

CITY OF BROOKLET, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position	10
Statement of activities	11
Fund Financial Statements	
Governmental Funds	
Balance sheet - governmental funds	12
Statement of revenues, expenditures and changes in fund balances - governmental funds	14
Statement of revenues, expenditures and changes in fund balances - budget to actual - general fund	16
Proprietary Funds	
Statement of net position	17
Statement of revenues, expenses and changes in fund net position	18
Statement of cash flows	19
Notes to financial statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of changes in the city's net pension liability and related ratios	40
Schedule of city contributions	41
SUPPLEMENTARY DATA	
Combining and Individual Fund Statements and Schedules	
Governmental Funds:	
General Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	42
Special Revenue Funds	
<i>Cemetery Fund</i>	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	43
Capital Projects Funds	
<i>SPLOST 2013 Fund</i>	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	44
Proprietary Funds:	
<i>Water Fund</i>	
Comparative statement of revenues, expenses and changes in fund net position	45
Comparative statement of cash flows	46
<i>Sanitation Fund</i>	
Comparative statement of revenues, expenses and changes in fund net position	47
Comparative statement of cash flows	48
OTHER REPORTS	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	49
Schedule of findings and questioned costs	51
Schedule of projects constructed with Special Purpose Local Option Sales Tax Proceeds	54

REDDICK, RIGGS, AND HUNTER P.C.

CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
1947-2005

JAMES S. RIGGS
PATRICIA H. HUNTER

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Brooklet, Georgia
Brooklet, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Brooklet, Georgia (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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 basic financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 assessing the accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall basic financial statement presentation.

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

- 1 -

23 SIEBALD STREET ♦ POST OFFICE BOX 725 ♦ STATESBORO, GEORGIA 30459-0725
PHONE 912-764-9843 FAX 912-489-3036

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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, each major fund and the remaining fund information of the City of Brooklet, Georgia as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity 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 and required supplementary data on pages 3 through 9 and pages 40 through 41, 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 response 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 the City of Brooklet, Georgia's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Tax Proceeds is presented for purposes of additional analysis and is also not a required part of the basic financial statements of the City of Brooklet, Georgia.

The combining and individual fund financial statements, and the Schedule of Projects Constructed with Special Purpose Local Option Tax Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brooklet, Georgia's internal control over financial reporting and compliance.

Reddick, Riggs and Hunter, P. C.

Statesboro, Georgia
January 11, 2019

CITY OF BROOKLET, GEORGIA
Management's Discussion and Analysis
June 30, 2018

This discussion and analysis is intended to be an easily readable analysis of the City of Brooklet, Georgia's (the City's) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Overview of the Financial Statements

The City's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the basic financial statements. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to financial statements* provide additional information concerning the City's finances that are not disclosed in the government-wide or fund financial statements.

Government-wide Financial Statements

The City's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

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 business. The *Statement of Activities* reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

In the Statement of Net Position and Statement of Activities, the City is divided into two kinds of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including the police, community development, street services and general administration. These activities are primarily supported by property taxes, sales taxes, other taxes, federal and state grants, and charges for services.
- *Business-type activities* - Business-type activities include the City's water system and sanitation activities. These activities are supported by charges to the users of the activities.

The government-wide financial statements are presented on pages 10 and 11 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Overview of the Financial Statements (continued)

Fund Financial Statements (continued)

The City has two kinds of funds:

Governmental Funds: The majority of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances of spendable resources available at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The basic governmental fund financial statements are presented on pages 12 through 16 of this report.

The City maintains two major and one non-major governmental funds. The City's major governmental funds are the General Fund and the SPLOST 2013 Fund. The City's non-major governmental fund is the Cemetery Fund.

Proprietary Funds: The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. These are reported in the fund financial statements and generally report services for which the fund essentially encompasses the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 17 through 20 of this report.

The City maintains two enterprise funds: Water and Sanitation.

Notes to the Basic Financial Statements

The notes to the financial statements explain some of the information in the financial statements and provide information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes begin on page 21 of this report.

Budgetary Presentations

A budgetary comparison statement is included as "basic financial statements" for the General Fund. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Supplementary Financial Information

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented as supplementary financial information of this report beginning on page 42.

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$2,873,625, as compared to \$2,939,878 at June 30, 2017. The following table provides a summary of the City's net position.

