u> | <u>1,704,850</u> | <u>755,122</u> | <u>69,696</u> | <u>824,818</u> | <u>319,324</u> | <u>29,968</u> | <u>349,292</u> |
| Total pension liability- beginning | <u>12,499,054</u> | <u>1,150,672</u> | <u>13,649,726</u> | <u>11,741,203</u> | <u>1,083,705</u> | <u>12,824,908</u> | <u>11,405,208</u> | <u>1,070,408</u> | <u>12,475,616</u> |
| Total pension liability- ending (a) | <u>\$ 14,060,185</u> | <u>\$ 1,294,391</u> | <u>\$ 15,354,576</u> | <u>\$ 12,496,325</u> | <u>\$ 1,153,401</u> | <u>\$ 13,649,726</u> | <u>\$ 11,724,532</u> | <u>\$ 1,100,376</u> | <u>\$ 12,824,908</u> |
| Plan fiduciary net position | | | | | | | | | |
| Contributions- employer | \$ 447,196 | \$ 41,169 | \$ 488,365 | \$ 426,890 | \$ 39,402 | \$ 466,292 | \$ 353,734 | \$ 33,199 | \$ 386,933 |
| Contributions- member | 241,650 | 22,247 | 263,897 | 224,575 | 20,728 | 245,303 | 210,866 | 19,790 | 230,656 |
| Net investment income | 887,657 | 81,528 | 969,185 | 103,711 | 9,572 | 113,283 | 962,030 | 90,289 | 1,052,319 |
| Benefit payments, including refunds of employee | (839,662) | (77,300) | (916,962) | (825,293) | (76,174) | (901,467) | (874,026) | (82,030) | (956,056) |
| Transfers among employers | 87,790 | 8,082 | 95,872 | (26,380) | (2,435) | (28,815) | 8,699 | 816 | 9,515 |
| Net change in plan fiduciary net position | <u>824,631</u> | <u>75,726</u> | <u>900,357</u> | <u>(96,497)</u> | <u>(8,907)</u> | <u>(105,404)</u> | <u>661,303</u> | <u>62,064</u> | <u>723,367</u> |
| Plan net position- beginning | <u>8,747,499</u> | <u>805,301</u> | <u>9,552,800</u> | <u>8,842,086</u> | <u>816,118</u> | <u>9,658,204</u> | <u>8,168,228</u> | <u>766,609</u> | <u>8,934,837</u> |
| Plan net position- ending (b) | <u>\$ 9,572,130</u> | <u>\$ 881,027</u> | <u>\$ 10,453,157</u> | <u>\$ 8,745,589</u> | <u>\$ 807,211</u> | <u>\$ 9,552,800</u> | <u>\$ 8,829,531</u> | <u>\$ 828,673</u> | <u>\$ 9,658,204</u> |
| Net pension liability (asset)- ending (a) - (b) | \$ 4,488,055 | \$ 413,364 | \$ 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 | 62.34% | 5.74% | 68.08% | 64.08% | 5.91% | 69.99% | 68.85% | 6.46% | 75.31% |
| Covered-employee payroll * | 4,318,764 | 397,589 | 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 | 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 FY2017 the measurement period is October 1, 2015 - September 30, 2016. GASB issued a statement "Pension Issues" in March 2017 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,**

| | 2017 | | | 2016 | | | 2015 | | |
|--|-----------------|---------------|----------------|-----------------|---------------|----------------|-----------------|---------------|----------------|
| | City of Brewton | Water Board | Total | City of Brewton | Water Board | Total | City of Brewton | Water Board | Total |
| Actuarially determined contribution* | \$ 387,299 | \$ 33,009 | \$ 420,308 | \$ 369,632 | \$ 34,117 | \$ 403,749 | \$ 369,107 | \$ 34,642 | \$ 403,749 |
| Contributions in relation to the actuarially determind contribution* | <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> |
| Covered-employee payroll** | \$ 4,398,138 | \$ 404,896 | \$ 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 | 8.81% | 8.15% | 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 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumption used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 26 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, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|--|------------------|---|
| Revenues | | | |
| Taxes | | | |
| Ad valorem tax | \$ 355,254 | \$ 1,005,502 | \$ 650,248 |
| Beer tax | 55,000 | 58,997 | 3,997 |
| Cigarette tax | 14,500 | 11,332 | (3,168) |
| Sales tax | 5,302,394 | 7,336,029 | 2,033,635 |
| City gasoline tax | 150,000 | 149,134 | (866) |
| Wine tax | 3,500 | 3,371 | (129) |
| Oil severance tax | - | 62,451 | 62,451 |
| Total Taxes | <u>5,880,648</u> | <u>8,626,816</u> | <u>2,746,168</u> |
| Licenses and Permits | | | |
| Business licenses | 1,400,000 | 1,251,550 | (148,450) |
| Building permits | 19,500 | 24,658 | 5,158 |
| Wiring inspection fees | 2,000 | - | (2,000) |
| Yard sale permits | 800 | - | (800) |
| Total Licenses and Permits | <u>1,422,300</u> | <u>1,276,208</u> | <u>(146,092)</u> |
| Fines and Forfeitures | | | |
| Fines and court costs | <u>113,000</u> | <u>273,656</u> | <u>160,656</u> |
| Fees and Charges | | | |
| Recreation and golf revenues | 104,800 | 38,863 | (65,937) |
| Library fees | - | 3,162 | 3,162 |
| Miscellaneous fees | <u>121,400</u> | <u>117,984</u> | <u>(3,416)</u> |
| Total Fees and Charges | <u>226,200</u> | <u>160,009</u> | <u>(66,191)</u> |
| Intergovernmental Revenues | | | |
| Federal grants | 5,000 | 537,679 | 532,679 |
| Production privilege tax | 12,000 | 11,978 | (22) |
| Financial excise tax | 3,000 | 39,109 | 36,109 |
| State auto license | 7,000 | 3,710 | (3,290) |
| Motor vehicle license | 16,000 | 17,960 | 1,960 |
| Business privilege tax | 24,000 | 24,725 | 725 |
| ABC store revenue | <u>3,500</u> | <u>2,077</u> | <u>(1,423)</u> |
| Total Intergovernmental Revenues | <u>70,500</u> | <u>637,238</u> | <u>566,738</u> |
| Revenue From City Property | | | |
| Sale of City property | 1,050 | 61,831 | 60,781 |
| Rent | - | 16,051 | 16,051 |
| Community center | <u>11,400</u> | <u>14,395</u> | <u>2,995</u> |
| Total Revenue From City Property | <u>12,450</u> | <u>92,277</u> | <u>79,827</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, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|---|--|----------------------|---|
| Receipts from Water Works Board | \$ - | \$ 9,144 | \$ 9,144 |
| Other Revenue | | | |
| Interest earned | - | 1,881 | 1,881 |
| Donations | - | 476,516 | 476,516 |
| Other | 47,000 | 73,663 | 26,663 |
| Total Other Revenue | 47,000 | 552,060 | 505,060 |
| Total Revenues | 7,772,098 | 11,627,408 | 3,855,310 |
| Other Financing Sources | | | |
| Transfers in | - | 4,416,714 | 4,416,714 |
| Capital lease proceeds | - | 92,136 | 92,136 |
| Loan proceeds | - | 12,800 | 12,800 |
| Total Other Financing Sources | - | 4,521,650 | 4,521,650 |
| Total Revenues and Other Financing Sources | \$ 7,772,098 | \$ 16,149,058 | \$ 8,376,960 |

CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|-------------------------------------|--|------------------|---|
| Expenditures | | | |
| General Government | | | |
| Salaries | \$ 430,367 | \$ 398,259 | \$ 32,108 |
| Employee benefits | 56,045 | 58,237 | (2,192) |
| Utilities | 37,000 | 72,485 | (35,485) |
| Lease | - | 47,981 | (47,981) |
| Telephone | 22,500 | 35,532 | (13,032) |
| Office supplies | 13,095 | 7,909 | 5,186 |
| Dues and publications | 13,257 | 8,115 | 5,142 |
| Travel | 15,000 | 46,692 | (31,692) |
| Insurance | 118,346 | 73,106 | 45,240 |
| Repairs and maintenance | 46,300 | 284,626 | (238,326) |
| Professional fees | 55,600 | 315,329 | (259,729) |
| Street lighting | 91,000 | 61,108 | 29,892 |
| Fire hydrant rental | 16,900 | 16,380 | 520 |
| Industrial development expenditures | 114,468 | 17,580 | 96,888 |
| Appropriation | - | 10,757 | (10,757) |
| Capital expenditures | 36,000 | 2,381,077 | (2,345,077) |
| Other | 65,000 | 113,167 | (48,167) |
| Total General Government | <u>1,130,878</u> | <u>3,948,340</u> | <u>(2,817,462)</u> |
| Public Safety | | | |
| Police Department | | | |
| Salaries | 1,563,435 | 1,629,024 | (65,589) |
| Employee benefits | 142,329 | 337,582 | (195,253) |
| Travel | 18,500 | 19,586 | (1,086) |
| Telephone | 24,000 | 19,880 | 4,120 |
| Uniforms and equipment | 32,600 | 15,694 | 16,906 |
| Repairs and maintenance | 60,005 | 48,617 | 11,388 |
| Fuel, oil, and tires | 81,404 | 56,148 | 25,256 |
| Ammunition | 3,600 | 3,307 | 293 |
| Insurance | 271,257 | 89,034 | 182,223 |
| Jail expenditures | 1,000 | - | 1,000 |
| Laundry | 1,500 | 761 | 739 |
| Investigation and education | - | 26,047 | (26,047) |
| Capital expenditures | 78,610 | 15,743 | 62,867 |
| Office supplies | 7,000 | 7,754 | (754) |
| Other | 3,000 | 20,824 | (17,824) |
| Total Police Department | <u>2,288,240</u> | <u>2,290,001</u> | <u>(1,761)</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, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|----------------------------------|--|----------------------|---|
| Public Safety (Continued) | | | |
| Fire Department | | | |
| Salaries | \$ 743,530 | \$ 741,808 | \$ 1,722 |
| Employee benefits | 74,500 | 154,844 | (80,344) |
| Insurance | 132,445 | 30,398 | 102,047 |
| Repairs and maintenance | 24,500 | 31,388 | (6,888) |
| Tools and supplies | 3,000 | 6,398 | (3,398) |
| Utilities | 12,000 | 10,008 | 1,992 |
| Telephone | 15,000 | 15,953 | (953) |
| Office supplies | 2,500 | 4,760 | (2,260) |
| Uniforms | 6,500 | 5,900 | 600 |
| Education and travel | 15,500 | 14,402 | 1,098 |
| Fuel, oil, and tires | 18,000 | 10,795 | 7,205 |
| Laundry | 1,000 | 80 | 920 |
| Miscellaneous | 4,300 | - | 4,300 |
| Capital expenditures | 40,687 | - | 40,687 |
| Total Fire Department | <u>1,093,462</u> | <u>1,026,734</u> | <u>66,728</u> |
| Total Public Safety | <u>3,381,702</u> | <u>3,316,735</u> | <u>64,967</u> |
| Public Works | | | |
| Street Department | | | |
| Salaries | 751,242 | 759,493 | (8,251) |
| Employee benefits | 64,396 | 183,220 | (118,824) |
| Insurance | 166,915 | 42,577 | 124,338 |
| Repairs and maintenance | 283,403 | 206,929 | 76,474 |
| Tools and supplies | 16,400 | 5,702 | 10,698 |
| Fuel, oil, and tires | 50,000 | 50,968 | (968) |
| Chemicals | 5,000 | 4,643 | 357 |
| Capital expenditures | 80,211 | 406,992 | (326,781) |
| Uniforms | 19,600 | 23,331 | (3,731) |
| Utilities | 10,500 | 14,573 | (4,073) |
| Telephone | 7,000 | 9,253 | (2,253) |
| Other | 5,700 | 3,282 | 2,418 |
| Total Street Department | <u>1,460,367</u> | <u>1,710,963</u> | <u>(250,596)</u> |
| Animal Control | | | |
| Salaries | 58,927 | 64,554 | (5,627) |
| Employee benefits | 5,376 | 16,595 | (11,219) |
| Uniforms | 500 | 755 | (255) |
| Insurance | 12,822 | 963 | 11,859 |
| Repairs and maintenance | 7,300 | 7,603 | (303) |
| Tools and supplies | 2,950 | 6,007 | (3,057) |
| Telephone | 1,000 | 823 | 177 |
| Utilities | 5,500 | 7,869 | (2,369) |
| Other | 2,650 | 3,290 | (640) |
| Total Animal Control | <u>97,025</u> | <u>108,459</u> | <u>(11,434)</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, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|------------------------------|--|------------------|---|
| Code Enforcement | | | |
| Salaries | \$ 73,049 | \$ 68,829 | \$ 4,220 |
| Employee benefits | 6,500 | 15,874 | (9,374) |
| Travel | 750 | 1,254 | (504) |
| Office supplies | 8,300 | 1,434 | 6,866 |
| Insurance | 19,554 | 385 | 19,169 |
| Repairs and maintenance | 250 | 15,639 | (15,389) |
| Telephone | 2,500 | 3,282 | (782) |
| Fuel, oil, and tires | 1,000 | 1,041 | (41) |
| Capital expenditures | 1,000 | - | 1,000 |
| Total Code Enforcement | <u>112,903</u> | <u>107,738</u> | <u>5,165</u> |
| Total Public Works | <u>1,670,295</u> | <u>1,927,160</u> | <u>(256,865)</u> |
| Other Departments | | | |
| Municipal Court | | | |
| Salaries | 143,680 | 120,968 | 22,712 |
| Employee benefits | 8,557 | 17,369 | (8,812) |
| Legal services | 17,250 | 28,090 | (10,840) |
| Court supplies | 2,500 | 3,179 | (679) |
| Travel | 1,500 | 1,273 | 227 |
| Telephone | 2,800 | 4,663 | (1,863) |
| Other | 8,310 | 14,910 | (6,600) |
| State fees | - | 63,040 | (63,040) |
| Total Municipal Court | <u>184,597</u> | <u>253,492</u> | <u>(68,895)</u> |
| Library Department | | | |
| Salaries | 250,626 | 255,347 | (4,721) |
| Employee benefits | 18,171 | 55,797 | (37,626) |
| Insurance | 51,742 | 15,841 | 35,901 |
| Utilities | 27,000 | 29,760 | (2,760) |
| Telephone | 12,000 | 16,795 | (4,795) |
| Repairs and maintenance | 10,000 | 23,755 | (13,755) |
| Travel | 3,000 | 133 | 2,867 |
| Books purchased | 5,500 | 39,475 | (33,975) |
| Capital expenditures | 5,000 | - | 5,000 |
| Office supplies | 5,000 | 25,565 | (20,565) |
| Total Library Department | <u>388,039</u> | <u>462,468</u> | <u>(74,429)</u> |
| Recreation Department | | | |
| Salaries | 263,826 | 217,121 | 46,705 |
| Employee benefits | 24,018 | 48,308 | (24,290) |
| Utilities | 50,000 | 40,014 | 9,986 |
| Insurance | 46,900 | 13,596 | 33,304 |
| Recreation activities | 156,550 | 54,415 | 102,135 |
| Capital expenditures | 59,000 | 216,987 | (157,987) |
| Other | 46,400 | 5,967 | 40,433 |
| Repairs and maintenance | 75,500 | 283,666 | (208,166) |
| Total Recreation Department | <u>722,194</u> | <u>880,074</u> | <u>(157,880)</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, 2017

