

**CITY OF BREWTON, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2016**

**CITY OF BREWTON, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2016**

**CITY CLERK'S OFFICE**

**CITY OF BREWTON, ALABAMA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2016**

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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

**March 31, 2017**

**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, 2016, is hereby submitted. Responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Readers are invited to read the Management Discussion and Analysis (MD&A) for more detailed information.

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

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

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

## ANALYZING PAST TIMES

Brewton, AL, the County Seat of Escambia County, Alabama has an estimated 2016 population of 5,391. 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. Two Enterprise Funds, Sewer and Water, are continuing to improve. There was a small decrease of 0.5% in sales tax revenues in FY 2016 compared to FY 2015. Business openings and closings are at an approximate equilibrium. Significant infrastructure projects regarding paving, sewer and water were completed in FY 2016 and are continuing into FY 2017.

## ANTICIPATING FUTURE TRIUMPHS

The recent acquisition of a second industrial park along with plans for its development with a rail spur and a strong prospective industry to occupy it are one cause for increased optimism for the economic growth of the city. A second major reason for optimism is the agreement of a new industry promising jobs for approximately 300 to locate in the City. 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, 2015. 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,

A handwritten signature in black ink, appearing to read 'Alex B McDowell', written in a cursive style.

Alex B McDowell  
City Clerk / Treasurer



Government Finance Officers Association

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

Presented to

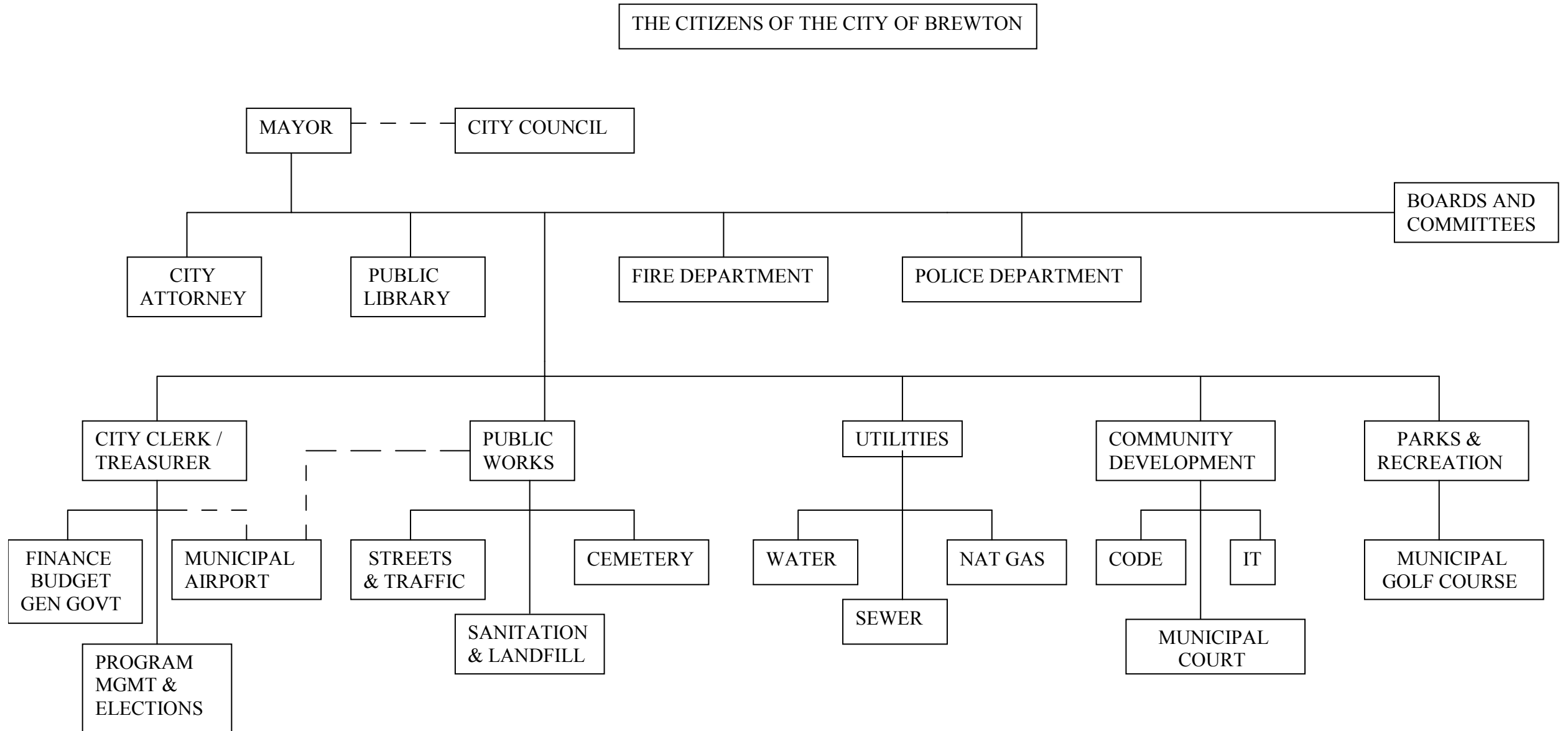
**City of Brewton  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

CITY OF BREWTON, ALABAMA  
*Organizational Chart*



**CITY OF BREWTON, ALABAMA****LIST OF PRINCIPAL OFFICIALS****SEPTEMBER 30, 2016**

<i><b>TITLE</b></i>	<i><b>NAME</b></i>	<i><b>TERM OF OFFICE</b></i>
<i>Mayor</i>	Yank Lovelace	Expires November 2016
<i>City Council</i>		
District 1	Pat Poole	Expires November 2016
District 2	Frank Cotten	Expires November 2016
District 3	Cary Barton	Expires November 2016
District 4	Joe Watson	Expires November 2016
District 5	Fred Barton	Expires November 2016
<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 units, 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, 2016, 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 units, each major fund, and the aggregate remaining fund information of City of Brewton, Alabama, as of September 30, 2016, 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 56 and 57, 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 March 31, 2017, 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, P. C.*  
Certified Public Accountants

March 31, 2017  
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, 2016. Readers are encouraged to consider the information presented in conjunction with the Letter of Transmittal at the front of this report and the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- Net position of the governmental activities increased by \$14,286,000 largely due to increases in receipts from the Brewton City Board of Education to provide funds to be used in the repayment of the 2008 General Obligation Warrant that the City had incurred on the Board's behalf in Fiscal Year 2008.
- As of September 30, 2016, the governmental funds reported a combined ending fund balance of \$4,624,132, an increase of \$472,710 from the previous Fiscal Year.
- The General Fund reported a fund balance of \$4,116,121 with all of it available to support non-debt service obligations of the City, an increase of \$427,219 from last year.
- The City's liabilities associated with governmental activities and business-type activities decreased by more than 50% during FY 2016 primarily due to general obligation warrants being refinanced by the Brewton City Board of Education.

### **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 and liabilities, with the difference between the two 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*.

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

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

### **Fund Financial Statements**

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

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

The General Fund and the 2008 General Obligation Warrant Debt Service Fund are the City's major governmental funds. The basic governmental fund financial statements can be found on pages 20-23 of this report.

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

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-55 of this report.

## **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position.** The City's *combined* net position increased \$15,683,000 between Fiscal Years 2015 and 2016, culminating at approximately \$24,311,000. The largest contributor to that increase was the refinancing of the 2008 City Schools of the City of Brewton general obligation warrants by the Brewton City Board of Education. The School Board now pays the debt service on those warrants with its own revenues that are accounted for in its audited financial statements.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016-2015</b>
Current and other assets	\$ 4,876	\$ 4,611	\$ 4,894	\$ 4,875	\$ 9,770	\$ 9,486	2.99%
Capital assets	20,574	21,066	13,182	11,689	33,756	32,755	3.06%
<b>Total assets</b>	<b>25,450</b>	<b>25,677</b>	<b>18,076</b>	<b>16,564</b>	<b>43,526</b>	<b>42,241</b>	<b>3.04%</b>
<b>Deferred outflows of resources</b>	<b>791</b>	<b>313</b>	<b>433</b>	<b>371</b>	<b>1,224</b>	<b>684</b>	<b>78.95%</b>
Long-term debt outstanding	5,092	18,553	13,408	13,397	18,500	31,950	-42.10%
Other liabilities	263	620	1,676	1,471	1,939	2,091	-7.27%
<b>Total liabilities</b>	<b>5,355</b>	<b>19,173</b>	<b>15,084</b>	<b>14,868</b>	<b>20,439</b>	<b>34,041</b>	<b>-39.96%</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>217</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>256</b>	<b>-100.00%</b>
Net position							
Net investment in capital assets	19,918	20,148	5,611	4,860	25,529	25,008	2.08%
Restricted	508	463	-	-	508	463	9.72%
Unrestricted	460	(14,011)	(2,186)	(2,832)	(1,726)	(16,843)	-89.75%
<b>Total net position</b>	<b>\$ 20,886</b>	<b>\$ 6,600</b>	<b>\$ 3,425</b>	<b>\$ 2,028</b>	<b>\$ 24,311</b>	<b>\$ 8,628</b>	<b>181.77%</b>

**Changes in net position.** The City's total revenues increased 32.9% to \$42,277,000, largely due to the payoff of the 2008 GOWs by the School Board. Approximately 48% of the City's revenue was generated from charges for services, 33% from the receipt of payoff of the 2008 GOWs, 19% from tax receipts, 1.5% from donations and grants, and 0.5 % from receipts from the City of Brewton Water Works Board. There was a non-recurring loss of revenues of approximately \$1,232,000 related to the refinancing of the 2008 GOWs.

The City's expenses decreased 17.2% from Fiscal Year End 2015 to FYE 2016. The largest reduction in expenses occurred in the gas department and exceeded 3.4 million dollars. There had been major capital upgrades in the gas department in FY 2015 which accounts for the large reduction in FY 2016. General government expenses were reduced by more than 25%.

**CITY OF BREWTON, ALABAMA**  
**SOURCES OF REVENUE**  
**FISCAL YEAR 2016**

<b>Source</b>	<b>%</b>
Charges for services	48%
Receipt from Component Unit	33%
Sales tax	16%
Other taxes	1%
Property taxes	2%
	<u>100%</u>

**CITY OF BREWTON, ALABAMA**  
**FUNCTIONAL EXPENSES**  
**FISCAL YEAR 2016**

<b>Type</b>	<b>%</b>
Business-type activities	66%
General government	10%
Public safety	13%
Public works	6%
Recreation	2%
Library	2%
Interest	1%
	<u>100%</u>

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016-2015</b>
<b>REVENUES</b>							
Program revenues							
Charges for services	\$ 1,859	\$ 1,831	\$ 18,464	\$ 20,849	\$ 20,323	\$ 22,680	-10.4%
Donations and operating grants	107	113	-	-	107	113	-5.3%
Capital grants	-	-	555	101	555	101	449.5%
General revenues							
Sales tax	6,937	6,974	-	-	6,937	6,974	-0.5%
Property tax	691	639	-	-	691	639	8.1%
Other taxes	505	583	-	-	505	583	-13.4%
Investment earnings	2	2	2	2	4	4	0.0%
Receipts from School Board	14,102	600	-	-	14,102	600	2250.3%
Receipts from Water Works Board	10	10	218	1	228	11	100.0%
Gain on sale of capital assets	-	-	-	8	-	8	100.0%
Loss on extinguishment of debt	(1,232)	-	-	-	(1,232)	-	100.0%
Other	57	87	-	-	57	87	-34.5%
Total revenues	<u>23,038</u>	<u>10,839</u>	<u>19,239</u>	<u>20,961</u>	<u>42,277</u>	<u>31,800</u>	32.9%
<b>EXPENSES</b>							
General government	2,597	3,481	-	-	2,597	3,481	-25.4%
Public safety	3,352	3,490	-	-	3,352	3,490	-4.0%
Public works	1,495	1,844	-	-	1,495	1,844	-18.9%
Library	462	447	-	-	462	447	3.4%
Recreation	616	667	-	-	616	667	-7.6%
Education	63	683	-	-	63	683	-90.8%
Water system	7	20	-	-	7	20	100.0%
Interest on long-term debt	560	735	-	-	560	735	-23.8%
Gas	-	-	14,932	18,411	14,932	18,411	-18.9%
Sewer	-	-	1,602	1,466	1,602	1,466	9.3%
Sanitation	-	-	715	728	715	728	-1.8%
Airport	-	-	187	157	187	157	19.1%
Brewton Development Authority	-	-	7	9	7	9	-22.2%
Total expenses	<u>9,152</u>	<u>11,367</u>	<u>17,443</u>	<u>20,771</u>	<u>26,595</u>	<u>32,138</u>	-17.2%
Excess (deficiency) before special items and transfers	13,886	(528)	1,796	190	15,682	(338)	-4739.6%
Transfers	<u>400</u>	<u>1,874</u>	<u>(400)</u>	<u>(1,874)</u>	<u>-</u>	<u>-</u>	0.0%
Net change in net position	14,286	1,346	1,396	(1,684)	15,682	(338)	-4739.6%
Net position, beginning	<u>6,600</u>	<u>5,254</u>	<u>2,029</u>	<u>3,712</u>	<u>8,629</u>	<u>8,966</u>	-3.8%
Net position, ending	<u>\$ 20,886</u>	<u>\$ 6,600</u>	<u>\$ 3,425</u>	<u>\$ 2,028</u>	<u>\$ 24,311</u>	<u>\$ 8,628</u>	181.8%

### **Governmental Activities**

Tax revenues for the City's governmental activities decreased approximately \$63,000, or less than 1%. Total revenue increased by approximately \$10,477,000, or more than 32%, due mostly to receipt of the payoff of 2008 GOWs.

### **Business-type Activities**

Revenues for the City's business-type activities decreased approximately \$2,385,000 due partly to a decrease in the receipts for services from the gas fund caused by lower fuel prices and a warmer winter.

## **FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

### **Governmental Activities**

The City's governmental funds reported a combined fund balance of \$4,624,132, an increase of \$472,710 over FYE 2015.

### **Business-type Activities**

The City's business-type funds reported a combined net position of \$3,424,531 which is \$1,395,971 more than last year. The major changes to net position include the following:

- Natural Gas: increased \$421,423.
- Sewer Fund: increased \$759,018, largely due to grants.
- Sanitation Fund: decreased \$21,579 which represents an 11% reduction.
- Municipal Airport: increased \$227,000. A significant portion of the Municipal Airport's operations are supported by grants.
- Brewton Development Authority: increased \$10,109.

### **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 or successfully received grant assistance for a portion of the major projects.