	Summary of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 212,457	183,400	\$ 275,386	\$ 345,026	\$ 487,843	\$ 528,426
Capital assets	<u>1,856,625</u>	<u>1,851,076</u>	<u>682,072</u>	<u>680,856</u>	<u>2,538,697</u>	<u>2,531,932</u>
Total assets	<u>2,069,082</u>	<u>2,034,476</u>	<u>957,458</u>	<u>1,025,882</u>	<u>3,026,540</u>	<u>3,060,358</u>
Deferred outflows of resources	<u>33,686</u>	<u>42,037</u>	<u>10,667</u>	<u>7,049</u>	<u>44,353</u>	<u>49,086</u>
Liabilities:						
Long-term liabilities	4,921	39,017	500	6,202	5,421	45,219
Other liabilities	<u>15,998</u>	<u>37,508</u>	<u>75,976</u>	<u>58,185</u>	<u>91,974</u>	<u>95,693</u>
Total liabilities	<u>20,919</u>	<u>76,525</u>	<u>76,476</u>	<u>64,387</u>	<u>97,395</u>	<u>140,912</u>
Deferred inflows of resources	<u>75,854</u>	<u>24,539</u>	<u>24,019</u>	<u>4,115</u>	<u>99,873</u>	<u>28,654</u>
Net Position:						
Investment in capital assets	1,856,625	1,851,076	682,072	680,856	2,538,697	2,531,932
Restricted	12,248	19,509	-	-	12,248	19,509
Unrestricted	<u>137,122</u>	<u>104,864</u>	<u>185,558</u>	<u>283,573</u>	<u>322,680</u>	<u>388,437</u>
Total Net Position	<u>\$ 2,005,995</u>	<u>\$ 1,975,449</u>	<u>\$ 867,630</u>	<u>\$ 964,429</u>	<u>\$ 2,873,625</u>	<u>\$ 2,939,878</u>

The current ratio is used to measure an entity's ability to meet current obligations. The City of Brooklet, Georgia has a 13.28 to 1 ratio for governmental activities as compared to 4.89 to 1 at June 30, 2017. The current ratio for business-type activities is 3.62 to 1, as compared to 5.93 to 1 at June 30, 2017. The decrease was due to an increase in operating expenses of the water fund, which reduced cash reserves.

The City reported positive balances in net position for both governmental and business-type activities. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$867,630. The table below focuses on the net position and revenues and expenses of the City's governmental and business-type activities. Net position increased \$30,546 for governmental activities and decreased \$96,799 for business-type activities. The City's overall financial position declined during the year ended June 30, 2018.

Financial Analysis of the City as a Whole (continued)

The following table provides a summary of the City's changes in net position:

	Summary of Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program						
Charges for services	\$ 169,846	\$ 175,835	\$ 345,222	\$ 345,299	\$ 515,068	\$ 521,134
Operating grants	8,227	73,736	-	-	8,227	73,736
Capital grants / contributions	34,022	94,555	-	-	34,022	94,555
General						
Property taxes	332,486	281,610	-	-	332,486	281,610
Franchise taxes	84,999	90,860	-	-	84,999	90,860
Insurance premium taxes	91,982	87,068	-	-	91,982	87,068
Financial institution taxes	5,705	4,277	-	-	5,705	4,277
Alcoholic beverage taxes	22,584	24,231	-	-	22,584	24,231
Intangible and other taxes	7,175	4,986	-	-	7,175	4,986
Interest	538	381	555	523	1,093	904
Gain (loss) on sale of assets	-	6,000	-	-	-	6,000
Other income	15,777	3,113	-	-	15,777	3,113
Total revenues	773,341	846,652	345,777	345,822	1,119,118	1,192,474
Program expenses:						
General government	209,554	271,169	-	-	209,554	271,169
Judicial	5,428	5,000	-	-	5,428	5,000
Public safety	434,713	412,214	-	-	434,713	412,214
Public works	230,951	312,428	-	-	230,951	312,428
Water	-	-	199,606	181,063	199,606	181,063
Sanitation	-	-	105,119	111,962	105,119	111,962
Total expenses	880,646	1,000,811	304,725	293,025	1,185,371	1,293,836
Increase (decrease) in net position before transfers	(107,305)	(154,159)	41,052	52,797	(66,253)	(101,362)
Transfers	137,851	105,950	(137,851)	(105,950)	Nil	Nil
Increase (decrease) in net position	30,546	(48,209)	(96,799)	(53,153)	(66,253)	(101,362)
Beginning net position (restated for 2015)	1,975,449	2,023,658	964,429	1,017,582	2,939,878	3,041,240
Ending net position	\$ 2,005,995	\$ 1,975,449	\$ 867,630	\$ 964,429	\$ 2,873,625	\$ 2,939,878

Governmental Revenues

The City's governmental activities are heavily reliant on property taxes and sales taxes, which collectively make up 42.98% of governmental revenues. Note that program revenues made up 49.79% of the City's total revenues.

Governmental Expenses

The above table presents the costs of each of the City's programs. Public safety, water, and public works were the most costly. Public safety made up 36.66% of the City's total expenses, while water and public works made up 16.85% and 19.48% respectively.