| | Original and Final Amended Budget | Actual | Variance Positive (Negative) |
|--|--|-----------------------------|---|
| Other Departments (Continued) | | | |
| Cemetery Department | | | |
| Salaries | \$ 56,516 | \$ 54,302 | \$ 2,214 |
| Employee benefits | 5,188 | 18,138 | (12,950) |
| Insurance | 18,219 | 4,919 | 13,300 |
| Utilities | 500 | 1,260 | (760) |
| Uniforms | 2,100 | 1,809 | 291 |
| Gas and oil | 4,000 | 3,278 | 722 |
| Repairs and maintenance | 5,400 | 3,674 | 1,726 |
| Tools and supplies | 800 | - | 800 |
| Capital expenditures | 3,000 | 7,654 | (4,654) |
| Total Cemetery Department | <u>95,723</u> | <u>95,034</u> | <u>689</u> |
| Traffic Control | 52,500 | 42,099 | 10,401 |
| Beautification and Fine Arts | | | |
| Repairs and maintenance | 68,000 | 116,787 | (48,787) |
| Capital expenditures | - | 46,232 | (46,232) |
| Other | 20,000 | 20,042 | (42) |
| Total Beautification and Fine Arts | <u>88,000</u> | <u>183,061</u> | <u>(95,061)</u> |
| Total Other Departments | <u>1,531,053</u> | <u>1,916,228</u> | <u>(385,175)</u> |
| Payments to Brewton City Board of Education | - | 3,244,382 | (3,244,382) |
| Payments to Water Works Board | - | 139,517 | (139,517) |
| Debt Service | | | |
| Principal | 58,170 | 349,156 | (290,986) |
| Interest | - | 17,304 | (17,304) |
| Total Debt Service | <u>58,170</u> | <u>366,460</u> | <u>(308,290)</u> |
| Total Expenditures | 7,772,098 | 14,858,822 | (7,086,724) |
| Other Financing Uses | | | |
| Transfers out | - | 2,342,299 | (2,342,299) |
| Total Expenditures and Other Financing Uses | <u><u>\$ 7,772,098</u></u> | <u><u>\$ 17,201,121</u></u> | <u><u>\$ (9,429,023)</u></u> |

**CITY OF BREWTON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

| | Debt Service Fund | Special Revenue Funds | | | |
|--|--|--------------------------------|-------------------------------|------------------|--|
| | 2009 General Obligation Warrant Fund | Street Construction Fund | Street Improvement Fund | Total | Total Nonmajor Governmental Funds |
| Assets | | | | | |
| Cash | \$ - | \$ 70,170 | \$ 732 | \$ 70,902 | \$ 70,902 |
| Temporary cash investments | 362,453 | - | - | - | 362,453 |
| Total Assets | <u>\$ 362,453</u> | <u>\$ 70,170</u> | <u>\$ 732</u> | <u>\$ 70,902</u> | <u>\$ 433,355</u> |
| Fund Balances | | | | | |
| Fund Balances | | | | | |
| Restricted for: | | | | | |
| Debt service | \$ 362,453 | \$ - | \$ - | \$ - | \$ 362,453 |
| Street construction | - | 70,170 | - | 70,170 | 70,170 |
| Street improvements | - | - | 732 | 732 | 732 |
| Total Fund Balances | <u>362,453</u> | <u>70,170</u> | <u>732</u> | <u>70,902</u> | <u>433,355</u> |
| Total Liabilities & Fund Balances | <u>\$ 362,453</u> | <u>\$ 70,170</u> | <u>\$ 732</u> | <u>\$ 70,902</u> | <u>\$ 433,355</u> |

**CITY OF BREWTON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | 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 | \$ - | \$ 27,685 | \$ 35,300 | \$ 62,985 | \$ 62,985 |
| Interest earned | 565 | - | - | - | 565 |
| Total Revenues | 565 | 27,685 | 35,300 | 62,985 | 63,550 |
| Expenditures | | | | | |
| Public works program | - | 3,700 | 49,275 | 52,975 | 52,975 |
| Capital outlay | - | 21,165 | - | 21,165 | 21,165 |
| Debt Service: | | | | | |
| Principal | 650,000 | - | - | - | 650,000 |
| Interest | 19,200 | - | - | - | 19,200 |
| Total Expenditures | 669,200 | 24,865 | 49,275 | 74,140 | 743,340 |
| Excess Revenues Over (Under) Expenditures | (668,635) | 2,820 | (13,975) | (11,155) | (679,790) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in/(out) | 606,769 | - | (1,635) | (1,635) | 605,134 |
| Total Other Financing Sources (Uses) | 606,769 | - | (1,635) | (1,635) | 605,134 |
| Net change in fund balances | (61,866) | 2,820 | (15,610) | (12,790) | (74,656) |
| Fund Balances at Beginning of Year | 424,319 | 67,350 | 16,342 | 83,692 | 508,011 |
| Fund Balances at End of Year | \$ 362,453 | \$ 70,170 | \$ 732 | \$ 70,902 | \$ 433,355 |

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 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 8,019,134 | \$ 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 |
| Restricted | 86,704 | 370,707 | 606,140 | 52,341 | 9,735 | 172,464 | 122,114 | 462,520 | 508,011 | 4,050,575 |
| Unrestricted | 5,513,892 | 6,725,123 | (4,029,370) | (12,261,448) | (11,406,881) | (15,767,496) | (12,757,434) | (14,310,472) | 459,654 | (4,287,401) |
| Total governmental activities net position | <u>\$ 13,619,730</u> | <u>\$ 15,106,763</u> | <u>\$ 9,610,481</u> | <u>\$ 1,397,296</u> | <u>\$ 1,314,550</u> | <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> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 9,525,239 | \$ 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 |
| Unrestricted | 354,840 | 263,689 | 184,749 | 352,115 | 330,146 | (1,128,582) | (2,341,771) | (2,831,542) | (2,186,095) | (1,265,815) |
| Total business-type activities net position | <u>\$ 9,880,079</u> | <u>\$ 8,620,858</u> | <u>\$ 9,363,520</u> | <u>\$ 9,671,676</u> | <u>\$ 9,515,421</u> | <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> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 17,544,373 | \$ 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 |
| Restricted | 86,704 | 370,707 | 606,140 | 52,341 | 9,735 | 172,464 | 122,114 | 462,520 | 508,011 | 4,050,575 |
| Unrestricted | 5,868,732 | 6,988,812 | (3,844,621) | (11,909,333) | (11,076,735) | (16,896,078) | (15,099,205) | (17,142,014) | (1,726,441) | (5,553,216) |
| Total primary government net position | <u>\$ 23,499,809</u> | <u>\$ 23,727,621</u> | <u>\$ 18,974,001</u> | <u>\$ 11,068,972</u> | <u>\$ 10,829,971</u> | <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> |