**CAPITAL ASSET AND DEBT ADMINISTRATION****Capital Assets**

The City's investment in capital assets for governmental and business-type activities, as of September 30, 2016, totals approximately \$33,756,000 (net of accumulated depreciation), an increase of 3% 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 42-45 of the notes.

**CITY OF BREWTON'S CAPITAL ASSETS**

(in thousands of dollars)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016-2015</b>
Land and construction in progress	\$ 3,452	\$ 3,452	\$ 488	\$ 817	\$ 3,940	\$ 4,269	-7.7%
Buildings	8,411	8,395	2,297	2,297	10,708	10,692	0.1%
Improvements other than buildings	12,790	12,705	15,278	13,121	28,068	25,826	8.7%
Vehicles and equipment	7,152	6,897	4,121	3,990	11,273	10,887	3.5%
Less accumulated depreciation	(11,231)	(10,383)	(9,002)	(8,536)	(20,233)	(18,919)	6.9%
<b>Total</b>	<b>\$ 20,574</b>	<b>\$ 21,066</b>	<b>\$ 13,182</b>	<b>\$ 11,689</b>	<b>\$ 33,756</b>	<b>\$ 32,755</b>	<b>3.1%</b>

**Long-term Debt**

In the current fiscal year, the City incurred several small debt obligations. Additional information regarding the City's long-term debt can be found in pages 46-49 of this report.

**CITY OF BREWTON'S OUTSTANDING DEBT**

(in thousands of dollars)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016-2015</b>
General obligation warrants	\$ 1,322	\$ 15,542	\$ 12,295	\$ 12,594	\$ 13,617	\$ 28,136	-51.6%
Capital leases	339	431	387	234	726	665	9.2%
<b>Total</b>	<b>\$ 1,661</b>	<b>\$ 15,973</b>	<b>\$ 12,682</b>	<b>\$ 12,828</b>	<b>\$ 14,343</b>	<b>\$ 28,801</b>	<b>-50.2%</b>

**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](mailto:amcdowell@cityofbrewton.org).

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

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

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF BREWTON, ALABAMA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,803,775	\$ 2,828,498	\$ 6,632,273	\$ 3,247,225
Temporary cash investments	558,183	-	558,183	9,351,740
Receivables, net	510,076	202,433	712,509	247,560
Receivable from component units	-	30,000	30,000	-
Inventories	3,543	471,403	474,946	289,473
Restricted funds	-	1,362,394	1,362,394	701,154
Other assets	-	-	-	1,540
Capital assets, net				
Land, improvements, and construction in progress	3,452,496	487,540	3,940,036	3,625,837
Other capital assets, net of depreciation	17,121,989	12,694,028	29,816,017	41,479,142
<b>TOTAL ASSETS</b>	<b>25,450,062</b>	<b>18,076,296</b>	<b>43,526,358</b>	<b>58,943,671</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Employer retirement contributions	306,252	59,659	365,911	698,034
Net difference between projected and actual earnings on plan investments	237,647	46,250	283,897	650,190
Difference between expected and actual experiences	247,181	48,104	295,285	27,240
Defeasance of debt	-	278,653	278,653	155,915
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>791,080</b>	<b>432,666</b>	<b>1,223,746</b>	<b>1,531,379</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	252,951	1,600,097	1,853,048	502,627
Payable to City of Brewton	-	-	-	30,000
Customer deposits	-	86,457	86,457	94,243
Internal balances	10,342	(10,342)	-	-
Net pension liability	3,165,134	581,533	3,746,667	350,260
Long-term liabilities				
Accrued postclosure costs	-	294,527	294,527	-
Due within one year	785,480	400,836	1,186,316	218,395
Due in more than one year	1,141,155	12,131,323	13,272,478	36,185,261
<b>TOTAL LIABILITIES</b>	<b>5,355,062</b>	<b>15,084,431</b>	<b>20,439,493</b>	<b>37,380,786</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual earnings on plan investments	-	-	-	253,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>253,000</b>
<b>NET POSITION</b>				
Net investment in capital assets	19,918,415	5,610,626	25,529,041	18,529,640
Restricted - debt service	424,319	-	424,319	-
Restricted - street improvement and construction	83,692	-	83,692	-
Restricted - construction	-	-	-	1,428,324
Restricted - education	-	-	-	368,380
Unrestricted	459,654	(2,186,095)	(1,726,441)	2,514,920
<b>TOTAL NET POSITION</b>	<b>\$ 20,886,080</b>	<b>\$ 3,424,531</b>	<b>\$ 24,310,611</b>	<b>\$ 22,841,264</b>

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

**CITY OF BREWTON, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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	Business-type Activities	Total	Component Units
<b>Primary Government</b>								
Governmental activities:								
General	\$ 2,596,948	\$ 1,430,128	\$ 106,957	\$ -	\$ (1,059,863)		\$ (1,059,863)	
Police	2,313,076	315,923	-	-	(1,997,153)		(1,997,153)	
Fire	1,039,194	-	-	-	(1,039,194)		(1,039,194)	
Street	1,287,294	-	-	-	(1,287,294)		(1,287,294)	
Animal control	102,213	-	-	-	(102,213)		(102,213)	
Code enforcement	103,719	-	-	-	(103,719)		(103,719)	
Library	462,395	3,000	-	-	(459,395)		(459,395)	
Recreation	616,457	110,096	-	-	(506,361)		(506,361)	
Education (payment to Board of Education)	63,300	-	-	-	(63,300)		(63,300)	
Water system (payment to Water Works Board)	7,278	-	-	-	(7,278)		(7,278)	
Interest on long-term debt	560,242	-	-	-	(560,242)		(560,242)	
Total governmental activities	<u>9,152,116</u>	<u>1,859,147</u>	<u>106,957</u>	<u>-</u>	<u>(7,186,012)</u>		<u>(7,186,012)</u>	
Business-type activities:								
Gas	14,931,968	16,507,635	-	-	-	\$ 1,575,667	1,575,667	
Sewer	1,601,481	1,130,429	-	262,345	-	(208,707)	(208,707)	
Sanitation	714,941	691,881	-	-	-	(23,060)	(23,060)	
Airport	186,730	120,900	-	292,830	-	227,000	227,000	
Brewton Development Authority	7,468	12,577	-	-	-	5,109	5,109	
Total business-type activities	<u>17,442,588</u>	<u>18,463,422</u>	<u>-</u>	<u>555,175</u>	<u>-</u>	<u>1,576,009</u>	<u>1,576,009</u>	
Total primary government	<u>\$ 26,594,704</u>	<u>\$ 20,322,569</u>	<u>\$ 106,957</u>	<u>\$ 555,175</u>	<u>(7,186,012)</u>	<u>1,576,009</u>	<u>(5,610,003)</u>	
<b>Component Units</b>	<u>\$ 27,203,793</u>	<u>\$ 2,043,134</u>	<u>\$ 8,221,121</u>	<u>\$ 218,025</u>				<u>\$ (16,721,513)</u>
General revenues:								
Taxes								
Property					690,590	-	690,590	1,565,884
Sales					6,937,181	-	6,937,181	752,565
Other					504,744	-	504,744	243,030
Payments from City					-	-	-	7,278
Receipts from Brewton City Board of Education					14,102,637		14,102,637	-
Receipts from Water Works Board					9,974	218,025	227,999	-
Investment earnings					2,115	2,325	4,440	108,028
Loss on extinguishment of debt					(1,232,435)	-	(1,232,435)	-
Other					57,163	-	57,163	215,307
Transfers in/(out)					400,388	(400,388)	-	-
Total general revenues and transfers					<u>21,472,357</u>	<u>(180,038)</u>	<u>21,292,319</u>	<u>2,892,092</u>
Change in net position					14,286,345	1,395,971	15,682,316	(13,829,421)
Net position, beginning					6,599,735	2,028,560	8,628,295	36,670,685
<b>Net position, ending</b>					<u>\$ 20,886,080</u>	<u>\$ 3,424,531</u>	<u>\$ 24,310,611</u>	<u>\$ 22,841,264</u>

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

**CITY OF BREWTON, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

		<b>2008 General Obligation Warrant Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>			
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,715,333	\$ -	\$ 88,442	\$ 3,803,775
Temporary cash investments	133,864	-	424,319	558,183
Inventory	3,543	-	-	3,543
Due from other City funds	75,000	-	-	75,000
Taxes receivable	510,076	-	-	510,076
<b>Total Assets</b>	<b>\$ 4,437,816</b>	<b>\$ -</b>	<b>\$ 512,761</b>	<b>\$ 4,950,577</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 236,353	\$ -	\$ 4,750	\$ 241,103
Due to other City funds	85,342	-	-	85,342
<b>Total liabilities</b>	<b>321,695</b>	<b>-</b>	<b>4,750</b>	<b>326,445</b>
<b>FUND BALANCES</b>				
Nonspendable	3,543	-	-	3,543
Restricted for:				
Debt service	-	-	424,319	424,319
Street construction	-	-	67,350	67,350
Street improvements	-	-	16,342	16,342
Unassigned	4,112,578	-	-	4,112,578
<b>Total fund balances</b>	<b>4,116,121</b>	<b>-</b>	<b>508,011</b>	<b>4,624,132</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,437,816</b>	<b>\$ -</b>	<b>\$ 512,761</b>	<b>\$ 4,950,577</b>

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, 2016**

<b>Fund Balances as reported on page 20</b>	\$ 4,624,132
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Net Position reported for governmental activities in the Statement of Net Position (page 18) are different from Fund Balances for governmental activities because:

Capital assets used in governmental activities are financial resources and therefore are not reported in fund financial statements. Those assets consist of:

Land, improvements, and construction in progress	\$ 3,452,496	
Other capital assets, net of \$11,231,597 accumulated depreciation	17,121,989	
Total capital assets		20,574,485

Some liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the fund financial statements	(11,848)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds

Employment retirement contributions	306,252
Net difference between projected and actual earnings on plan investments	237,647
Difference between expected and actual experiences	247,181

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	(1,321,840)
Capital lease obligations	(339,230)
Compensated absences	(265,565)
Net pension liability	(3,165,134)

<b>Net Position of Governmental Activities as reported on page 18</b>	<b>\$ 20,886,080</b>
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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, 2016**

		2008 General Obligation Warrant Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	General			
<b>REVENUES</b>				
Taxes	\$ 7,917,007	\$ -	\$ 112,092	\$ 8,029,099
Intergovernmental	133,581	-	-	133,581
Licenses and permits	1,189,820	-	-	1,189,820
Fines and forfeitures	315,923	-	-	315,923
Fees and charges	295,510	-	-	295,510
Revenue from City Property	57,894	-	-	57,894
Receipts from Brewton City Board of Education	688,184	13,414,453	-	14,102,637
Receipts from Water Works Board	9,974	-	-	9,974
Interest	1,562	-	25	1,587
Donations	76,792	-	-	76,792
Other	57,159	-	-	57,159
Total revenues	10,743,406	13,414,453	112,117	24,269,976
<b>EXPENDITURES</b>				
General	1,567,912	-	-	1,567,912
Public safety	3,110,300	-	-	3,110,300
Public works	1,411,082	-	78,543	1,489,625
Payments to Brewton City Board of Education	63,300	-	-	63,300
Payments to Water Works Board	7,278	-	-	7,278
Other departments	1,519,923	-	-	1,519,923
Capital expenditures	356,809	-	-	356,809
Debt service:				
Principal	262,339	13,575,000	475,000	14,312,339
Interest	65,631	592,230	42,854	700,715
Total expenditures	8,364,574	14,167,230	596,397	23,128,201
Excess (deficiency) of revenues over expenditures	2,378,832	(752,777)	(484,280)	1,141,775
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers in	4,084,788	1,822,230	529,771	6,436,789
Payments to escrow	-	(1,069,453)	-	(1,069,453)
Transfers out	(6,036,401)	-	-	(6,036,401)
Total other financing sources and (uses)	(1,951,613)	752,777	529,771	(669,065)
Net change in fund balances	427,219	-	45,491	472,710
Fund balances-beginning of year	3,688,902	-	462,520	4,151,422
<b>FUND BALANCES-END OF YEAR</b>	<b>\$ 4,116,121</b>	<b>\$ -</b>	<b>\$ 508,011</b>	<b>\$ 4,624,132</b>

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, 2016**

**Net change in fund balances--total governmental funds, page 22** **\$ 472,710**

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	356,809
Depreciation expense for the year	(848,788)

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

Principal payments on notes and warrants	14,220,416
Principal payments on capital lease obligations	91,923
Decrease in warrant discounts	(170,562)

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

32,473

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	(17,220)
Decrease in accrued interest payable	148,584

**Change in Net Position of Government Activities, page 19** **\$ 14,286,345**

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

**CITY OF BREWTON, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenue</b>			
Taxes	\$ 3,709,607	\$ 7,917,007	\$ 4,207,400
Licenses and permits	1,197,892	1,189,820	(8,072)
Fines and forfeitures	138,000	315,923	177,923
Fees and charges	189,300	295,510	106,210
Intergovernmental revenue	71,000	133,581	62,581
Revenue from City Property	11,050	57,894	46,844
Receipts from Brewton City Board of Education	-	688,184	688,184
Receipts from Water Works Board	-	9,974	9,974
Other revenue	2,000	135,513	133,513
	<hr/>	<hr/>	<hr/>
Total Revenues	5,318,849	10,743,406	5,424,557
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current expenditures:			
General government	937,105	1,567,912	(630,807)
Public safety	2,907,315	3,110,300	(202,985)
Public works	1,249,848	1,411,082	(161,234)
Payments to Brewton City Board of Education	-	63,300	(63,300)
Payments to Water Works Board	-	7,278	(7,278)
Other departments	1,351,438	1,519,923	(168,485)
Capital expenditures	225,197	356,809	(131,612)
Debt Service:			
Principal	104,477	262,339	(157,862)
Interest	-	65,631	(65,631)
	<hr/>	<hr/>	<hr/>
Total Expenditures	6,775,380	8,364,574	(1,589,194)
	<hr/>	<hr/>	<hr/>
Excess Revenues Over (Under) Expenditures	(1,456,531)	2,378,832	3,835,363
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	4,084,788	4,084,788
Transfers out	-	(6,036,401)	(6,036,401)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	(1,951,613)	(1,951,613)
	<hr/>	<hr/>	<hr/>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(1,456,531)	427,219	1,883,750
	<hr/>	<hr/>	<hr/>
Fund Balance at Beginning of Year	1,591,936	3,688,902	2,096,966
	<hr/>	<hr/>	<hr/>
<b>Fund Balance at End of Year</b>	<u>\$ 135,405</u>	<u>\$ 4,116,121</u>	<u>\$ 3,980,716</u>

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

**CITY OF BREWTON, ALABAMA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

	<b>Major Funds</b>				<b>Nonmajor Fund</b>	
	<b>Gas Service</b>	<b>Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Municipal Airport</b>	<b>Brewton Development Authority</b>	<b>Totals</b>
<b>Assets</b>						
Current assets						
Cash	\$ 2,030,410	\$ 522,053	\$ 104,970	\$ 155,675	\$ 15,390	\$ 2,828,498
Restricted cash	1,019,903	342,491	-	-	-	1,362,394
Accounts receivable	110,020	53,270	34,560	4,583	-	202,433
Due from other funds	81,850	-	-	5,342	-	87,192
Receivable from component units	30,000	-	-	-	-	30,000
Inventories	172,771	298,632	-	-	-	471,403
Total current assets	3,444,954	1,216,446	139,530	165,600	15,390	4,981,920
Noncurrent assets						
Property, plant, and equipment						
Land, improvements and construction in progress	11,100	29,500	3,000	298,000	145,940	487,540
Utility systems	4,932,232	9,980,113	-	-	-	14,912,345
Buildings and improvements	168,022	-	-	2,297,793	197,500	2,663,315
Equipment	1,067,467	1,032,264	1,675,544	345,426	-	4,120,701
	6,178,821	11,041,877	1,678,544	2,941,219	343,440	22,183,901
Less accumulated depreciation	3,841,796	3,294,047	912,372	850,424	103,694	9,002,333
Net property, plant, and equipment	2,337,025	7,747,830	766,172	2,090,795	239,746	13,181,568
Total noncurrent assets	2,337,025	7,747,830	766,172	2,090,795	239,746	13,181,568
<b>Total Assets</b>	5,781,979	8,964,276	905,702	2,256,395	255,136	18,163,488
<b>Deferred Outflows of Resources</b>						
Defeasance of debt	-	278,653	-	-	-	278,653
Net difference between projected and actual earnings on plan investments	31,420	9,501	5,329	-	-	46,250
Difference between expected and actual experiences	32,680	9,882	5,542	-	-	48,104
Employer retirement contributions	40,551	12,221	6,887	-	-	59,659
<b>Total Deferred Outflows of Resources</b>	104,651	310,257	17,758	-	-	432,666

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

**CITY OF BREWTON, ALABAMA**  
**STATEMENT OF NET POSITION (continued)**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2016**

	<b>Major Funds</b>				<b>Nonmajor Fund</b>	
	<b>Gas Service</b>	<b>Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Municipal Airport</b>	<b>Brewton Development Authority</b>	<b>Totals</b>
<b>Liabilities and Net Position</b>						
Current liabilities						
Accounts payable and accrued expenses	996,488	385,301	182,131	36,123	54	1,600,097
Due to other City funds	-	1,850	75,000	-	-	76,850
Long-term liabilities-current portion	68,395	249,750	82,691	-	-	400,836
Customer deposits	86,457	-	-	-	-	86,457
Total current liabilities	1,151,340	636,901	339,822	36,123	54	2,164,240
Noncurrent liabilities						
Long-term liabilities-less current portion	867,305	10,828,511	435,507	-	-	12,131,323
Net pension liability	400,357	114,505	66,671	-	-	581,533
Accrued postclosure costs	-	-	294,527	-	-	294,527
Total noncurrent liabilities	1,267,662	10,943,016	796,705	-	-	13,007,383
<b>Total liabilities</b>	2,419,002	11,579,917	1,136,527	36,123	54	15,171,623
Net position						
Net investment in capital assets	2,421,228	610,883	247,974	2,090,795	239,746	5,610,626
Unrestricted	1,046,400	(2,916,267)	(461,041)	129,477	15,336	(2,186,095)
<b>Total Net Position</b>	<b>\$ 3,467,628</b>	<b>\$ (2,305,384)</b>	<b>\$ (213,067)</b>	<b>\$ 2,220,272</b>	<b>\$ 255,082</b>	<b>\$ 3,424,531</b>

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, 2016**

	<b>Major Funds</b>				<b>Nonmajor Fund</b>	
	<b>Gas Service</b>	<b>Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Municipal Airport</b>	<b>Brewton Development Authority</b>	<b>Totals</b>
<b>Operating Revenues</b>						
Charges for services	\$ 16,492,063	\$ 1,130,379	\$ 691,881	\$ 120,900	\$ 12,577	\$ 18,447,800
Other	15,572	50	-	-	-	15,622
Total operating revenues	<u>16,507,635</u>	<u>1,130,429</u>	<u>691,881</u>	<u>120,900</u>	<u>12,577</u>	<u>18,463,422</u>
<b>Operating Costs and Expenses</b>						
Cost of sales and services	13,447,897	-	314,835	-	-	13,762,732
Salaries and wages	533,363	164,713	81,497	18,000	-	797,573
Utilities	35,268	91,368	3,486	21,865	698	152,685
Maintenance and supplies	273,097	305,547	119,477	51,921	125	750,167
Employee benefits	113,567	26,924	20,279	-	-	160,770
Insurance	35,481	6,776	4,151	6,203	1,707	54,318
Professional fees	18,354	-	-	557	-	18,911
Office expense	21,879	1,859	2,916	1,106	-	27,760
Depreciation and amortization	162,671	298,173	132,882	87,078	4,938	685,742
Landfill postclosure expense	-	-	12,306	-	-	12,306
Other	226,929	3,745	1,832	-	-	232,506
Total operating costs and expenses	<u>14,868,506</u>	<u>899,105</u>	<u>693,661</u>	<u>186,730</u>	<u>7,468</u>	<u>16,655,470</u>
Operating Income (Loss)	<u>1,639,129</u>	<u>231,324</u>	<u>(1,780)</u>	<u>(65,830)</u>	<u>5,109</u>	<u>1,807,952</u>
<b>Non-Operating Revenue (Expense)</b>						
Interest earned	1,999	326	-	-	-	2,325
Receipt from Water Works Board	-	218,025	-	-	-	218,025
Payments to Water Works Board	-	(218,025)	-	-	-	(218,025)
Interest expense	(63,462)	(484,351)	(21,280)	-	-	(569,093)
Total non-operating revenue (expenses)	<u>(61,463)</u>	<u>(484,025)</u>	<u>(21,280)</u>	<u>-</u>	<u>-</u>	<u>(566,768)</u>
Income before contributions and transfers	<u>1,577,666</u>	<u>(252,701)</u>	<u>(23,060)</u>	<u>(65,830)</u>	<u>5,109</u>	<u>1,241,184</u>
Capital contributions	-	262,345	-	292,830	-	555,175
Transfers in	3,208,731	2,239,188	21,481	-	5,000	5,474,400
Transfers out	<u>(4,364,974)</u>	<u>(1,489,814)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(5,874,788)</u>
Change in Net Position	<u>421,423</u>	<u>759,018</u>	<u>(21,579)</u>	<u>227,000</u>	<u>10,109</u>	<u>1,395,971</u>
Net Position at Beginning of Year	<u>3,046,205</u>	<u>(3,064,402)</u>	<u>(191,488)</u>	<u>1,993,272</u>	<u>244,973</u>	<u>2,028,560</u>
<b>Net Position at End of Year</b>	<u>\$ 3,467,628</u>	<u>\$ (2,305,384)</u>	<u>\$ (213,067)</u>	<u>\$ 2,220,272</u>	<u>\$ 255,082</u>	<u>\$ 3,424,531</u>

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

**CITY OF BREWTON, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Major Funds				Nonmajor Fund	
	Gas Service	Sewer Fund	Sanitation Fund	Municipal Airport	Brewton Development Authority	Totals
<b>Cash Flows from Operating Activities :</b>						
Receipts from customers	\$ 16,502,923	\$ 1,127,653	\$ 689,247	\$ 120,900	\$ 12,577	\$ 18,453,300
Payments to suppliers	(14,178,205)	(497,825)	(370,010)	(82,201)	(2,532)	(15,130,773)
Payments to employees	(645,409)	(191,395)	(101,569)	(18,000)	-	(956,373)
Net Cash Provided (Used) by Operating Activities	1,679,309	438,433	217,668	20,699	10,045	2,366,154
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers in	3,208,731	2,239,188	21,481	-	5,000	5,474,400
Transfers out	(4,364,974)	(1,489,814)	(20,000)	-	-	(5,874,788)
Change in interfund receivable	-	-	-	(5,342)	-	(5,342)
Receipts from Water Works Board	-	218,025	-	-	-	218,025
Payments to Water Works Board	-	(218,025)	-	-	-	(218,025)
Proceeds from grant	-	262,345	-	292,830	-	555,175
Net Cash Provided (Used) by Noncapital Financing Activities	(1,156,243)	1,011,719	1,481	287,488	5,000	149,445
<b>Cash Flows from Capital and Related Financing Activities</b>						
Principal paid on capital debt	(80,758)	(239,655)	(266,869)	-	-	(587,282)
Interest paid on capital debt	(63,462)	(484,351)	(212,800)	-	-	(569,093)
Change in loan proceeds receivable	-	438,020	-	-	-	438,020
Proceeds from capital debt	-	-	448,045	-	-	448,045
Purchase of capital assets	(129,641)	(1,408,949)	(296,119)	(308,278)	-	(2,142,987)
Net Cash Provided (Used) by Capital and Related Financing Activities	(273,861)	(1,694,935)	(136,223)	(308,278)	-	(2,413,297)
<b>Cash Flows from Investing Activities</b>						
Interest income	1,999	326	-	-	-	2,325
Net Increase (Decrease) in Cash	251,204	(244,457)	82,926	(91)	15,045	104,627
Cash at Beginning of Year	2,799,109	1,109,001	22,044	155,766	345	4,086,265
<b>Cash at End of Year</b>	<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>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>						
Provided (Used) by Operating Activities :						
Operating Income (Loss)	\$ 1,639,129	\$ 231,324	\$ (1,780)	\$ (65,830)	\$ 5,109	\$ 1,807,952
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities :						
Depreciation and amortization	162,671	298,173	132,882	87,078	4,938	685,742
Change in pension expense as related to GASB 68	1,520	242	208	-	-	1,970
Change in accounts receivable	(4,832)	(2,776)	(2,634)	-	-	(10,242)
Change in inventories	(60,757)	(281,055)	-	-	-	(341,812)
Change in customer deposits	120	-	-	-	-	120
Change in accrued expenses	-	-	12,306	-	-	12,306
Change in accounts payable	(58,542)	192,525	76,686	(549)	(2)	210,118
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,679,309</u>	<u>\$ 438,433</u>	<u>\$ 217,668</u>	<u>\$ 20,699</u>	<u>\$ 10,045</u>	<u>\$ 2,366,154</u>
<b>Noncash investing, capital, and financing activities :</b>						
Borrowing under capital lease	\$ -	\$ -	\$ 399,341	\$ -	\$ -	\$ 399,341
Purchase of capital assets through capital lease	\$ -	\$ -	\$ 399,341	\$ -	\$ -	\$ 399,341

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

**CITY OF BREWTON, ALABAMA**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**SEPTEMBER 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Component Units</b>
	<b>Brewton City Board of Education</b>	<b>Water Works Board of the City of Brewton</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,169,880	\$ 1,077,345	\$ 3,247,225
Temporary cash investments	9,351,740	-	9,351,740
Receivables, net	192,982	54,578	247,560
Inventories	8,972	280,501	289,473
Restricted funds	-	701,154	701,154
Other assets	1,540	-	1,540
Capital assets, net			
Land, improvements and construction in progress	3,542,414	83,423	3,625,837
Other capital assets, net of depreciation	33,617,596	7,861,546	41,479,142
<b>TOTAL ASSETS</b>	<b>48,885,124</b>	<b>10,058,547</b>	<b>58,943,671</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Employer pension contribution	664,263	33,771	698,034
Net difference between projected and actual earnings on plan investments	624,000	26,190	650,190
Difference between expected and actual experiences	-	27,240	27,240
Defeasance of debt	-	155,915	155,915
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,288,263</b>	<b>243,116</b>	<b>1,531,379</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	260,777	241,850	502,627
Payable to City of Brewton	-	30,000	30,000
Customer deposits	-	94,243	94,243
Net Pension Liability	-	350,260	350,260
Long-term liabilities			
Due within one year	-	218,395	218,395
Due in more than one year	31,531,000	4,654,261	36,185,261
<b>TOTAL LIABILITIES</b>	<b>31,791,777</b>	<b>5,589,009</b>	<b>37,380,786</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Proportionate share of collective deferred inflows related to net pension liability	253,000	-	253,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>253,000</b>	<b>-</b>	<b>253,000</b>
<b>NET POSITION</b>			
Net investment in capital assets	15,160,010	3,369,630	18,529,640
Restricted for:			
Education	368,380	-	368,380
Construction	727,170	701,154	1,428,324
Unrestricted	1,873,050	641,870	2,514,920
<b>TOTAL NET POSITION</b>	<b>\$ 18,128,610</b>	<b>\$ 4,712,654</b>	<b>\$ 22,841,264</b>

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

**CITY OF BREWTON, ALABAMA  
COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
					Brewton City Board of Education	Water Works Board Board of the City of Brewton	
<b>Component Units</b>							
Brewton City Board of Education	\$ 25,859,368	\$ 482,582	\$ 8,221,121	\$ -	\$ (17,155,665)	\$ -	\$ (17,155,665)
Water Works Board of the City of Brewton	1,344,425	1,560,552	-	218,025	-	434,152	434,152
Total component units	<u>\$ 27,203,793</u>	<u>\$ 2,043,134</u>	<u>\$ 8,221,121</u>	<u>\$ 218,025</u>	<u>(17,155,665)</u>	<u>434,152</u>	<u>(16,721,513)</u>
General revenues:							
Taxes							
Property					1,565,884	-	1,565,884
Sales					752,565	-	752,565
Other					243,030	-	243,030
Receipts from City					-	7,278	7,278
Investment earnings					107,288	740	108,028
Other					215,307	-	215,307
Total general revenues and transfers					<u>2,884,074</u>	<u>8,018</u>	<u>2,892,092</u>
Change in net position					(14,271,591)	442,170	(13,829,421)
Net position, beginning					32,400,201	4,270,484	36,670,685
<b>Net position, ending</b>					<u>\$ 18,128,610</u>	<u>\$ 4,712,654</u>	<u>\$ 22,841,264</u>

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

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

2. *The Water Works Board of the City of Brewton* provides water utility services to the citizens of the City and surrounding area. The Board must obtain the approval of the City Council prior to issuing bonded debt. In addition, the Board shares personnel, facilities, and other resources with the City.

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

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

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Basis of Presentation—Government-wide and Fund Level**

**Government-wide**

The basic financial statements include government-wide and fund financial statements. The reporting model focuses on the City as a whole and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business-type. In the Statement of Net 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.