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 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities: | | | | | | | | | | |
| General | \$ 1,508,830 | \$ 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 |
| Public safety | | | | | | | | | | |
| Police | 1,790,501 | 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 |
| Fire | 852,348 | 743,098 | 749,389 | 780,243 | 829,671 | 961,853 | 1,017,221 | 1,030,101 | 1,039,194 | 1,026,734 |
| Public works | | | | | | | | | | |
| Street | 793,755 | 818,186 | 728,896 | 869,372 | 1,063,448 | 941,421 | 1,010,684 | 1,689,858 | 1,287,294 | 1,303,971 |
| Animal control | - | - | - | - | 133,358 | 122,649 | 84,524 | 18,397 | 102,213 | 108,458 |
| Code Enforcement | 148,519 | 147,222 | 127,317 | 115,030 | 112,770 | 124,893 | 133,828 | 136,173 | 103,719 | 107,738 |
| Library | 323,847 | 366,674 | 310,210 | 307,386 | 285,412 | 283,654 | 361,353 | 446,609 | 462,395 | 462,468 |
| Recreation | 306,382 | 564,458 | 578,783 | 617,398 | 582,219 | 527,334 | 570,584 | 667,369 | 616,457 | 663,088 |
| Education (payment to Board of Education) | 617,340 | 1,443,918 | 8,015,062 | 8,332,971 | 2,159,312 | 3,451,722 | 650,382 | 683,140 | 63,300 | 3,244,382 |
| Water system (payment to Water Works Board) | - | - | - | - | - | - | - | 20,190 | 7,278 | 139,517 |
| Interest on long-term debt | 645,606 | 1,130,661 | 1,364,163 | 1,288,831 | 1,224,295 | 1,002,026 | 790,923 | 734,666 | 560,242 | 193,890 |
| Total governmental activities expenses | <u>6,987,128</u> | <u>8,823,190</u> | <u>15,648,015</u> | <u>16,310,001</u> | <u>10,056,793</u> | <u>11,613,237</u> | <u>9,648,218</u> | <u>11,367,074</u> | <u>9,152,116</u> | <u>12,713,715</u> |
| Business-type activities: | | | | | | | | | | |
| Gas | 15,252,942 | 11,131,295 | 16,316,113 | 11,461,549 | 9,094,670 | 12,758,400 | 21,165,274 | 18,410,851 | 14,931,968 | 28,211,313 |
| Sewer | 556,162 | 604,102 | 632,723 | 1,716,138 | 1,484,925 | 788,828 | 1,232,519 | 1,466,061 | 1,601,481 | 1,396,339 |
| Sanitation | 679,673 | 678,469 | 680,333 | 690,290 | 676,903 | 723,314 | 733,466 | 727,943 | 714,941 | 663,237 |
| Airport | 106,182 | 100,971 | 127,520 | 128,070 | 134,819 | 143,592 | 151,679 | 157,176 | 186,730 | 155,919 |
| Golf course | 215,912 | - | - | - | - | - | - | - | - | - |
| Brewton Development Authority | - | - | 8,229 | 5,872 | 7,555 | 6,582 | 9,772 | 8,579 | 7,468 | 79,773 |
| Total business-type activities expenses | <u>16,810,871</u> | <u>12,514,837</u> | <u>17,764,918</u> | <u>14,001,919</u> | <u>11,398,872</u> | <u>14,420,716</u> | <u>23,292,710</u> | <u>20,770,610</u> | <u>17,442,588</u> | <u>30,506,581</u> |
| Total primary government expenses | <u>\$ 23,797,999</u> | <u>\$ 21,338,027</u> | <u>\$ 33,412,933</u> | <u>\$ 30,311,920</u> | <u>\$ 21,455,665</u> | <u>\$ 26,033,953</u> | <u>\$ 32,940,928</u> | <u>\$ 32,137,684</u> | <u>\$ 26,594,704</u> | <u>\$ 43,220,296</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Fees, fines, and charges for services: | | | | | | | | | | |
| General | \$ 1,101,857 | \$ 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 |
| Police | 119,208 | 155,661 | 233,101 | 400,220 | 362,906 | 345,273 | 380,831 | 274,112 | 315,923 | 273,656 |
| Animal control | - | - | - | - | 8,891 | 5,300 | - | - | - | - |
| Recreation | 15,170 | 180,010 | 153,803 | 154,880 | 157,344 | 123,654 | 104,889 | 5,293 | 110,096 | 38,863 |
| Library | - | - | - | - | - | - | 10,898 | 103,131 | 3,000 | 3,162 |
| Operating grants and contributions | 40,500 | 608,855 | 52,684 | 820,376 | 152,668 | 122,206 | 324,220 | 112,701 | 106,957 | 1,014,196 |
| Capital grants and contributions | 243,368 | 554,244 | 889,881 | 243,701 | - | - | - | - | - | - |
| Total governmental activities program revenues | <u>1,520,103</u> | <u>2,647,989</u> | <u>2,545,347</u> | <u>3,006,558</u> | <u>1,957,383</u> | <u>1,906,232</u> | <u>2,151,531</u> | <u>1,983,422</u> | <u>1,966,104</u> | <u>2,816,345</u> |
| Business-type activities: | | | | | | | | | | |
| Fees, fines, and charges for services: | | | | | | | | | | |
| Gas | 16,451,592 | 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 |
| Sewer | 443,506 | 445,903 | 419,514 | 411,330 | 410,169 | 560,220 | 1,051,523 | 1,013,633 | 1,130,429 | 1,098,140 |
| Sanitation | 587,970 | 570,503 | 593,078 | 618,795 | 666,227 | 660,937 | 628,254 | 610,103 | 691,881 | 772,074 |
| Airport | 73,548 | 66,741 | 69,349 | 70,175 | 101,679 | 99,255 | 111,482 | 114,096 | 120,900 | 158,743 |
| Brewton Development Authority | - | - | - | 4 | - | - | - | 264 | 12,577 | - |
| Golf course | 169,770 | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 123,664 | - | - | 65,000 | 15,000 | 123,749 | - | - | - | - |
| Capital grants and contributions | 18,300 | 431,177 | 660,041 | 183,009 | 115,975 | 163,216 | 800,622 | 100,910 | 555,175 | 801,512 |
| Total business-type activities program revenues | <u>17,868,350</u> | <u>12,536,572</u> | <u>18,553,197</u> | <u>13,274,660</u> | <u>10,761,541</u> | <u>15,128,265</u> | <u>24,639,241</u> | <u>20,949,798</u> | <u>19,018,597</u> | <u>33,018,368</u> |
| Total primary government program revenues | <u>\$ 19,388,453</u> | <u>\$ 15,184,561</u> | <u>\$ 21,098,544</u> | <u>\$ 16,281,218</u> | <u>\$ 12,718,924</u> | <u>\$ 17,034,497</u> | <u>\$ 26,790,772</u> | <u>\$ 22,933,220</u> | <u>\$ 20,984,701</u> | <u>\$ 35,834,713</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
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (5,467,025) | \$ (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) |
| Business-type activities | 1,057,479 | 21,735 | 788,279 | (727,259) | (637,331) | 707,549 | 1,346,531 | 179,188 | 1,576,009 | 2,511,787 |
| Total primary government net expense | <u>\$ (4,409,546)</u> | <u>\$ (6,153,466)</u> | <u>\$ (12,314,389)</u> | <u>\$ (14,030,702)</u> | <u>\$ (8,736,741)</u> | <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> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property | \$ 601,302 | \$ 601,636 | \$ 617,203 | \$ 662,968 | \$ 658,190 | \$ 666,400 | \$ 643,140 | \$ 639,287 | \$ 690,590 | \$ 1,005,502 |
| Sales | 4,382,751 | 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 |
| Other | 640,149 | 601,062 | 524,404 | 630,527 | 643,931 | 711,237 | 599,722 | 582,733 | 504,744 | 447,829 |
| 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 | 176,932 | 193,928 | 229,998 | 41,143 | 1,964 | 1,648 | 2,129 | 2,107 | 2,115 | 26,838 |
| Bond issuance costs | - | - | - | - | - | - | - | - | - | (193,286) |
| Other | 8,253 | 15,624 | 14,164 | 43,654 | 186,062 | 31,530 | 17,287 | 87,288 | (1,175,272) | 73,661 |
| Special item, transfer of Golf Fund to Governmental Activities | - | 1,371,940 | - | - | - | - | - | - | - | - |
| Gain/(Loss) on sale of property | - | 310,402 | - | - | - | - | - | - | - | - |
| Transfers in/(out) | 442,665 | (87,583) | 311,787 | (995,389) | (481,060) | 5,722,601 | 1,700,976 | 1,873,949 | 400,388 | 718,383 |
| Total government activities | <u>6,252,052</u> | <u>7,662,234</u> | <u>7,606,386</u> | <u>5,090,258</u> | <u>8,016,664</u> | <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> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 20,813 | 3,401 | 25 | 26 | 16 | 834 | 6,441 | 2,130 | 2,325 | 4,144 |
| Receipts from Water Works Board | - | - | - | - | - | - | - | 1,485 | 218,025 | - |
| 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) | (442,665) | 87,583 | (311,787) | 995,389 | 481,060 | (5,722,601) | (1,700,976) | (1,873,949) | (400,388) | (718,383) |
| Total business-type activities | <u>(421,852)</u> | <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> |
| Total primary government | <u>\$ 5,830,200</u> | <u>\$ 6,381,278</u> | <u>\$ 7,294,624</u> | <u>\$ 6,125,673</u> | <u>\$ 8,497,740</u> | <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> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 785,027 | \$ 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) |
| Business-type activities | 635,627 | (1,259,221) | 476,517 | 308,156 | (156,255) | (5,014,218) | (348,004) | (1,683,646) | 1,395,971 | 1,639,799 |
| Total primary government | <u>\$ 1,420,654</u> | <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> |