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

The City reports the following major governmental funds:

- *General Fund*
- The *2008 General Obligation Warrant Debt Service Fund* is a debt service fund that accounts for the debt service requirements of the 2008 General Obligation Warrants.

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.

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net 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, 2016**

**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 Board that are applicable to a future reporting period.

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

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

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

During the year ended September 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements create disclosure and reporting requirements that may or may not be consistent with the basis used for funding the plan. As a result, a net position liability equal to the difference between the actuarial present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position was recognized. Additionally, pension expense and deferred outflows of resources and deferred inflows of resources were recognized from changes in the components of the net pension liability. See Note 11 for more information.

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued to provide guidance for determining a fair value measurement for financial reporting purposes. The requirements for GASB Statement No. 72 are effective for fiscal year 2016. Implementation had no effect on the 2016 financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68* was issued to establish requirements for assets that are not within the scope of GASB Statement No. 68. The requirements of GASB Statement No. 73 are effective for fiscal year 2016. Implementation had no effect on the 2016 financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued to identify the hierarchy of generally accepted accounting principles. The requirements of GASB Statement No. 76 are effective immediately and were applied retroactively resulting in no significant impact to the financial statements.

*Recently Issued Accounting Principles*

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. The City is currently evaluating the impact that this statement may have on its 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 (plan member) contribution requirements. The requirements of GASB Statement No. 82 are effective for fiscal year 2017. The City is currently evaluating the impact that this statement may have on its financial statements.

**Cash and Investments**

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

**Use of Estimates**

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

**Ad Valorem Taxes**

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

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2016, 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, 2016**

**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>
<b><i>General Government:</i></b>		<b><i>Animal Control</i></b>	
Salaries	\$ 2,198	Salaries	\$ 6,589
Utilities	12,681	Employee benefits	9,298
Telephone	2,417	Tools and supplies	4,789
Office supplies	4,922	Utilities	3,204
Repairs and maintenance	415,780	Other	1,072
Professional fees	200,613	<b><i>Code Enforcement</i></b>	
Appropriation	10,757	Employee benefits	2,009
Capital expenditures	7,936	Repairs and maintenance	15,213
Other	134,000	<b><i>Other Departments:</i></b>	
<b><i>Public Safety:</i></b>		<b><i>Municipal Court</i></b>	
<b><i>Police Department</i></b>		Employee benefits	2,822
Salaries	120,243	Legal services	7,749
Employee benefits	71,642	Other	83,094
Travel	10,756	State fees	76,224
Telephone	790	<b><i>Library Department</i></b>	
Ammunition	12,350	Salaries	11,916
Laundry	177	Employee benefits	33,352
Investigation and education	12,702	Insurance	28
Capital expenditures	94,374	Utilities	15,238
Other	9,220	Telephone	3,847
<b><i>Fire Department</i></b>		Repairs and maintenance	13,978
Salaries	63,801	Books purchased	32,396
Employee benefits	38,467	Office supplies	16,119
Repairs and maintenance	3,198	<b><i>Recreation Department</i></b>	
Tools and supplies	2,025	Employee benefits	25,799
Office supplies	3,351	Capital expenditures	37,900
<b><i>Public Works:</i></b>		Repairs and maintenance	83,225
<b><i>Street Department</i></b>		<b><i>Cemetery Department</i></b>	
Salaries	62,612	Employee benefits	10,535
Employee benefits	105,519	Utilities	242
Chemicals	6,977	Repairs and maintenance	3,733
Uniforms	9,998	<b><i>Traffic Control</i></b>	3,868
Utilities	2,744	<b><i>Beautification</i></b>	
Telephone	3,306	Repairs and maintenance	7,025
Other	569	Capital expenditures	51,957
		Other	2,669
		<b><i>Payments to School Bd</i></b>	63,300
		<b><i>Payments to Water Bd</i></b>	7,278
		<b><i>Debt Service</i></b>	223,493
		<b><i>Transfers Out</i></b>	6,036,401

**CITY OF BREWTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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, 2016**

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

body must vote to grant authorization of assigned fund balances to specific purposes.

- Unassigned fund balance—All other fund balances that do not meet the definition of “nonspendable, restricted, committed, or assigned fund balances.” The general fund is the only fund appropriate to report a positive unassigned fund balance.

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

**Subsequent Events**

The City of Brewton, Alabama has evaluated subsequent events through March 31, 2017, the date which the financial statements were available to be issued. The City Council approved to close the golf course as of February 27, 2017. On October 20, 2016, the City issued Series 2016-A and Series 2016-B General Obligation Warrants of \$5,640,000 and \$15,000, respectively, for the purposes of financing various capital improvements and partially refunding the City’s 2009 General Obligation Warrants in the amount of \$340,826.

There were no other material subsequent events which require disclosure at September 30, 2016.

**NOTE 2            DEPOSITS AND INVESTMENTS**

At September 30, 2016, the City had investments in U.S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$424,319. The average maturity of the portfolio was 38 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, 2016, 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, 2016**

**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, 2016, 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, 2016, there was a deficit in net position of the Sewer Fund of \$2,305,384 and the Sanitation Fund of \$213,067. 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, 2016. The grant received in the Municipal Airport Fund was used to fund construction of hangar and 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, 2016**

**NOTE 6      CAPITAL ASSETS**

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

	Balance 09/30/15	Additions	Reclassifications/ Retirements	Balance 09/30/16
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 3,452,496	\$ -	\$ -	\$ 3,452,496
<i>Capital assets being depreciated</i>				
Buildings	8,394,896	16,138	-	8,411,034
Improvements other than buildings	12,705,308	84,793	-	12,790,101
Vehicles and equipment	6,896,573	255,878	-	7,152,451
Total capital assets being depreciated	27,996,777	356,809	-	28,353,586
Less accumulated depreciation for:				
Buildings	2,383,584	170,810	-	2,554,394
Improvements other than buildings	2,865,014	257,515	-	3,122,529
Vehicles and equipment	5,134,211	420,463	-	5,554,674
Total accumulated depreciation	10,382,809	848,788	-	11,231,597
Total capital assets being depreciated	17,613,968	(491,979)	-	17,121,989
Capital assets, net	\$ 21,066,464	\$ (491,979)	\$ -	\$ 20,574,485

Depreciation was charged to governmental activities as follows:

General	\$ 479,351
Police	182,852
Fire	59,117
Street	82,142
Recreation	38,047
Library	7,279
Total	\$ 848,788

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	Balance 09/30/15	Additions	Reclassifications/ Retirements	Balance 09/30/16
<b>Component Unit:</b>				
<b>Brewton City Board of Education</b>				
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,284,675	\$ -	\$ -	\$ 1,284,675
Construction in progress	11,413,447	956,771	10,112,479	2,257,739
Total capital assets not being depreciated	12,698,122	956,771	10,112,479	3,542,414
<i>Capital assets being depreciated</i>				
Buildings and improvements	30,666,899	10,359,702	-	41,026,601
Equipment	3,678,847	71,560	-	3,750,407
Total capital assets being depreciated	34,345,746	10,431,262	-	44,777,008
Less accumulated depreciation for:				
Buildings and improvements	7,006,788	593,832	-	7,600,620
Equipment	3,455,357	103,435	-	3,558,792
Total accumulated depreciation	10,462,145	697,267	-	11,159,412
Total capital assets being depreciated	23,883,601	9,733,995	-	33,617,596
Capital assets, net	\$ 36,581,723	\$ 10,690,766	\$ 10,112,479	\$ 37,160,010
<b>Business-type Activities</b>				
<b>Gas Service Fund</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 11,100	\$ -	\$ -	\$ 11,100
Construction in progress	53,699	-	53,699	-
Total capital assets not being depreciated	64,799	-	53,699	11,100
<i>Capital assets being depreciated</i>				
Buildings and improvements	168,022	-	-	168,022
Utility systems	4,758,285	173,947	-	4,932,232
Equipment	1,058,074	9,393	-	1,067,467
Total capital assets being depreciated	5,984,381	183,340	-	6,167,721
Less accumulated depreciation for:				
Buildings and improvements	148,415	2,639	-	151,054
Utility systems	2,725,253	90,182	-	2,815,435
Equipment	805,456	69,851	-	875,307
Total accumulated depreciation	3,679,124	162,672	-	3,841,796
Total capital assets being depreciated	2,305,257	20,668	-	2,325,925
Capital assets, net	\$ 2,370,056	\$ 20,668	\$ 53,699	\$ 2,337,025

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	Balance 09/30/15	Additions	Reclassifications/ Retirements	Balance 09/30/16
<b>Business-type Activities (continued)</b>				
<b>Sewer Fund</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 29,500	\$ -	\$ -	\$ 29,500
Construction in progress	217,882	-	217,882	-
Total capital assets not being depreciated	247,382	-	217,882	29,500
<i>Capital assets being depreciated</i>				
Utility systems	8,362,674	1,617,439	-	9,980,113
Equipment	1,022,872	9,392	-	1,032,264
Total capital assets being depreciated	9,385,546	1,626,831	-	11,012,377
Less accumulated depreciation for:				
Utility systems	2,186,675	193,779	-	2,380,454
Equipment	845,154	68,439	-	913,593
Total accumulated depreciation	3,031,829	262,218	-	3,294,047
Capital assets, net	\$ 6,601,099	\$ 1,364,613	\$ 217,882	\$ 7,747,830
<b>Sanitation Fund</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
<i>Capital assets being depreciated</i>				
Equipment	1,563,587	474,241	362,284	1,675,544
Total capital assets being depreciated	1,563,587	474,241	362,284	1,675,544
Less accumulated depreciation for:				
Equipment	963,651	132,882	184,161	912,372
Total accumulated depreciation	963,651	132,882	184,161	912,372
Total capital assets being depreciated	599,936	341,359	178,123	763,172
Capital assets, net	\$ 602,936	\$ 341,359	\$ 178,123	\$ 766,172
<b>Municipal Airport Fund</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 298,000	\$ -	\$ -	\$ 298,000
Construction in progress	58,496	-	58,496	-
Total capital assets not being depreciated	356,496	-	58,496	298,000
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,931,019	366,774	-	2,297,793
Equipment	345,426	-	-	345,426
Total capital assets being depreciated	2,276,445	366,774	-	2,643,219
Less accumulated depreciation for:				
Buildings and improvements	545,444	66,638	-	612,082
Equipment	217,903	20,439	-	238,342
Total accumulated depreciation	763,347	87,077	-	850,424
Total capital assets being depreciated	1,513,098	279,697	-	1,792,795
Capital assets, net	\$ 1,869,594	\$ 279,697	\$ 58,496	\$ 2,090,795

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	Balance 09/30/15	Additions	Reclassifications/ Retirements	Balance 09/30/16
<b>Business-type Activities (continued)</b>				
<b>Brewton Development Authority</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 145,940	\$ -	\$ -	\$ 145,940
<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	98,757	4,937	-	103,694
Total accumulated depreciation	98,757	4,937	-	103,694
Total capital assets being depreciated	98,743	(4,937)	-	93,806
Capital assets, net	\$ 244,683	\$ (4,937)	\$ -	\$ 239,746
<b>Component Unit:</b>				
<b>Water Works Board</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 83,423	\$ -	\$ -	\$ 83,423
Construction in progress	25,875	-	25,875	-
Total capital assets not being depreciated	109,298	-	25,875	83,423
<i>Capital assets being depreciated</i>				
Water system	10,788,868	324,779	-	11,113,647
Machinery and equipment	1,131,980	306,819	-	1,438,799
Property under capital lease	113,894	-	73,241	40,653
Furniture and fixtures	67,609	-	-	67,609
Total capital assets being depreciated	12,102,351	631,598	73,241	12,660,708
Less accumulated depreciation for:				
Water system	3,381,313	238,109	-	3,619,422
Machinery and equipment	1,004,136	81,927	-	1,086,063
Property under capital lease	36,209	8,131	21,303	23,037
Furniture and fixtures	67,609	3,031	-	70,640
Total accumulated depreciation	4,489,267	331,198	21,303	4,799,162
Total capital assets being depreciated	7,613,084	300,400	51,938	7,861,546
Capital assets, net	\$ 7,722,382	\$ 300,400	\$ 77,813	\$ 7,944,969

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 7      LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt	\$ 15,542,256	\$ -	\$ 14,220,416	\$ 1,321,840	\$ 662,612
Capital Lease Obligations	431,153	-	91,923	339,230	69,755
Compensated Absences	298,038	271,975	304,448	265,565	53,113
	<u>16,271,447</u>	<u>271,975</u>	<u>14,616,787</u>	<u>1,926,635</u>	<u>785,480</u>
Warrant Discount	<u>(170,562)</u>	<u>-</u>	<u>170,562</u>	<u>-</u>	<u>-</u>
Governmental Activities, long-term liabilities	<u>16,100,885</u>	<u>271,975</u>	<u>14,787,349</u>	<u>1,926,635</u>	<u>785,480</u>
<b>Business-type Activities</b>					
General Obligation Debt	12,593,686	48,704	347,434	12,294,956	357,393
Capital Lease Obligations	233,674	399,341	246,137	386,878	43,443
Accrued Postclosure Costs	282,221	12,306	-	294,527	12,306
	<u>13,109,581</u>	<u>460,351</u>	<u>593,571</u>	<u>12,976,361</u>	<u>413,142</u>
Warrant Discount	<u>(155,964)</u>	<u>-</u>	<u>6,289</u>	<u>(149,675)</u>	<u>-</u>
Business-type Activities, long-term liabilities	<u>12,953,617</u>	<u>460,351</u>	<u>599,860</u>	<u>12,826,686</u>	<u>413,142</u>
<b>Total Long-term Liabilities</b>	<u>\$ 29,054,502</u>	<u>\$ 732,326</u>	<u>\$ 15,387,209</u>	<u>\$ 14,753,321</u>	<u>\$ 1,198,622</u>

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

Bonds and warrants payable at September 30, 2016, were comprised of the following:

**General Obligation Bonds and Warrants:**

2013 General Obligation Sewer Revenue Warrant payable in annual installments of \$115,000 to \$655,000 through December 1, 2043, with interest at 4.750% to 5.00% payable June 1, and December 1.

\$ 10,730,000

2013 General Obligation Gas Revenue Warrant payable in annual installments of \$55,000 to \$90,000 through December 1, 2028, with interest at 2.00% to 4.25% payable on June 1, and December 1.