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 |
|------------------------|---------------------------|------------------------------|--------------------------|----------------------|-------------------------|---|----------------------------------|--------------|
| 2008 | \$ 601,302 | \$ 61,441 | \$ 16,683 | \$ 4,382,751 | \$ 203,372 | \$ 124,827 | \$ 233,826 | \$ 5,624,202 |
| 2009 | 601,636 | 67,873 | 14,590 | 4,294,686 | 250,498 | 139,443 | 128,658 | 5,497,384 |
| 2010 | 617,203 | 65,346 | 13,307 | 4,361,406 | 249,419 | 92,733 | 103,618 | 5,503,032 |
| 2011 | 662,968 | 61,599 | 17,222 | 4,298,720 | 249,222 | 110,589 | 191,895 | 5,592,215 |
| 2012 | 658,190 | 73,801 | 14,619 | 4,497,656 | 234,319 | 92,527 | 228,665 | 5,799,777 |
| 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 |

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 585 |
| Unassigned | <u>4,159,818</u> | <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> |
| Total general fund | <u>\$ 4,159,818</u> | <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> |
| All other governmental funds | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| School construction | \$ - | \$ 18,751,429 | \$ 11,431,676 | \$ 4,184,306 | \$ 2,775,952 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt service | 1,368,930 | 2,509,460 | 3,141,612 | 2,309,981 | 477,188 | 402,592 | 407,893 | 412,377 | 424,319 | 3,979,673 |
| Street construction | 49,742 | 9,375 | 35,769 | 13,142 | (16,265) | 25,872 | 46,662 | 43,099 | 67,350 | 70,170 |
| Street improvements | 36,962 | 34,654 | 17,036 | 39,199 | 26,000 | 146,592 | 75,452 | 7,044 | 16,342 | 732 |
| Assigned for: | | | | | | | | | | |
| Sewer improvements | <u>3,071,333</u> | <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> |
| Total all other governmental funds | <u>\$ 4,526,967</u> | <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> |

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 | | | | | | | | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 5,499,375 | \$ 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 |
| Intergovernmental | 368,195 | 693,687 | 982,614 | 630,564 | 214,526 | 228,434 | 99,884 | 174,942 | 133,581 | 637,238 |
| Licenses and permits | 994,996 | 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 |
| Fines and forfeitures | 119,208 | 155,661 | 233,101 | 400,220 | 362,906 | 345,273 | 380,831 | 274,112 | 315,923 | 273,656 |
| Fees and charges | 85,553 | 254,285 | 241,276 | 247,437 | 245,514 | 223,928 | 224,488 | 282,665 | 295,510 | 160,009 |
| Revenue from City Property | 36,478 | 584,860 | 36,471 | 51,480 | 72,242 | 31,099 | 22,493 | 43,166 | 57,894 | 92,277 |
| 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 | 176,932 | 193,928 | 229,998 | 41,143 | 1,964 | 1,648 | 2,129 | 2,107 | 1,587 | 12,769 |
| Donations | 40,500 | 608,855 | 52,684 | 535,096 | 30,669 | 14,191 | 324,220 | 64,373 | 76,792 | 476,516 |
| Other | 8,253 | 15,624 | 14,164 | 43,654 | 190,181 | 31,530 | 17,286 | 106,279 | 57,159 | 73,663 |
| Total revenues | <u>7,329,490</u> | <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> |
| EXPENDITURES | | | | | | | | | | |
| General government | 809,546 | 857,749 | 923,930 | 1,120,115 | 837,073 | 947,270 | 1,823,168 | 2,611,395 | 1,567,912 | 1,567,263 |
| Public safety | 2,352,907 | 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 |
| Public works | 1,060,938 | 923,703 | 826,985 | 962,550 | 1,270,644 | 1,146,234 | 1,183,221 | 1,775,954 | 1,489,625 | 1,573,143 |
| Payments to Brewton City Board of Education | 617,340 | 1,443,918 | 8,015,062 | 8,332,971 | 2,159,312 | 3,451,722 | 650,382 | 683,140 | 63,300 | 3,244,382 |
| Payments to Water Works Board | - | - | - | - | - | - | - | 20,190 | 7,278 | 139,517 |
| Other departments | 879,914 | 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 |
| Capital expenditures | 611,501 | 1,760,175 | 2,269,440 | 463,778 | 683,641 | 509,306 | 839,804 | 864,965 | 356,809 | 3,095,850 |
| Debt service: | | | | | | | | | | |
| Principal | 665,916 | 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 |
| Interest | 559,547 | 968,610 | 1,318,390 | 1,275,033 | 1,251,358 | 1,062,497 | 777,372 | 719,315 | 700,715 | 145,020 |
| Total expenditures | <u>7,557,609</u> | <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> |
| Excess (deficiency) of revenues over expenditures | (228,119) | (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) |

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-----------------------|-------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | 2,614,804 | 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 |
| Capital leases | 97,733 | 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 | (2,172,139) | (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) |
| Total other financing sources (uses) | 540,398 | 23,116,921 | 381,592 | (770,040) | (110,027) | 6,130,718 | 1,907,879 | 2,337,504 | (669,065) | 6,499,898 |
| Net change in fund balance | <u>\$ 312,279</u> | <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> |
| Debt service as a percentage of noncapital expenditures | 17.6% | 39.4% | 16.5% | 17.4% | 40.5% | 46.4% | 24.1% | 20.7% | 65.9% | 9.1% |

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 |
|-------------|----------------|-------------------|---------------|--------------|--------------|--------------------------|-------------------|
| 2008 | \$ 601,302 | \$ 61,441 | \$ 16,683 | \$ 4,382,751 | \$ 203,372 | \$ 124,827 | \$ 233,826 |
| 2009 | 601,636 | 67,873 | 14,590 | 4,294,686 | 250,498 | 139,443 | 128,658 |
| 2010 | 617,203 | 65,346 | 13,307 | 4,361,406 | 249,419 | 92,733 | 103,618 |
| 2011 | 662,968 | 61,599 | 17,222 | 4,298,720 | 249,222 | 110,589 | 191,895 |
| 2012 | 658,190 | 73,801 | 14,619 | 4,497,656 | 243,319 | 92,527 | 228,665 |
| 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 |

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 |
|---|---------------------------------|--------------------------------|--------------------------------|---|---|--|---|
| 2008 | \$ 16,980,260 | \$ 13,004,080 | \$ 35,188,740 | \$ 8,179,320 | \$ 56,993,760 | 15 | \$ 854,906,400 |
| 2009 | 17,991,200 | 13,901,020 | 35,777,120 | 9,262,680 | 58,406,660 | 15 | 876,099,900 |
| 2010 | 20,042,740 | 12,836,940 | 40,613,440 | 8,861,760 | 64,631,360 | 15 | 969,470,400 |
| 2011 | 21,320,560 | 13,669,100 | 39,721,500 | 8,459,080 | 66,252,080 | 15 | 993,781,200 |
| 2012 | 31,537,600 | 13,788,420 | 39,806,220 | 8,232,000 | 76,900,240 | 15 | 1,153,503,600 |
| 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 |

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 | | | | |
| | Total City | | | | Health Care County | | | | Total State | | | | |
| | General | School | Bond Tax | | General | School | Authority | | General | School | Soldier | | |
| | Millage | Millage | Millage | Millage | Millage | Millage2 | Millage | Millage | Millage | Millage | Millage | Millage | |
| 2008 | 5.0 | 5.0 | 5.0 | 15.0 | 7.0 | 17.0 | 4.5 | 28.5 | 2.5 | 3.0 | 1.0 | 6.5 | 50.0 |
| 2009 | 5.0 | 5.0 | 5.0 | 15.0 | 7.0 | 17.0 | 4.5 | 28.5 | 2.5 | 3.0 | 1.0 | 6.5 | 50.0 |
| 2010 | 5.0 | 5.0 | 5.0 | 15.0 | 7.0 | 17.0 | 4.5 | 28.5 | 2.5 | 3.0 | 1.0 | 6.5 | 50.0 |
| 2011 | 5.0 | 5.0 | 5.0 | 15.0 | 7.0 | 17.0 | 4.5 | 28.5 | 2.5 | 3.0 | 1.0 | 6.5 | 50.0 |
| 2012 | 5.0 | 5.0 | 5.0 | 15.0 | 7.0 | 17.0 | 4.5 | 28.5 | 2.5 | 3.0 | 1.0 | 6.5 | 50.0 |
| 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 |

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>2017</u> | | | <u>2008</u> | | |
|--|---------------------------------------|-------------|---|---------------------------------------|-------------|---|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> |
| T. R. Miller Mill Co., Inc. | \$ 6,099,820 | 1 | 8.0% | \$ 4,363,380 | 1 | 9.4% |
| Grede | 3,131,260 | 2 | 4.1% | 1,969,200 | 2 | 4.3% |
| Alabama Power Co. | 2,363,820 | 3 | 3.1% | 1,160,020 | 3 | 2.5% |
| Walmart | 1,897,040 | 4 | 2.5% | - | | - |
| Citation Corporation | 1,011,480 | 5 | 1.3% | - | | - |
| Mediacom | 728,240 | 6 | 1.0% | - | | - |
| CSX Transportation, Inc. | 756,380 | 7 | 1.0% | - | | - |
| T. R. Miller Mill Co., Inc. | 650,220 | 8 | 0.9% | - | | - |
| BellSouth Telecommunications | 644,000 | 9 | 0.8% | 1,012,580 | 5 | 2.2% |
| Banktrust of Brewton | 604,780 | 10 | 0.8% | 666,080 | 7 | 1.4% |
| Escambia County Alabama | - | | - | 1,405,600 | 4 | 3.0% |
| Brewton Area YMCA | - | | - | 773,940 | 6 | 1.7% |
| Market Square II | - | | - | 653,240 | 8 | 1.4% |
| Brewton-Hall Apartments I | - | | - | 526,460 | 9 | 1.1% |
| Brewton-Hall Apartments II | - | | - | 509,200 | 10 | 1.1% |
| Totals | <u>\$ 17,887,040</u> | | <u>23.5%</u> | <u>\$ 13,039,700</u> | | <u>28.1%</u> |
| Total City Property Taxable Assessed Value | <u>\$ 76,103,240</u> | | | <u>\$ 46,261,281</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 |
| 2008 | \$ 900,824 | \$ 798,277 | 88.6% | \$ 82,672 | 880,949 | 97.8% |
| 2009 | 886,981 | 806,648 | 90.9% | 40,801 | 847,449 | 95.5% |
| 2010 | 909,709 | 867,553 | 95.4% | 22,743 | 890,276 | 97.9% |
| 2011 | 922,829 | 895,662 | 97.1% | 16,374 | 912,036 | 98.8% |
| 2012 | 926,422 | 898,633 | 97.0% | 12,336 | 910,969 | 98.3% |
| 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% |