930,000

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 7      LONG-TERM LIABILITIES (CONTINUED)**

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.	465,000
2009 General Obligation Warrants payable in annual installments of \$430,000 to \$510,000 through December 1, 2017, with interest at 2.00% to 4.00% payable on June 1 and December 1.	1,005,000
Note payable for purchase of street equipment dated September 15, 2011, due in 72 monthly installments of \$2,493, including interest at 2.59%, maturing September 15, 2017.	29,506
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.	12,783
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.	55,955
Note payable for purchase of street vehicle dated March 1, 2012, due in 60 monthly installments of \$443, including interest at 2.38%, maturing March 1, 2017.	2,639
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.	34,992
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.	98,089
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.	108,848
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.	102,877
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.	36,877

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 7      LONG-TERM LIABILITIES (CONTINUED)**

Note payable for purchase of fire vehicle dated March 1, 2012, due in 60 monthly installments of \$710, including interest at 2.38%, maturing March 1, 2017. 4,230

Total General Obligation Bonds and Warrants \$ 13,616,796

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
2017	\$ 662,612	\$ 32,186	\$ 357,393	\$ 506,840
2018	609,323	11,903	363,486	497,232
2019	33,896	596	361,775	487,487
2020	16,009	84	352,302	477,939
2021	-	-	335,000	468,694
2022-2026	-	-	1,865,000	2,170,510
2027-2031	-	-	2,035,000	1,791,569
2032-2036	-	-	2,170,000	1,350,209
2037-2041	-	-	2,580,000	797,606
2042-2044	-	-	1,875,000	143,625
	<u>\$ 1,321,840</u>	<u>\$ 44,769</u>	<u>\$ 12,294,956</u>	<u>\$ 8,691,711</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 2013 General Obligation Sewer and Gas Warrants have not been included in the calculation of Net Investment in Capital Assets.

In 2008, the City incurred a loan on behalf of the Brewton City Board of Education to finance capital projects. On September 28, 2016, the Brewton City Board of Education incurred bank debt in the amount of \$22,000,000, which was used in part to repay the City. Upon receiving the loan, the Board paid the City's remaining portion of the 2008 General Obligation Warrant in the amount of \$13,764,453.

**Capital Leases**

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles, golf carts 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, 2016**

**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	\$ 632,573	\$ 762,171
Less accumulated depreciation	234,678	210,937
Total	<u>\$ 397,895</u>	<u>\$ 551,234</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2016, were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2017	\$ 79,495	\$ 62,849
2018	75,897	59,186
2019	66,920	59,186
2020	52,255	59,186
2021	47,365	59,186
2022	<u>47,365</u>	<u>165,987</u>
Total minimum lease payments	369,297	465,580
Less amount representing interest	<u>(30,067)</u>	<u>(78,702)</u>
Present value of minimum lease payments	<u>\$ 339,230</u>	<u>\$ 386,878</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, 2016**

**NOTE 9      DEBT DEFEASANCE**

In a prior year, debt of the City was defeased by placing the proceeds of the refunding issue in an irrevocable trust to provide for all future debt service payments of the defeased debt issue. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At September 30, 2016, \$5,135,000 of defeased debt is outstanding.

**NOTE 10      LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The City is required by federal and state laws to place a final cover on its inert landfill when it stops accepting trash and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting trash, the City reports a portion of these estimated future costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$294,527 reported as accrued postclosure costs by the sanitation fund represents the cumulative amount of estimated costs through September 30, 2016. 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, 2016. 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, 2016, was approximately 20 years.

**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](http://www.rsa-al.gov).

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 11 PENSION PLAN (CONTINUED)**

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.

The City's contractually required contribution rate for the year ended September 30, 2016, was 9.43% for Tier 1 employees, and 6.31% 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, 2013, 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 \$365,912 and \$33,771 for the City and Water Works Board, respectively, for the year ended September 30, 2016.

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	Expected		Actual	
	City of Brewton	Water Board	City of Brewton	Water Board
(a) Total Pension Liability as of September 30, 2014	\$ 11,741,203	\$ 1,083,705	\$ 12,067,180	\$ 1,113,792
(b) Entry Age Normal Cost for the period October 1, 2014 to September 30, 2015	322,075	29,727	322,075	29,727
(c) Actual Benefit Payments & Refunds for October 1, 2014 to September 30, 2015	<u>(825,293)</u>	<u>(76,174)</u>	<u>(825,293)</u>	<u>(76,174)</u>
(d) Total Pension Liability as of September 30, 2015 [(a) x 1.08] + (b) - [(c) x (1.04)]	<u>\$ 12,144,270</u>	<u>\$ 1,120,907</u>	<u>\$ 12,496,324</u>	<u>\$ 1,153,402</u>
(e) Difference between Expected and Actual Experience (Gain)/Loss			<u>\$ (352,054)</u>	<u>\$ (32,495)</u>

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 11      PENSION PLAN (CONTINUED)**

	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, 2014	\$ 11,741,203	\$ 1,083,705	\$ 8,842,086	\$ 816,118	\$ 2,899,117	\$ 267,587
Changes for the year:						
Service cost	322,075	29,727	-	-	322,075	29,727
Interest	906,285	83,649	-	-	906,285	83,649
Differences between expected and actual experience	352,055	32,494	-	-	352,055	32,494
Contributions - employer	-	-	426,890	39,402	(426,890)	(39,402)
Contributions - employee	-	-	224,575	20,728	(224,575)	(20,728)
Net investment income	-	-	103,711	9,572	(103,711)	(9,572)
Benefit payments, including refunds of employee contributions	(825,293)	(76,174)	(825,293)	(76,174)	-	-
Administrative expense	-	-	-	-	-	-
Transfers among employers	-	-	(26,380)	(2,435)	26,380	2,435
Net Changes	<u>755,122</u>	<u>69,696</u>	<u>(96,497)</u>	<u>(8,907)</u>	<u>851,619</u>	<u>78,603</u>
Balances at September 30, 2015	<u>\$ 12,496,325</u>	<u>\$ 1,153,401</u>	<u>\$ 8,745,589</u>	<u>\$ 807,211</u>	<u>\$ 3,750,736</u>	<u>\$ 346,190</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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)		Current Discount Rate (8.00%)		1% Increase (9.00%)	
	City of Brewton	Water Board	City of Brewton	Water Board	City of Brewton	Water Board
Net pension liability	\$ 5,142,284	\$ 474,629	\$ 3,750,736	\$ 346,190	\$ 2,580,980	\$ 238,223

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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 15, 2015 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](http://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, 2016, the City recognized pension expense of \$442,507 and 40,843 for the City and Water Board, respectively. At September 30, 2016, 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	\$ 295,285	\$ 27,240	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	283,897	26,190	-	-
Employer contributions subsequent to measurement date	365,911	33,772	-	-
Total	<u>\$ 945,093</u>	<u>\$ 87,202</u>	<u>\$ -</u>	<u>\$ -</u>

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:

<u>Year Ending</u> <u>September 30,</u>	City of Brewton	Water Board
2017	\$ 477,637	\$ 44,057
2018	111,701	10,310
2019	111,701	10,310
2020	175,913	16,237
2021	56,783	5,241
Thereafter	11,358	1,047
	<u>\$ 945,093</u>	<u>\$ 87,202</u>

**CITY OF BREWTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 12 INTERFUND TRANSACTIONS**

Interfund receivables and payables at September 30, 2016 are:

	Interfund Payables			
	General	Sewer	Sanitation	Totals
<u>Interfund Receivables</u>				
General	\$ -	\$ -	\$ 75,000	\$ 75,000
Airport	5,342	-	-	5,342
Gas Service	80,000	1,850	-	81,850
Totals	<u>\$ 85,342</u>	<u>\$ 1,850</u>	<u>\$ 75,000</u>	<u>\$ 162,192</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.

At September 30, 2016, interfund transfers consisted of the following:

		Transfers Out			
		General	Gas Service	Sewer	Sanitation
Transfers In					
General	\$	-	\$ 3,394,974	\$ 689,814	\$ -
Other Governmental		2,352,001	-	-	-
Gas Service		2,388,731	-	800,000	20,000
Sewer		1,289,188	950,000	-	-
Brewton Development Authority		5,000	-	-	-
Sanitation		1,481	20,000	-	-
Totals	\$	<u>6,036,401</u>	\$ <u>4,364,974</u>	\$ <u>1,489,814</u>	\$ <u>20,000</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,**

	2015			2014		
	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total
<b>Total pension liability</b>						
Service cost	\$ 322,075	\$ 29,727	\$ 351,802	\$ 315,894	\$ 29,647	\$ 345,541
Interest	906,285	83,649	989,934	877,456	82,351	959,807
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	352,055	32,494	384,549	-	-	-
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(825,293)	(76,174)	(901,467)	(874,026)	(82,030)	(956,056)
<b>Net change in total pension liability</b>	755,122	69,696	824,818	319,324	29,968	349,292
<b>Total pension liability- beginning</b>	11,741,203	1,083,705	12,824,908	11,405,208	1,070,408	12,475,616
<b>Total pension liability- ending (a)</b>	<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>
<b>Plan fiduciary net position</b>						
Contributions- employer	\$ 426,890	\$ 39,402	\$ 466,292	\$ 353,734	\$ 33,199	\$ 386,933
Contributions- member	224,575	20,728	245,303	210,866	19,790	230,656
Net investment income	103,711	9,572	113,283	962,030	90,289	1,052,319
Benefit payments, including refunds of employee	(825,293)	(76,174)	(901,467)	(874,026)	(82,030)	(956,056)
Transfers among employers	(26,380)	(2,435)	(28,815)	8,699	816	9,515
<b>Net change in plan fiduciary net position</b>	(96,497)	(8,907)	(105,404)	661,303	62,064	723,367
<b>Plan net position- beginning</b>	8,842,086	816,118	9,658,204	8,168,228	766,609	8,934,837
<b>Plan net position- ending (b)</b>	<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>
<b>Net pension liability (asset)- ending (a) - (b)</b>	\$ 3,750,736	\$ 346,190	\$ 4,096,926	\$ 2,895,001	\$ 271,703	\$ 3,166,704
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	64.08%	5.91%	69.99%	68.85%	6.46%	75.31%
<b>Covered-employee payroll *</b>	4,317,821	398,532	4,716,353	4,049,645	380,069	4,429,714
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	86.87%	86.87%	86.87%	71.49%	71.49%	71.49%

\* Employer's covered-payroll during the measurement period is the total covered payroll. For FY2016 the measurement period is October 1, 2014 - September 30, 2015. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY2016.

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,**

	2016			2015		
	City of Brewton	Water Board	Total	City of Brewton	Water Board	Total
Actuarially determined contribution*	\$ 369,632	\$ 34,117	\$ 403,749	\$ 369,107	\$ 34,642	\$ 403,749
Contributions in relation to the actuarially determined contribution*	<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>
Covered-employee payroll**	\$ 4,317,821	\$ 398,532	\$ 4,716,353	\$ 4,049,645	\$ 380,069	\$ 4,429,714
Contributions as a percentage of covered- employee payroll	8.56%	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 2016 were based on the September 30, 2013 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, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Taxes</b>			
Ad valorem tax	\$ 291,785	\$ 690,590	\$ 398,805
Beer tax	48,300	58,385	10,085
Cigarette tax	13,000	15,921	2,921
Sales tax	3,205,589	6,937,181	3,731,592
City gasoline tax	141,600	152,542	10,942
Wine tax	9,333	3,705	(5,628)
Oil severance tax	-	58,683	58,683
Total Taxes	<u>3,709,607</u>	<u>7,917,007</u>	<u>4,207,400</u>
<b>Licenses and Permits</b>			
Business licenses	1,174,392	1,181,171	6,779
Building permits	20,400	8,649	(11,751)
Wiring inspection fees	2,300	-	(2,300)
Yard sale permits	800	-	(800)
Street permits	-	-	-
Total Licenses and Permits	<u>1,197,892</u>	<u>1,189,820</u>	<u>(8,072)</u>
<b>Fines and Forfeitures</b>			
Fines and court costs	<u>138,000</u>	<u>315,923</u>	<u>177,923</u>
<b>Fees and Charges</b>			
Recreation and golf revenues	78,900	110,096	31,196
Library fees	-	3,000	3,000
Miscellaneous fees	<u>110,400</u>	<u>182,414</u>	<u>72,014</u>
Total Fees and Charges	<u>189,300</u>	<u>295,510</u>	<u>106,210</u>
<b>Intergovernmental Revenues</b>			
Federal grants	-	30,165	30,165
Production privilege tax	27,000	11,397	(15,603)
Financial excise tax	3,500	48,448	44,948
State auto license	6,500	-	(6,500)
Motor vehicle license	16,000	17,187	1,187
Business privilege tax	18,000	24,541	6,541
ABC store revenue	-	1,843	1,843
Total Intergovernmental Revenues	<u>71,000</u>	<u>133,581</u>	<u>62,581</u>
<b>Revenue From City Property</b>			
Sale of City property	1,050	22,037	20,987
Rent	-	24,722	24,722
Community center	<u>10,000</u>	<u>11,135</u>	<u>1,135</u>
Total Revenue From City Property	<u>11,050</u>	<u>57,894</u>	<u>46,844</u>
<b>Receipts from Brewton City Board of Education</b>	<u>-</u>	<u>688,184</u>	<u>688,184</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, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Receipts from Water Works Board</b>	\$ -	9,974	\$ 9,974
<b>Other Revenue</b>			
Interest earned	-	1,562	1,562
Donations	-	76,792	76,792
Other	2,000	57,159	55,159
Total Other Revenue	2,000	135,513	133,513
Total Revenues	5,318,849	10,743,406	5,424,557
<b>Other Financing Sources</b>			
Transfers in	-	4,084,788	4,084,788
Total Other Financing Sources	-	4,084,788	4,084,788
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 5,318,849</b>	<b>\$ 14,828,194</b>	<b>\$ 9,509,345</b>