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Construction | \$ 27,099 | \$ 40,682 | \$ 31,141 | \$ 42,324 | \$ 45,418 | \$ 55,816 | \$ 47,034 | \$ 98,626 | \$ 65,406 | \$ 66,613 |
| Manufacturing | 638,182 | 542,109 | 640,990 | 673,748 | 688,189 | 695,614 | 890,861 | 952,501 | 1,035,450 | 1,479,178 |
| Wholesale | 273,333 | 214,563 | 241,206 | 226,362 | 239,179 | 297,674 | 328,196 | 395,150 | 401,485 | 331,583 |
| Retail | 2,594,564 | 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 |
| Information | 50,223 | 49,857 | 52,234 | 47,006 | 20,645 | 43,490 | 59,821 | 77,361 | 96,119 | 99,599 |
| Finance and Insurance | 22,408 | 46,130 | 41,173 | 42,969 | 47,905 | 53,798 | 47,724 | 50,690 | 52,038 | 51,119 |
| Real Estate and Rental and Leasing | 19,447 | 52,640 | 69,042 | 57,207 | 57,225 | 105,791 | 129,190 | 147,317 | 128,792 | 143,286 |
| Professional, Scientific, and Technical Services | 19,549 | 20,815 | 20,950 | 18,552 | 13,132 | 28,429 | 33,418 | 36,702 | 83,307 | 114,791 |
| Administration and Support and Waste Management and Remediation Services | 1,991 | 5,390 | 6,458 | 6,109 | 6,967 | 7,975 | 8,111 | 10,294 | 14,228 | 14,894 |
| Accommodation and Food Services | 414,795 | 446,062 | 410,252 | 473,445 | 443,920 | 527,799 | 574,436 | 578,769 | 678,191 | 618,078 |
| Other Services (except Public Administration) | 58,562 | 51,933 | 53,463 | 135,003 | 58,254 | 49,355 | 53,611 | 48,847 | 52,165 | 47,841 |
| Other | 65,220 | 91,361 | 104,419 | 104,419 | 114,225 | 144,060 | 184,203 | 407,786 | 295,526 | 200,713 |
| | <u>\$ 4,185,373</u> | <u>\$ 4,370,739</u> | <u>\$ 4,333,400</u> | <u>\$ 4,521,701</u> | <u>\$ 4,562,178</u> | <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> |
| City direct sales tax rate | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 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 |
|------------------------|---------------------------------|----------------------------|-----------------------------|
| 2008 | 3.00% | 1.00% | 4.00% |
| 2009 | 3.00% | 1.00% | 4.00% |
| 2010 | 3.00% | 1.00% | 4.00% |
| 2011 | 3.00% | 1.00% | 4.00% |
| 2012 | 3.00% | 1.00% | 4.00% |
| 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% |

Source: City Clerk's Office

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

| Tax Remitter | 2017 | | | 2008 | | |
|-------------------------|----------------------|-------------|----------------------------|----------------------|-------------|----------------------------|
| | Tax Liability | Rank | Percentage of Total | Tax Liability | Rank | Percentage of Total |
| Wal-Mart Stores East | \$ 1,934,859 | 1 | 26.6% | \$ 777,238 | 1 | 17.9% |
| Grede/Citation | 432,255 | 2 | 5.9% | 106,112 | 6 | 2.4% |
| Georgia Pacific/Smurfit | 263,778 | 3 | 3.6% | 273,474 | 2 | 6.3% |
| Food Giant Supermarket | 253,627 | 4 | 3.5% | - | | 0.0% |
| Jim Peach Motors | 133,277 | 5 | 1.8% | 79,851 | 10 | 1.8% |
| Marvins | 114,318 | 6 | 1.5% | 100,851 | 8 | 2.3% |
| Dorso | 110,853 | 7 | 1.5% | - | | - |
| Peach Automotive | 108,844 | 8 | 1.5% | 91,142 | 9 | 2.1% |
| Dolgen Corp, LLC | 101,763 | 9 | 1.4% | - | | - |
| Bondurant Hardware | 89,772 | 10 | 1.2% | - | | - |
| Winn Dixie | - | | - | 229,885 | 3 | 5.3% |
| Pic-N-Save | - | | - | 213,600 | 4 | 4.9% |
| Southern Family Mkt | - | | - | 107,646 | 5 | 2.5% |
| T.R. Miller Mill Co. | - | | - | 101,877 | 7 | 2.3% |
| | <u>\$ 3,543,346</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 | | | |
| 2008 | \$ 12,080,770 | \$ 231,783 | \$ 502,210 | \$ 292,342 | \$ 13,107,105 | 10.20% | \$ 2,482 |
| 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 |

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 85 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 |
|------------------------|---|---|--------------|---|-----------------------------------|
| 2008 | \$ 12,080,770 | \$ 2,416,660 | \$ 9,664,110 | 1.13% | \$ 1,830 |
| 2009 | 32,400,000 | 2,543,912 | 29,856,088 | 3.41% | 5,656 |
| 2010 | 31,165,000 | 3,141,612 | 28,023,388 | 2.89% | 5,348 |
| 2011 | 29,764,705 | 2,309,981 | 27,454,724 | 2.76% | 5,077 |
| 2012 | 25,656,746 | 477,188 | 25,179,558 | 2.18% | 4,565 |
| 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 |

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 74 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 85.

CITY OF BREWTON, ALABAMA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2017

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable¹</u> | <u>Estimated Share of Overlapping Debt</u> |
|-----------------------------------|-----------------------------|--|--|
| Debt: Escambia County | \$ 2,985,588 | 34.458% | \$ 1,028,774 |
| Subtotal, overlapping debt | | | |
| City of Brewton direct debt | | | <u>6,622,646</u> |
| Total direct and overlapping debt | | | <u><u>\$ 7,651,420</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 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Debt limit | \$ 11,398,752 | \$ 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 |
| Total net debt applicable to limit | <u>3,670,770</u> | <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> |
| Legal debt margin | <u>\$ 7,727,982</u> | <u>\$ 7,225,932</u> | <u>\$ 9,705,872</u> | <u>\$ 11,430,311</u> | <u>\$ 14,687,902</u> | <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> |
| Total net debt applicable to the limit as a percentage of debt limit | 32.20% | 38.14% | 24.91% | 13.74% | 4.50% | 16.94% | 9.77% | 3.54% | 12.25% | 53.04% |

Legal Debt Margin Calculation for Fiscal Year 2017

| | |
|--|---------------------|
| Total assessed value | \$ 76,103,240 |
| Debt limit (20% of total assessed value) | 15,220,648 |
| Debt applicable to limit: | |
| General obligation bonds | 19,115,270 |
| 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>8,072,714</u> |
| Legal debt margin | <u>\$ 7,147,934</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 |
|------------------------|-------------------|----------------------------|---|------------------------------|------------------------------|
| 2008 | 5,281 | \$ 128,634,598 | \$ 24,358 | 1,295 | 6.8% |
| 2009 | 5,279 | 133,437,283 | 25,277 | 1,198 | 13.9% |
| 2010 | 5,240 | 139,446,880 | 26,612 | 1,176 | 11.1% |
| 2011 | 5,408 | 110,685,536 | 20,467 | 1,220 | 10.5% |
| 2012 | 5,516 | 155,700,132 | 28,227 | 1,180 | 9.3% |
| 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% |