**CITY OF BREWTON, ALABAMA**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
<b>General Government</b>			
Salaries	\$ 370,028	\$ 372,226	\$ (2,198)
Employee benefits	77,258	69,138	8,120
Utilities	37,000	49,681	(12,681)
Telephone	20,000	22,417	(2,417)
Office supplies	13,445	18,367	(4,922)
Dues and publications	12,257	6,621	5,636
Travel	13,000	12,925	75
Insurance	60,045	29,359	30,686
Repairs and maintenance	58,000	473,780	(415,780)
Professional fees	46,600	247,213	(200,613)
Street lighting	78,000	71,446	6,554
Fire hydrant rental	16,900	16,380	520
Industrial development expenditures	112,468	11,498	100,970
Appropriation	-	10,757	(10,757)
Capital expenditures	26,000	33,936	(7,936)
Other	22,104	156,104	(134,000)
Total General Government	<u>963,105</u>	<u>1,601,848</u>	<u>(638,743)</u>
<b>Public Safety</b>			
<b>Police Department</b>			
Salaries	1,432,908	1,553,151	(120,243)
Employee benefits	248,929	320,571	(71,642)
Travel	13,500	24,256	(10,756)
Telephone	20,000	20,790	(790)
Uniforms and equipment	28,500	15,375	13,125
Repairs and maintenance	55,956	44,279	11,677
Fuel, oil, and tires	81,404	55,924	25,480
Ammunition	2,500	14,850	(12,350)
Insurance	79,960	32,668	47,292
Jail expenditures	1,000	137	863
Laundry	500	677	(177)
Investigation and education	15,000	27,702	(12,702)
Capital expenditures	78,610	172,984	(94,374)
Office supplies	7,000	6,922	78
Other	3,700	12,920	(9,220)
Total Police Department	<u>2,069,467</u>	<u>2,303,206</u>	<u>(233,739)</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, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Public Safety (Continued)</b>			
<b>Fire Department</b>			
Salaries	\$ 658,692	\$ 722,493	\$ (63,801)
Employee benefits	111,116	149,583	(38,467)
Insurance	44,750	18,416	26,334
Repairs and maintenance	22,500	25,698	(3,198)
Tools and supplies	3,000	5,025	(2,025)
Utilities	11,000	10,525	475
Telephone	15,600	14,358	1,242
Office supplies	2,500	5,851	(3,351)
Uniforms	6,500	5,164	1,336
Education and travel	15,500	14,336	1,164
Fuel, oil, and tires	18,000	8,526	9,474
Laundry	1,000	103	897
Miscellaneous	6,300	-	6,300
Capital expenditures	65,687	31,283	34,404
Total Fire Department	<u>982,145</u>	<u>1,011,361</u>	<u>(29,216)</u>
 Total Public Safety	 <u>3,051,612</u>	 <u>3,314,567</u>	 <u>(262,955)</u>
<b>Public Works</b>			
<b>Street Department</b>			
Salaries	694,964	757,576	(62,612)
Employee benefits	61,801	167,320	(105,519)
Insurance	50,500	24,093	26,407
Repairs and maintenance	166,602	153,512	13,090
Tools and supplies	14,000	7,356	6,644
Fuel, oil, and tires	42,000	36,701	5,299
Chemicals	5,000	11,977	(6,977)
Capital expenditures	23,900	9,939	13,961
Uniforms	10,000	19,998	(9,998)
Utilities	10,000	12,744	(2,744)
Telephone	4,800	8,106	(3,306)
Other	5,200	5,769	(569)
Total Street Department	<u>1,088,767</u>	<u>1,215,091</u>	<u>(126,324)</u>
<b>Animal Control</b>			
Salaries	58,927	65,516	(6,589)
Employee benefits	5,376	14,674	(9,298)
Uniforms	900	317	583
Insurance	1,025	875	150
Repairs and maintenance	4,900	4,422	478
Tools and supplies	500	5,289	(4,789)
Telephone	1,200	843	357
Utilities	3,600	6,804	(3,204)
Other	2,400	3,472	(1,072)
Total Animal Control	<u>78,828</u>	<u>102,212</u>	<u>(23,384)</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, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Code Enforcement</b>			
Salaries	\$ 80,738	\$ 70,922	\$ 9,816
Employee benefits	7,365	9,374	(2,009)
Travel	1,500	488	1,012
Office supplies	6,550	3,300	3,250
Insurance	2,600	-	2,600
Repairs and maintenance	1,000	16,213	(15,213)
Telephone	3,400	2,621	779
Fuel, oil, and tires	3,000	800	2,200
Capital expenditures	1,500	-	1,500
Total Code Enforcement	<u>107,653</u>	<u>103,718</u>	<u>3,935</u>
Total Public Works	<u>1,275,248</u>	<u>1,421,021</u>	<u>(145,773)</u>
<b>Other Departments</b>			
<b>Municipal Court</b>			
Salaries	119,100	86,114	32,986
Employee benefits	6,383	9,205	(2,822)
Legal services	17,520	25,269	(7,749)
Court supplies	2,750	419	2,331
Travel	2,500	-	2,500
Telephone	3,250	657	2,593
Other	3,150	86,244	(83,094)
State fees	-	76,224	(76,224)
Total Municipal Court	<u>154,653</u>	<u>284,132</u>	<u>(129,479)</u>
<b>Library Department</b>			
Salaries	247,578	259,494	(11,916)
Employee benefits	18,171	51,523	(33,352)
Insurance	12,200	12,228	(28)
Utilities	17,000	32,238	(15,238)
Telephone	7,500	11,347	(3,847)
Repairs and maintenance	10,000	23,978	(13,978)
Travel	4,000	1,293	2,707
Books purchased	9,500	41,896	(32,396)
Capital expenditures	15,000	7,310	7,690
Office supplies	5,000	21,119	(16,119)
Total Library Department	<u>345,949</u>	<u>462,426</u>	<u>(116,477)</u>
<b>Recreation Department</b>			
Salaries	257,391	255,776	1,615
Employee benefits	23,480	49,279	(25,799)
Utilities	42,674	42,383	291
Insurance	14,949	10,720	4,229
Recreation activities	120,050	39,731	80,319
Capital expenditures	11,500	49,400	(37,900)
Other	25,500	6,795	18,705
Repairs and maintenance	90,500	173,725	(83,225)
Total Recreation Department	<u>586,044</u>	<u>627,809</u>	<u>(41,765)</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, 2016**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Departments (Continued)</b>			
<b>Cemetery Department</b>			
Salaries	\$ 55,627	\$ 47,230	\$ 8,397
Employee benefits	5,188	15,723	(10,535)
Insurance	3,700	2,336	1,364
Utilities	500	742	(242)
Uniforms	2,100	1,209	891
Gas and oil	4,000	2,831	1,169
Repairs and maintenance	5,400	9,133	(3,733)
Tools and supplies	800	-	800
Capital expenditures	3,000	-	3,000
Total Cemetery Department	<u>80,315</u>	<u>79,204</u>	<u>1,111</u>
<b>Traffic Control</b>	42,500	46,368	(3,868)
<b>Beautification and Fine Arts</b>			
Repairs and maintenance	58,000	65,025	(7,025)
Capital expenditures	-	51,957	(51,957)
Other	9,000	11,669	(2,669)
Total Beautification and Fine Arts	<u>67,000</u>	<u>128,651</u>	<u>(61,651)</u>
Total Other Departments	<u>1,380,938</u>	<u>1,628,590</u>	<u>(646,200)</u>
<b>Payments to Brewton City Board of Education</b>	-	63,300	(63,300)
<b>Payments to Water Works Board</b>	-	7,278	(7,278)
<b>Debt Service</b>			
Principal	104,477	262,339	(157,862)
Interest	-	65,631	(65,631)
Total Debt Service	<u>104,477</u>	<u>327,970</u>	<u>(223,493)</u>
Total Expenditures	6,775,380	8,364,574	(1,589,194)
<b>Other Financing Uses</b>			
Transfers out	-	6,036,401	(6,036,401)
<b>Total Expenditures and Other Financing Uses</b>	<u>\$ 6,775,380</u>	<u>\$ 14,400,975</u>	<u>\$ (7,625,595)</u>

**CITY OF BREWTON, ALABAMA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	Debt Service Fund	Special Revenue Funds			
	2009 General Obligation Warrant Fund	Street Construction Fund	Street Improvement Fund	Total	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash	\$ -	\$ 67,350	\$ 21,092	\$ 88,442	\$ 88,442
Temporary cash investments	424,319	-	-	-	424,319
<b>Total Assets</b>	<u>\$ 424,319</u>	<u>\$ 67,350</u>	<u>\$ 21,092</u>	<u>\$ 88,442</u>	<u>\$ 512,761</u>
<b>Liabilities &amp; Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ 4,750	\$ 4,750	\$ 4,750
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>4,750</u>	<u>4,750</u>	<u>4,750</u>
<b>Fund Balances</b>					
Fund Balances					
Restricted for:					
Debt service	424,319	-	-	-	424,319
Street construction	-	67,350	-	67,350	67,350
Street improvements	-	-	16,342	16,342	16,342
<b>Total Fund Balances</b>	<u>424,319</u>	<u>67,350</u>	<u>16,342</u>	<u>83,692</u>	<u>508,011</u>
<b>Total Liabilities &amp; Fund Balances</b>	<u>\$ 424,319</u>	<u>\$ 67,350</u>	<u>\$ 21,092</u>	<u>\$ 88,442</u>	<u>\$ 512,761</u>

**CITY OF BREWTON, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Debt Service Fund	Special Revenue Funds			
	2009				
	General Obligation Warrant Fund	Street Construction Fund	Street Improvement Fund	Total	Total Nonmajor Governmental Funds
<b>Revenues</b>					
State gasoline tax	\$ -	\$ 27,451	\$ 84,641	\$ 112,092	\$ 112,092
Interest earned	25	-	-	-	25
Total Revenues	25	27,451	84,641	112,092	112,117
<b>Expenditures</b>					
Public works program	-	3,200	75,343	78,543	78,543
Debt Service:					
Principal	475,000	-	-	-	475,000
Interest	42,854	-	-	-	42,854
Total Expenditures	517,854	3,200	75,343	78,543	596,397
Excess Revenues Over (Under) Expenditures	(517,829)	24,251	9,298	33,549	(484,280)
<b>Other Financing Sources (Uses)</b>					
Transfers in/(out)	529,771	-	-	-	529,771
Total Other Financing Sources (Uses)	529,771	-	-	-	529,771
Net change in fund balances	11,942	24,251	9,298	33,549	45,491
Fund Balances at Beginning of Year	412,377	43,099	7,044	50,143	462,520
<b>Fund Balances at End of Year</b>	<b>\$ 424,319</b>	<b>\$ 67,350</b>	<b>\$ 16,342</b>	<b>\$ 83,692</b>	<b>\$ 508,011</b>

## **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.

<b>Contents</b>	<b>Page</b>
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>	67-73
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>	74-80
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>	81-84
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>	85-86
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>	87-89

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 6,991,356	\$ 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
Restricted	3,290,346	86,704	370,707	606,140	52,341	9,735	172,464	122,114	462,520	508,011
Unrestricted	<u>2,553,001</u>	<u>5,513,892</u>	<u>6,725,123</u>	<u>(4,029,370)</u>	<u>(12,261,448)</u>	<u>(11,406,881)</u>	<u>(15,767,496)</u>	<u>(12,757,434)</u>	<u>(14,310,472)</u>	<u>459,654</u>
Total governmental activities net position	<u>\$ 12,834,703</u>	<u>\$ 13,619,730</u>	<u>\$ 15,106,763</u>	<u>\$ 9,610,481</u>	<u>\$ 1,397,296</u>	<u>\$ 1,314,550</u>	<u>\$ 4,632,821</u>	<u>\$ 7,696,162</u>	<u>\$ 6,300,104</u>	<u>\$ 20,886,080</u>
Business-type activities										
Net investment in capital assets	\$ 8,613,994	\$ 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
Unrestricted	<u>630,458</u>	<u>354,840</u>	<u>263,689</u>	<u>184,749</u>	<u>352,115</u>	<u>330,146</u>	<u>(1,128,582)</u>	<u>(2,341,771)</u>	<u>(2,831,542)</u>	<u>(2,186,095)</u>
Total business-type activities net position	<u>\$ 9,244,452</u>	<u>\$ 9,880,079</u>	<u>\$ 8,620,858</u>	<u>\$ 9,363,520</u>	<u>\$ 9,671,676</u>	<u>\$ 9,515,421</u>	<u>\$ 4,501,203</u>	<u>\$ 4,153,199</u>	<u>\$ 2,028,560</u>	<u>\$ 3,424,531</u>
Primary government										
Net investment in capital assets	\$ 15,605,350	\$ 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
Restricted	3,290,346	86,704	370,707	606,140	52,341	9,735	172,464	122,114	462,520	83,692
Unrestricted	<u>3,183,459</u>	<u>5,868,732</u>	<u>6,988,812</u>	<u>(3,844,621)</u>	<u>(11,909,333)</u>	<u>(11,076,735)</u>	<u>(16,896,078)</u>	<u>(15,099,205)</u>	<u>(17,142,014)</u>	<u>(1,726,441)</u>
Total primary government net position	<u>\$ 22,079,155</u>	<u>\$ 23,499,809</u>	<u>\$ 23,727,621</u>	<u>\$ 18,974,001</u>	<u>\$ 11,068,972</u>	<u>\$ 10,829,971</u>	<u>\$ 9,134,024</u>	<u>\$ 11,849,361</u>	<u>\$ 8,328,664</u>	<u>\$ 23,886,292</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
General	\$ 1,644,920	\$ 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
Public safety										
Police	1,775,048	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
Fire	649,810	852,348	743,098	749,389	780,243	829,671	961,853	1,017,221	1,030,101	1,039,194
Public works										
Street	991,215	793,755	818,186	728,896	869,372	1,063,448	941,421	1,010,684	1,689,858	1,287,294
Animal control	-	-	-	-	-	133,358	122,649	84,524	18,397	102,213
Code Enforcement	166,971	148,519	147,222	127,317	115,030	112,770	124,893	133,828	136,173	103,719
Library	307,440	323,847	366,674	310,210	307,386	285,412	283,654	361,353	446,609	462,395
Recreation	309,476	306,382	564,458	578,783	617,398	582,219	527,334	570,584	667,369	616,457
Education (payment to Board of Education)	617,340	617,340	1,443,918	8,015,062	8,332,971	2,159,312	3,451,722	650,382	683,140	63,300
Water system (payment to Water Works Board)	-	-	-	-	-	-	-	-	20,190	7,278
Interest on long-term debt	480,857	645,606	1,130,661	1,364,163	1,288,831	1,224,295	1,002,026	790,923	734,666	560,242
Total governmental activities expenses	<u>6,943,077</u>	<u>6,987,128</u>	<u>8,823,190</u>	<u>15,648,015</u>	<u>16,310,001</u>	<u>10,056,793</u>	<u>11,613,237</u>	<u>9,648,218</u>	<u>11,367,074</u>	<u>9,152,116</u>
<b>Business-type activities:</b>										
Gas	2,168,605	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
Sewer	643,214	556,162	604,102	632,723	1,716,138	1,484,925	788,828	1,232,519	1,466,061	1,601,481
Sanitation	532,132	679,673	678,469	680,333	690,290	676,903	723,314	733,466	727,943	714,941
Airport	98,507	106,182	100,971	127,520	128,070	134,819	143,592	151,679	157,176	186,730
Golf course	193,102	215,912	-	-	-	-	-	-	-	-
Brewton Development Authority	-	-	-	8,229	5,872	7,555	6,582	9,772	8,579	7,468
Total business-type activities expenses	<u>3,635,560</u>	<u>16,810,871</u>	<u>12,514,837</u>	<u>17,764,918</u>	<u>14,001,919</u>	<u>11,398,872</u>	<u>14,420,716</u>	<u>23,292,710</u>	<u>20,770,610</u>	<u>17,442,588</u>
Total primary government expenses	<u>\$ 10,578,637</u>	<u>\$ 23,797,999</u>	<u>\$ 21,338,027</u>	<u>\$ 33,412,933</u>	<u>\$ 30,311,920</u>	<u>\$ 21,455,665</u>	<u>\$ 26,033,953</u>	<u>\$ 32,940,928</u>	<u>\$ 32,137,684</u>	<u>\$ 26,594,704</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Fees, fines, and charges for services:										
General	\$ 1,037,908	\$ 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
Police	135,061	119,208	155,661	233,101	400,220	362,906	345,273	380,831	274,112	315,923
Animal control	-	-	-	-	-	8,891	5,300	-	-	-
Recreation	14,621	15,170	180,010	153,803	154,880	157,344	123,654	104,889	5,293	110,096
Library	-	-	-	-	-	-	-	10,898	103,131	3,000
Operating grants and contributions	232	40,500	608,855	52,684	820,376	152,668	122,206	324,220	112,701	106,957
Capital grants and contributions	829,576	243,368	554,244	889,881	243,701	-	-	-	-	-
Total governmental activities program revenues	<u>2,017,398</u>	<u>1,520,103</u>	<u>2,647,989</u>	<u>2,545,347</u>	<u>3,006,558</u>	<u>1,957,383</u>	<u>1,906,232</u>	<u>2,151,531</u>	<u>1,983,422</u>	<u>1,966,104</u>
<b>Business-type activities:</b>										
Fees, fines, and charges for services:										
Gas	2,378,842	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
Sewer	450,538	443,506	445,903	419,514	411,330	410,169	560,220	1,051,523	1,013,633	1,130,429
Sanitation	492,075	587,970	570,503	593,078	618,795	666,227	660,937	628,254	610,103	691,881
Airport	67,760	73,548	66,741	69,349	70,175	101,679	99,255	111,482	114,096	120,900
Brewton Development Authority	-	-	-	-	4	-	-	-	264	12,577
Golf course	150,612	169,770	-	-	-	-	-	-	-	-
Operating grants and contributions	203,487	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
Total business-type activities program revenues	<u>3,743,314</u>	<u>17,868,350</u>	<u>12,536,572</u>	<u>18,553,197</u>	<u>13,274,660</u>	<u>10,761,541</u>	<u>15,128,265</u>	<u>24,639,241</u>	<u>20,949,798</u>	<u>19,018,597</u>
Total primary government program revenues	<u>\$ 5,760,712</u>	<u>\$ 19,388,453</u>	<u>\$ 15,184,561</u>	<u>\$ 21,098,544</u>	<u>\$ 16,281,218</u>	<u>\$ 12,718,924</u>	<u>\$ 17,034,497</u>	<u>\$ 26,790,772</u>	<u>\$ 22,933,220</u>	<u>\$ 20,984,701</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	\$ (4,925,679)	\$ (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)
Business-type activities	107,754	1,057,479	21,735	788,279	(727,259)	(637,331)	707,549	1,346,531	179,188	1,576,009
Total primary government net expense	<u>\$ (4,817,925)</u>	<u>\$ (4,409,546)</u>	<u>\$ (6,153,466)</u>	<u>\$ (12,314,389)</u>	<u>\$ (14,030,702)</u>	<u>\$ (8,736,741)</u>	<u>\$ (8,999,456)</u>	<u>\$ (6,150,156)</u>	<u>\$ (9,244,464)</u>	<u>\$ (5,610,003)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property	\$ 570,600	\$ 601,302	\$ 601,636	\$ 617,203	\$ 662,968	\$ 658,190	\$ 666,400	\$ 643,140	\$ 639,287	\$ 690,590
Sales	3,917,235	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
Other	535,964	640,149	601,062	524,404	630,527	643,931	711,237	599,722	582,733	504,744
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
Investment earnings	400,748	176,932	193,928	229,998	41,143	1,964	1,648	2,129	2,107	2,115
Other	178,466	8,253	15,624	14,164	43,654	186,062	31,530	17,287	87,288	(1,175,272)
Special item, transfer of Golf Fund to Governmental Activities	-	-	1,371,940	-	-	-	-	-	-	-
Gain/(Loss) on sale of property	-	-	310,402	-	-	-	-	-	-	-
Transfers in/(out)	(329,978)	442,665	(87,583)	311,787	(995,389)	(481,060)	5,722,601	1,700,976	1,873,949	400,388
Total governmental activities	<u>5,273,035</u>	<u>6,252,052</u>	<u>7,662,234</u>	<u>7,606,386</u>	<u>5,090,258</u>	<u>8,016,664</u>	<u>13,025,276</u>	<u>10,560,028</u>	<u>10,769,489</u>	<u>21,472,357</u>
Business-type activities:										
Investment earnings	23,230	20,813	3,401	25	26	16	834	6,441	2,130	2,325
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	-
Transfers in/(out)	329,978	(442,665)	87,583	(311,787)	995,389	481,060	(5,722,601)	(1,700,976)	(1,873,949)	(400,388)
Total business-type activities	<u>353,208</u>	<u>(421,852)</u>	<u>(1,280,956)</u>	<u>(311,762)</u>	<u>1,035,415</u>	<u>481,076</u>	<u>(5,721,767)</u>	<u>(1,694,535)</u>	<u>(1,862,834)</u>	<u>(180,038)</u>
Total primary government	<u>\$ 5,626,243</u>	<u>\$ 5,830,200</u>	<u>\$ 6,381,278</u>	<u>\$ 7,294,624</u>	<u>\$ 6,125,673</u>	<u>\$ 8,497,740</u>	<u>\$ 7,303,509</u>	<u>\$ 8,865,493</u>	<u>\$ 8,906,655</u>	<u>\$ 21,292,319</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 347,356	\$ 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
Business-type activities	460,962	635,627	(1,259,221)	476,517	308,156	(156,255)	(5,014,218)	(348,004)	(1,683,646)	1,395,971
Total primary government	<u>\$ 808,318</u>	<u>\$ 1,420,654</u>	<u>\$ 227,812</u>	<u>\$ (5,019,765)</u>	<u>\$ (7,905,029)</u>	<u>\$ (239,001)</u>	<u>\$ (1,695,947)</u>	<u>\$ 2,715,337</u>	<u>\$ (337,809)</u>	<u>\$ 15,682,316</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)**

<b>Fiscal Year</b>	<b>Ad Valorem Tax</b>	<b>Beer and Wine Tax</b>	<b>Cigarette Tax</b>	<b>Sales Tax</b>	<b>Gasoline Tax</b>	<b>Production Privilege Tax</b>	<b>Oil Severance Tax</b>	<b>Total</b>
2007	\$ 570,600	\$ 66,525	\$ 14,625	\$ 3,917,235	\$ 189,184	\$ 108,872	\$ 156,758	\$ 5,023,799
2008	601,302	61,441	16,683	4,382,751	203,372	124,827	233,826	5,624,202
2009	601,636	67,873	14,590	4,294,686	250,498	139,443	128,658	5,497,384
2010	617,203	65,346	13,307	4,361,406	249,419	92,733	103,618	5,503,032
2011	662,968	61,599	17,222	4,298,720	249,222	110,589	191,895	5,592,215
2012	658,190	73,801	14,619	4,497,656	234,319	92,527	228,665	5,799,777
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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Unassigned	<u>\$ 4,054,930</u>	<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>
All other governmental funds										
Restricted for:										
School construction	\$ -	\$ -	\$ 18,751,429	\$ 11,431,676	\$ 4,184,306	\$ 2,775,952	\$ -	\$ -	\$ -	\$ -
Debt service	1,029,230	1,368,930	2,509,460	3,141,612	2,309,981	477,188	402,592	407,893	412,377	424,319
Street construction	47,558	49,742	9,375	35,769	13,142	(16,265)	25,872	46,662	43,099	67,350
Street improvements	39,654	36,962	34,654	17,036	39,199	26,000	146,592	75,452	7,044	16,342
Assigned for:										
Sewer improvements	<u>3,203,134</u>	<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>
Total all other governmental funds	<u>\$ 4,319,576</u>	<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>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>REVENUES</b>										
Taxes	\$ 4,914,927	\$ 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
Intergovernmental	938,680	368,195	693,687	982,614	630,564	214,526	228,434	99,884	174,942	133,581
Licenses and permits	937,230	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
Fines and forfeitures	135,061	119,208	155,661	233,101	400,220	362,906	345,273	380,831	274,112	315,923
Fees and charges	90,748	85,553	254,285	241,276	247,437	245,514	223,928	224,488	282,665	295,510
Revenue from City Property	24,551	36,478	584,860	36,471	51,480	72,242	31,099	22,493	43,166	57,894
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
Interest	400,748	176,932	193,928	229,998	41,143	1,964	1,648	2,129	2,107	1,587
Donations	50,000	40,500	608,855	52,684	535,096	30,669	14,191	324,220	64,373	76,792
Other	134,146	8,253	15,624	14,164	43,654	190,181	31,530	17,286	106,279	57,159
Total revenues	<u>7,626,091</u>	<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>
<b>EXPENDITURES</b>										
General government	973,785	809,546	857,749	923,930	1,120,115	837,073	947,270	1,823,168	2,611,395	1,567,912
Public safety	2,318,592	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
Public works	1,118,357	1,060,938	923,703	826,985	962,550	1,270,644	1,146,234	1,183,221	1,775,954	1,489,625
Payments to Brewton City Board of Education	617,340	617,340	1,443,918	8,015,062	8,332,971	2,159,312	3,451,722	650,382	683,140	63,300
Payments to Water Works Board	-	-	-	-	-	-	-	-	20,190	7,278
Other departments	869,794	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
Capital expenditures	1,280,149	611,501	1,760,175	2,269,440	463,778	683,641	509,306	839,804	864,965	356,809
Debt service:										
Principal	639,289	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
Interest	583,268	559,547	968,610	1,318,390	1,275,033	1,251,358	1,062,497	777,372	719,315	700,715
Total expenditures	<u>8,400,574</u>	<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>
Excess (deficiency) of revenues over expenditures	(774,483)	(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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	1,667,402	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
Capital leases	241,357	97,733	52,685	69,805	-	305,886	408,117	40,653	116,826	-
Issuance of debt	-	-	23,744,728	-	225,349	65,147	-	166,250	346,729	-
Payments to escrow	-	-	-	-	-	-	-	-	-	(1,069,453)
Discount on bonds issued	-	-	(360,019)	-	-	-	-	-	-	-
Debt issue cost	-	-	(232,890)	-	-	-	-	-	-	-
Transfers out	(1,997,380)	(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)
Total other financing sources (uses)	(88,621)	540,398	23,116,921	381,592	(770,040)	(110,027)	6,130,718	1,907,879	2,337,504	(669,065)
Net change in fund balance	<u>\$ (863,104)</u>	<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>
Debt service as a percentage of noncapital expenditures	17.2%	17.6%	39.4%	16.5%	17.4%	40.5%	46.4%	24.1%	20.7%	65.9%

**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
2007	\$ 570,600	\$ 66,525	\$ 14,625	\$ 3,914,235	\$ 189,184	\$ 108,872	\$ 156,758
2008	601,302	61,441	16,683	4,382,751	203,372	124,827	233,826
2009	601,636	67,873	14,590	4,294,686	250,498	139,443	128,658
2010	617,203	65,346	13,307	4,361,406	249,419	92,733	103,618
2011	662,968	61,599	17,222	4,298,720	249,222	110,589	191,895
2012	658,190	73,801	14,619	4,497,656	243,319	92,527	228,665
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

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

<b>Fiscal Year Ended September 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
2007	\$ 16,492,980	\$ 12,507,320	\$ 33,939,320	\$ 8,454,060	\$ 54,485,560	15	\$ 817,283,400
2008	16,980,260	13,004,080	35,188,740	8,179,320	56,993,760	15	854,906,400
2009	17,991,200	13,901,020	35,777,120	9,262,680	58,406,660	15	876,099,900
2010	20,042,740	12,836,940	40,613,440	8,861,760	64,631,360	15	969,470,400
2011	21,320,560	13,669,100	39,721,500	8,459,080	66,252,080	15	993,781,200
2012	31,537,600	13,788,420	39,806,220	8,232,000	76,900,240	15	1,153,503,600
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

Source: Escambia County Tax Assessor

**CITY OF BREWTON, ALABAMA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING<sup>1</sup> GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City of Brewton				Overlapping Rates								Total Direct & Overlapping Rates
					County				State				
	General	School	Bond Tax	Total City	General	School	Health Care Authority	Total County	General	School	Soldier	Total State	
	Millage	Millage	Millage	Millage	Millage	Millage2	Millage	Millage	Millage	Millage	Millage	Millage	Millage
2007	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0
2008	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0
2009	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0
2010	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0
2011	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0
2012	5.0	5.0	5.0	15.0	7.0	17.0	4.5	28.5	2.5	3.0	1.0	6.5	50.0
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

Source: Escambia County Commission and Escambia County Tax Collector

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

<sup>2</sup> 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>2016</u>			<u>2007</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.	\$ 6,049,620	1	7.9%	\$ 5,442,700	1	12.4%
Grede	3,112,660	2	4.0%	-		-
Alabama Power Co.	2,302,400	3	3.0%	-		-
Walmart	1,915,560	4	2.5%	-		-
Citation Corporation	1,011,480	5	1.3%	1,926,320	2	4.4%
Maxim Crane Works, LP	1,004,080	6	1.3%	-		-
Mediacom	788,080	7	1.0%	-		-
BellSouth Telecommunications	757,100	8	1.0%	1,460,100	3	2.3%
CSX Transportation, Inc.	756,620	9	1.0%	-		-
T. R. Miller Mill Co., Inc.	650,220	10	0.8%	-		-
Escambia County Alabama	-		-	1,012,580	4	3.3%
Hines Realty Company	-		-	734,420	5	1.7%
Banktrust of Brewton	-		-	666,080	6	1.5%
Brewton-Hall Apartments LTD	-		-	526,460	7	1.2%
Brewton Plaza, LLC	-		-	487,780	8	1.1%
Market Square II	-		-	390,680	9	0.1%
Walgreens Company	-		-	289,200	10	0.1%
Totals	<u>\$ 18,347,820</u>		<u>23.8%</u>	<u>\$ 12,936,320</u>		<u>28.1%</u>
Total City Property Taxable Assessed Value	<u>\$ 77,050,180</u>			<u>\$ 46,261,281</u>		