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>2017</u> | | | <u>2008</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% | - | | - |
| MPG | 350 | 2 | 9.0% | 250 | 2 | 12.1% |
| D.W. McMillan Hospital | 300 | 3 | 7.7% | 273 | 1 | 13.3% |
| Escambia County Commission | 262 | 4 | 6.8% | - | | - |
| Walmart Stores East | 215 | 5 | 5.5% | 130 | 5 | 6.3% |
| T R Miller Mill Co | 206 | 6 | 5.3% | 215 | 3 | 10.4% |
| Brewton City Schools | 200 | 7 | 5.2% | 151 | 4 | 7.3% |
| Westgate Village | 145 | 8 | 3.7% | - | | - |
| City of Brewton | 139 | 9 | 3.6% | 88 | 7 | 4.3% |
| Frit Car | 92 | 10 | 2.4% | 77 | 8 | 3.7% |
| Natural Decorations, Inc. | - | | - | 92 | 6 | 4.5% |
| BankTrust of Brewton | - | | - | 73 | 9 | 3.5% |
| Brewton Iron Works | - | | - | 49 | 10 | 2.4% |
| Totals | <u>2,359</u> | | <u>60.8%</u> | <u>1,398</u> | | <u>67.8%</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 | | | | | | | | | |
|---------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Government ¹ | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 17 | 20 | 20 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 28 | 29 | 28 | 26 | 26 | 27 | 26 | 25 | 25 | 24 |
| Dispatch | 7 | 9 | 6 | 5 | 7 | 5 | 5 | 4 | 4 | 4 |
| Admin Assistants | - | - | - | - | - | - | - | 2 | 2 | 2 |
| Animal Control | - | - | - | - | - | - | - | 1 | 2 | 2 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 28 | 28 | 26 | 25 | 26 | 15 | 16 | 15 | 15 | 15 |
| Highways and streets | | | | | | | | | | |
| Public works | 7 | 8 | 8 | 8 | 8 | 8 | 23 | 22 | 23 | 23 |
| Sanitation | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 |
| Culture and recreation | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 5 | 5 | 5 |
| Sewer | 16 | 16 | 15 | 14 | 14 | 13 | 8 | 19 | 19 | 20 |
| Library | - | - | - | - | - | - | - | 6 | 6 | 6 |
| Total | 103 | 107 | 100 | 95 | 98 | 85 | 94 | 118 | 123 | 123 |

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**

| | Fiscal Year | | | | | | | | | |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Function | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical arrests | 402 | 491 | 420 | 267 | 532 | 501 | 427 | 327 | 309 | 269 |
| Parking violations | - | - | - | - | - | - | - | - | - | - |
| Traffic violations | 890 | 2,476 | 1,497 | 2,316 | 1,414 | 1,514 | 1,641 | 1,552 | 912 | 444 |
| Fire | | | | | | | | | | |
| Number of calls answered | 905 | 895 | 995 | 1,139 | 1,054 | 1,041 | 1,235 | 1,206 | 1,303 | 1,120 |
| Inspections | 967 | 756 | 1,012 | 1,019 | 1,037 | 1,128 | 1,130 | 1,133 | 1,140 | 1,143 |
| Highways and streets | | | | | | | | | | |
| Street resurfacing (miles) | 2 | 1 | 11 | 2 | 2 | - | 1 | 8 | 3 | 8 |
| Potholes repaired | 38 | 51 | 48 | 56 | 55 | 60 | 100 | 98 | 104 | 82 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons/week) | 31.7 | 32.2 | 33.5 | 34.2 | 36.8 | 37.2 | 34.2 | 53.0 | 48.2 | 46.0 |
| Recyclables collected (tons/week) ¹ | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Culture and recreation | | | | | | | | | | |
| Golf course rounds | 8,782 | 8,458 | 7,850 | 7,216 | 7,169 | 6,538 | 5,865 | 5,765 | 5,649 | 1,889 |
| Pavilion parties | 144 | 129 | 258 | 250 | 249 | 241 | 213 | 179 | 165 | 105 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 1,420 | 1,350 | 1,355 | 1,387 | 1,388 | 1,410 | 1,400 | 1,400 | 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 | | | | | | | | | |
|--|-------------|------|------|------|-------|-------|-------|-------|-------|-------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Public safety | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 25 | 28 | 27 | 28 | 27 | 27 | 27 | 26 | 26 | 25 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Highways and streets | | | | | | | | | | |
| Streets (miles) | 88 | 88 | 88 | 88 | 89 | 89 | 89 | 89 | 89 | 87 |
| Streetlights | 844 | 850 | 860 | 875 | 888 | 902 | 904 | 904 | 904 | 910 |
| Traffic signals | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Culture and recreation | | | | | | | | | | |
| Parks acreage | 40 | 40 | 40 | 40 | 40 | 66 | 116 | 116 | 116 | 116 |
| Parks | 6 | 6 | 6 | 6 | 6 | 8 | 9 | 9 | 9 | 9 |
| Swimming pools | 3 | 3 | 3 | 2 | 2 | 1 | 1 | - | - | - |
| Tennis courts | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 6 | 6 | 6 |
| Community center | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 58 | 58 | 58 | 60 | 60 | 62 | 63 | 65 | 65 | 68 |
| Storm sewers (miles) | 22 | 24 | 30 | 32 | 38 | 39 | 42 | 42 | 43 | 45 |
| Maximum daily treatment capacity (thousands of gallons) | 809 | 812 | 822 | 828 | 1,680 | 1,695 | 2,000 | 2,000 | 2,200 | 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
B. Vance Kilgore, CPA
Dennis E. Sherrin, CPA
G. Allen Cave, Jr., CPA
Rachel M. Godwin, 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
Jerry Gibbons, CPA

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, 2017, 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 April 27, 2018.

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

April 27, 2018
Brewton, Alabama

SHAREHOLDERS

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



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OF COUNSEL

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Jerry Gibbons, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Brewton, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Brewton, Alabama's major federal programs for the year ended September 30, 2017. City of Brewton, Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Brewton, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Brewton, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Brewton, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Brewton, Alabama, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of City of Brewton, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Brewton, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Brewton, Alabama's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hartmann, Blackmon & Kilgore, PC

Certified Public Accountants

April 27, 2018
Brewton, Alabama

**CITY OF BREWTON, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Expenditures |
|--|------------------------------------|---|--|---------------------|
| <u>Department of Housing & Urban Development</u> | | | | |
| Passed Through Alabama Department of Economic and Community Affairs | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 14 DJ LC 065 | \$ - | \$ 9,000 |
| Total Department of Housing & Urban Development | | | - | 9,000 |
| <u>Department of Transportation</u> | | | | |
| Passed Through Alabama Department of Transportation | | | | |
| Highway Planning and Construction (M) | 20.205 | TAPOA-TA13(932) | | |
| | | TAPOA-TA15(932) | - | 284,723 |
| Airport Improvement Program | 20.106 | AEROF-12J | - | 683,723 |
| Total Department of Transportation | | | - | 968,446 |
| <u>Department of Homeland Security</u> | | | | |
| Assistance to FireFighters Grant | 97.044 | | - | 118,380 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 1,095,826 |

(M) = Major Program

CITY OF BREWTON, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Brewton, Alabama under the programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the preparation of the general purpose financial statements.

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented based on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within a current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related liability is incurred.

Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF BREWTON, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

SECTION 1-SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | | | |
|---|-------------------------|---------------------|----------------------|
| Type of opinion issued: | <u>Unmodified</u> | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | <u> </u> Yes | <u> </u> X | <u> </u> No |
| Significant deficiency(ies) identified? | <u> </u> X Yes | <u> </u> | <u> </u> No |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> </u> X | <u> </u> No |

Federal Awards

| | | | |
|---|-----------------------|---------------------|---------------------------------|
| Type of auditors' report issued on compliance of major programs: | <u>Unmodified</u> | | |
| Internal control over major programs: | | | |
| Material weakness(es) identified? | <u> </u> Yes | <u> </u> X | <u> </u> No |
| Significant deficiency(ies) identified? | <u> </u> Yes | <u> </u> X | <u> </u> None reported |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance | <u> </u> Yes | <u> </u> X | <u> </u> No |

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 20.205 | Federal-Aid Highway Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

| | | |
|--|-------------------------|----------------------|
| Auditee qualified as low-risk auditee? | <u> </u> X Yes | <u> </u> No |
|--|-------------------------|----------------------|

SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable.

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.