Source: Escambia County Tax Assessor

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

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collected in subsequent years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	\$ 834,559	\$ 721,745	86.5%	\$ 101,623	\$ 823,368	98.7%
2008	900,824	798,277	88.6%	82,672	880,949	97.8%
2009	886,981	806,648	90.9%	40,801	847,449	95.5%
2010	909,709	867,553	95.4%	22,743	890,276	97.9%
2011	922,829	895,662	97.1%	16,374	912,036	98.8%
2012	926,422	898,633	97.0%	12,336	910,969	98.3%
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%

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

	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Construction	\$ 29,074	\$ 27,099	\$ 40,682	\$ 31,141	\$ 42,324	\$ 45,418	\$ 55,816	\$ 47,034	\$ 98,626	\$ 65,406
Manufacturing	463,048	638,182	542,109	640,990	673,748	688,189	695,614	890,861	952,501	1,035,450
Wholesale	179,334	273,333	214,563	241,206	226,362	239,179	297,674	328,196	395,150	401,485
Retail	2,417,495	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
Information	9,088	50,223	49,857	52,234	47,006	20,645	43,490	59,821	77,361	96,119
Finance and Insurance	33,590	22,408	46,130	41,173	42,969	47,905	53,798	47,724	50,690	52,038
Real Estate and Rental and Leasing	53,244	19,447	52,640	69,042	57,207	57,225	105,791	129,190	147,317	128,792
Professional, Scientific, and Technical Services	12,918	19,549	20,815	20,950	18,552	13,132	28,429	33,418	36,702	83,307
Administration and Support and Waste Management and Remediation Services	10,922	1,991	5,390	6,458	6,109	6,967	7,975	8,111	10,294	14,228
Accommodation and Food Services	374,011	414,795	446,062	410,252	473,445	443,920	527,799	574,436	578,769	678,191
Other Services (except Public Administration)	84,803	58,562	51,933	53,463	135,003	58,254	49,355	53,611	48,847	52,165
Other	264,733	65,220	91,361	104,419	104,419	114,225	144,060	184,203	407,786	295,526
	<u>\$ 3,932,260</u>	<u>\$ 4,185,373</u>	<u>\$ 4,370,739</u>	<u>\$ 4,333,400</u>	<u>\$ 4,521,701</u>	<u>\$ 4,562,178</u>	<u>\$ 5,499,483</u>	<u>\$ 6,442,256</u>	<u>\$ 6,929,836</u>	<u>\$ 7,104,024</u>
City direct sales tax rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	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**

<b>FISCAL YEAR</b>	<b>CITY DIRECT RATE</b>	<b>ESCAMBIA COUNTY</b>	<b>STATE OF ALABAMA</b>
2007	3.00%	1.00%	4.00%
2008	3.00%	1.00%	4.00%
2009	3.00%	1.00%	4.00%
2010	3.00%	1.00%	4.00%
2011	3.00%	1.00%	4.00%
2012	3.00%	1.00%	4.00%
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%

Source: City Clerk's Office

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

<b>Tax Remitter</b>	<b>2016</b>			<b>2007</b>		
	<b>Tax Liability</b>	<b>Rank</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Rank</b>	<b>Percentage of Total</b>
Wal-Mart Stores East	\$ 1,957,612	1	28.0%	\$ 821,508	1	21.3%
Grede/Citation	396,850	2	5.7%	104,760	6	2.7%
Georgia Pacific/Smurfit	389,143	3	5.6%	236,568	2	6.1%
Food Giant Supermarket	276,439	4	4.0%	230,028	3	6.0%
Peach Automotive	140,708	5	2.0%	85,764	7	2.2%
Jim Peach Motors	138,340	6	2.0%	70,572	9	1.8%
Marvins	120,849	7	1.7%	85,308	8	2.2%
Dorso	109,529	8	1.6%	64,608	10	1.7%
Dolgen Corp, LLC	103,206	9	1.5%	-		-
Murphy Oil USA, Inc.	91,081	10	1.3%	-		-
Winn Dixie	-		-	193,752	4	5.0%
Southern Family Mkt	-		-	110,256	5	2.9%
	<u>\$ 3,723,757</u>		<u>53.4%</u>	<u>\$ 2,003,124</u>		<u>51.9%</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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>1</sup></b>	<b>Per Capita<sup>1</sup></b>
	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>			
2007	\$ 12,646,972	\$ 233,763	\$ -	\$ 369,048	\$ 13,249,783	11.05%	2,488
2008	12,080,770	231,783	502,210	292,342	13,107,105	10.20%	2,482
2009	32,400,000	194,918	326,508	180,805	33,102,231	24.81%	6,271
2010	31,165,000	146,629	158,514	176,847	31,646,990	22.69%	6,040
2011	29,764,705	42,333	-	749,873	30,556,911	27.61%	5,650
2012	25,656,746	258,889	-	601,221	26,516,856	17.03%	4,807
2013	18,457,315	545,734	12,285,000	488,545	31,776,594	19.91%	5,943
2014	16,956,995	459,807	12,655,000	372,602	30,444,404	17.68%	5,601
2015	15,542,256	431,153	12,593,686	233,674	28,800,769	17.32%	5,326
2016	1,321,840	339,230	12,294,956	386,878	14,342,904	8.72%	2,644

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

<sup>1</sup> 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**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
2007	\$ 12,646,972	\$ 2,055,493	\$ 10,591,479	1.30%	1,989
2008	12,080,770	2,416,660	9,664,110	1.13%	1,830
2009	32,400,000	2,543,912	29,856,088	3.41%	5,656
2010	31,165,000	3,141,612	28,023,388	2.89%	5,348
2011	29,764,705	2,309,981	27,454,724	2.76%	5,077
2012	25,656,746	477,188	25,179,558	2.18%	4,565
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

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

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 74 for property value data.

<sup>2</sup> 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, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt: Escambia County	\$ 2,348,886	34.458%	\$ 809,379
Subtotal, overlapping debt			
City of Brewton direct debt			<u>1,661,070</u>
Total direct and overlapping debt			<u><u>\$ 2,470,449</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.

<sup>1</sup>The 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**

	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Debt limit	\$ 10,897,112	\$ 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
Total net debt applicable to limit	<u>4,236,972</u>	<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>
Legal debt margin	<u>\$ 6,660,140</u>	<u>\$ 7,727,982</u>	<u>\$ 7,225,932</u>	<u>\$ 9,705,872</u>	<u>\$ 11,430,311</u>	<u>\$ 14,687,902</u>	<u>\$ 12,588,793</u>	<u>\$ 13,264,337</u>	<u>\$ 14,201,366</u>	<u>\$ 13,551,400</u>
Total net debt applicable to the limit as a percentage of debt limit	38.88%	32.20%	38.14%	24.91%	13.74%	4.50%	16.94%	9.77%	3.54%	12.25%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Total assessed value	\$ 77,215,980
Debt limit (20% of total assessed value)	15,443,196
Debt applicable to limit:	
General obligation bonds	13,616,796
Less items excluded from legal debt limit:	
General obligation debt exempted by State law:	
Proceeds used for the construction of schools	-
Proceeds used for the construction of sewer system	(11,725,000)
Total net debt applicable to limit	<u>1,891,796</u>
Legal debt margin	<u>\$ 13,551,400</u>

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2007	5,326	\$ 119,914,890	\$ 22,515	1,307	4.7%
2008	5,281	128,634,598	24,358	1,295	6.8%
2009	5,279	133,437,283	25,277	1,198	13.9%
2010	5,240	139,446,880	26,612	1,176	11.1%
2011	5,408	110,685,536	20,467	1,220	10.5%
2012	5,516	155,700,132	28,227	1,180	9.3%
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%

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>2016</u>			<u>2007</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	17.6%	-		-
MPG	350	2	13.7%	380	1	17.9%
D.W. McMillan Hospital	260	3	10.2%	302	2	14.3%
Brewton City Schools	200	4	7.8%	151	5	7.1%
T R Miller Mill Co	190	5	7.5%	215	3	10.1%
City of Brewton	145	6	5.7%	85	7	4.0%
Westgate Village	135	7	5.3%	-		-
Frit Car	77	8	3.0%	77	8	3.6%
Brewton Iron Works	49	9	1.9%	-		-
Natural Decorations, Inc.	30	10	1.2%	100	6	4.7%
Walmart Stores East	-		-	152	4	7.2%
BankTrust of Brewton	-		-	61	9	2.9%
Brewton Medical Center	-		-	60	10	2.9%
Totals	<u>1,886</u>		<u>73.9%</u>	<u>1,583</u>		<u>74.7%</u>

Source: Escambia County Industrial Development Authority

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government <sup>1</sup>	10	10	10	10	10	10	10	10	17	20
Public Safety										
Police										
Officers	30	28	29	28	26	26	27	26	25	25
Dispatch	7	7	9	6	5	7	5	5	4	4
Admin Assistants	-	-	-	-	-	-	-	-	2	2
Animal Control	-	-	-	-	-	-	-	-	1	2
Fire										
Firefighters and officers	31	28	28	26	25	26	15	16	15	15
Highways and streets										
Public works	8	7	8	8	8	8	8	23	22	23
Sanitation	3	3	3	3	3	3	3	3	2	2
Culture and recreation	4	4	4	4	4	4	4	3	5	5
Sewer	17	16	16	15	14	14	13	8	19	19
Library	-	-	-	-	-	-	-	-	6	6
Total	110	103	107	100	95	98	85	94	118	123

<sup>1</sup>This 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**

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Police										
Physical arrests	535	402	491	420	267	532	501	427	327	309
Parking violations	-	-	-	-	-	-	-	-	-	-
Traffic violations	766	890	2,476	1,497	2,316	1,414	1,514	1,641	1,552	912
Fire										
Number of calls answered	758	905	895	995	1,139	1,054	1,041	1,235	1,206	1,303
Inspections	972	967	756	1,012	1,019	1,037	1,128	1,130	1,133	1,140
Highways and streets										
Street resurfacing (miles)	8	2	1	11	2	2	-	1	8	3
Potholes repaired	42	38	51	48	56	55	60	100	98	104
Sanitation										
Refuse collected (tons/week)	31.2	31.7	32.2	33.5	34.2	36.8	37.2	34.2	53.0	48.2
Recyclables collected (tons/week) <sup>1</sup>	-	-	-	-	-	-	-	1	1	1
Culture and recreation										
Golf course rounds	7,457	8,782	8,458	7,850	7,216	7,169	6,538	5,865	5,765	5,649
Pavilion parties	127	144	129	258	250	249	241	213	179	165
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,400	1,420	1,350	1,355	1,387	1,388	1,410	1,400	1,400	1,200

<sup>1</sup> 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**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function</b>										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	28	27	28	27	27	27	26	26
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	88	88	88	88	88	89	89	89	89	89
Streetlights	840	844	850	860	875	888	902	904	904	904
Traffic signals	9	10	10	10	11	11	11	11	11	11
Culture and recreation										
Parks acreage	40	40	40	40	40	40	66	116	116	116
Parks	6	6	6	6	6	6	8	9	9	9
Swimming pools	3	3	3	3	2	2	1	1	-	-
Tennis courts	10	10	10	10	10	10	10	10	6	6
Community center	1	1	1	1	1	1	1	2	2	2
Sewer										
Sanitary sewers (miles)	44	58	58	58	60	60	62	63	65	65
Storm sewers (miles)	21	22	24	30	32	38	39	42	42	43
Maximum daily treatment capacity (thousands of gallons)	722	809	812	822	828	1,680	1,695	2,000	2,000	2,200

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 units, each major fund, and the aggregate remaining fund information of City of Brewton, Alabama, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Brewton Alabama's basic financial statements, and have issued our report thereon dated March 31, 2017.

### **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, P.C.*

Certified Public Accountants

March 31, 2017  
Brewton, Alabama

#### SHAREHOLDERS

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Sally S. Wagner, CPA  
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, 2016. 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. A 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, 2016.

**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, P.C.*

Certified Public Accountants

March 31, 2017  
Brewton, Alabama

**CITY OF BREWTON, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b><u>Department of Housing &amp; Urban Development</u></b>		
<b>Passed Through Alabama Department of Economic and Community Affairs</b>		
Community Development Block Grants	14.228	\$ 436,050
Outdoor Recreation, Acquisition, Development and Planning	15.916	20,536
<b>Total Department of Housing &amp; Urban Development</b>		<b>456,586</b>
<b><u>Department of Transportation</u></b>		
<b>Passed Through Alabama Department of Transportation</b>		
Highway Planning and Construction	20.205	106,340
Airport Improvement Program (M)	20.106	277,720
<b>Total Department of Transportation</b>		<b>384,060</b>
<b><u>Environmental Protection Agency</u></b>		
<b>Passed Through Alabama Department of Environmental Management</b>		
Capitalization Grants for Clean Water State Revolving Funds (M)	66.458	461,804
<b>Total Environmental Protection Agency</b>		<b>461,804</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 1,302,450</b>

(M) = Major Program

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Brewton, Alabama and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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.

**CITY OF BREWTON, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SECTION 1-SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of opinion issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Yes</u></td> <td style="width: 50%; text-align: center;"><u>X</u> No</td> </tr> </table>	<u>Yes</u>	<u>X</u> No
<u>Yes</u>	<u>X</u> No		
Significant deficiency(ies) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>X</u> Yes</td> <td style="width: 50%; text-align: center;"><u>      </u> No</td> </tr> </table>	<u>X</u> Yes	<u>      </u> No
<u>X</u> Yes	<u>      </u> No		
Noncompliance material to financial statements noted?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Yes</u></td> <td style="width: 50%; text-align: center;"><u>X</u> No</td> </tr> </table>	<u>Yes</u>	<u>X</u> No
<u>Yes</u>	<u>X</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?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Yes</u></td> <td style="width: 50%; text-align: center;"><u>X</u> No</td> </tr> </table>	<u>Yes</u>	<u>X</u> No
<u>Yes</u>	<u>X</u> No		
Significant deficiency(ies) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Yes</u></td> <td style="width: 50%; text-align: center;"><u>X</u> None reported</td> </tr> </table>	<u>Yes</u>	<u>X</u> None reported
<u>Yes</u>	<u>X</u> None reported		
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Yes</u></td> <td style="width: 50%; text-align: center;"><u>X</u> No</td> </tr> </table>	<u>Yes</u>	<u>X</u> No
<u>Yes</u>	<u>X</u> No		

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Yes</u></td> <td style="width: 50%; text-align: center;"><u>X</u> No</td> </tr> </table>	<u>Yes</u>	<u>X</u> No
<u>Yes</u>	<u>X</u> No		

**SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)**

No matters were reportable.

**SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters were reportable.