Financial Analysis of the City as a Whole (continued)

There was a deficit of \$107,305 in governmental activities and an excess of \$41,052 in business-type activities. Transfers to (from) governmental activities resulted in a total excess in governmental activities of \$30,546 and a net deficit in business-type activities of \$96,799. The total change in net position was \$(66,253). As stated earlier, the financial position of the City declined in the year ended June 30, 2018.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

Governmental funds reported ending fund balances of \$139,363. Of this year-end total, \$4,057 is restricted to capital projects, \$8,191 is restricted for public safety and \$34,987 is assigned to maintenance and care of the City's cemetery. The unassigned portion of governmental fund balances was \$92,128. The total ending fund balances of governmental funds shows an increase of \$16,698, or a 13.61% increase.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund reported an ending fund balance of \$100,319, of which \$92,128 is unassigned. The total ending fund balance of the General Fund shows an increase of \$13,774. The increase in the current year was a result of an increase in property tax revenues and an increase in miscellaneous revenues, offset by increased operating expenditures as detailed below.

Total revenues of the General Fund were \$780,053, an increase of \$12,340 from fiscal year 2017. This equates to a 1.61% increase in total revenues. This increase was due to an increase in property tax revenues.

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Operating revenues for the proprietary funds were \$345,222, a decrease of \$(77) over fiscal year 2017. The revenues did not increase significantly due to higher than normal rainfall, which meant customers use of outside watering decreased. After considering expenditures, the net income of these funds before capital contributions and transfers is \$41,052.

Budgetary Highlights

Revenues in the General Fund were over the budget by \$78,278. This increase was due to an increase in mosquito spraying fees due to wet conditions, as well as rental income on City owned property.

Expenditures in the General Fund were over the budget by \$171,740. The increase resulted primarily from an increase in personnel and related expenditures in the police department, as well as the purchase of a vehicle in the police department which was not budgeted, and the renovation of city owned property that was not budgeted.

A budget amendment was adopted during the year ended June 30, 2018 which resulted in a decrease in General Fund expenditures of \$43,510.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2018, was \$2,538,697 as follows:

	<u>Capital Assets</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Nondepreciable assets:						
Land	\$ 356,876	\$ 356,876	\$ 21,632	\$ 21,632	\$ 378,508	\$ 378,508
Book value - nondepreciable assets	<u>356,876</u>	<u>356,876</u>	<u>21,632</u>	<u>21,632</u>	<u>378,508</u>	<u>378,508</u>
Depreciable assets:						
Infrastructure	1,464,962	1,464,962	1,284,135	1,242,637	2,749,097	2,707,599
Building	661,876	605,430	56,404	56,404	718,280	661,834
Machinery and equipment	337,051	337,051	120,825	120,825	457,876	457,876
Vehicles	258,228	219,539	138,781	138,780	397,009	358,319
Total depreciable assets	2,722,117	2,626,982	1,600,145	1,558,646	4,322,262	4,185,628
Less accumulated depreciation	<u>1,222,368</u>	<u>1,132,782</u>	<u>939,705</u>	<u>899,422</u>	<u>2,162,073</u>	<u>2,032,204</u>
Book value - depreciable assets	<u>1,499,749</u>	<u>1,494,200</u>	<u>660,440</u>	<u>659,224</u>	<u>2,160,189</u>	<u>2,153,424</u>
Percentage depreciated	<u>44.91 %</u>	<u>43.12 %</u>	<u>58.73 %</u>	<u>57.71 %</u>	<u>50.02 %</u>	<u>48.55 %</u>
Total Capital Assets	<u>\$ 1,856,625</u>	<u>\$ 1,851,076</u>	<u>\$ 682,072</u>	<u>\$ 680,856</u>	<u>\$ 2,538,697</u>	<u>\$ 2,531,932</u>

For more information on the changes in capital assets, see Note 3.D.

Debt Outstanding

As of June 30, 2018, the City had total outstanding long-term debt of \$5,421 as follows:

	<u>Long-Term Debt</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accumulated leave benefits	\$ 4,921	\$ 5,755	\$ 500	\$ 625	\$ 5,421	\$ 6,380
Net Pension Liability	-	33,262	-	5,577	-	38,839
Total Long-Term Debt	<u>\$ 4,921</u>	<u>\$ 39,017</u>	<u>\$ 500</u>	<u>\$ 6,202</u>	<u>\$ 5,421</u>	<u>\$ 45,219</u>

During the year ended June 30, 2018, the City issued no long-term debt. The City retired \$959 of existing debt.

For more information on the City's long-term debt, see Note 3.F.

Economic Conditions Affecting the City

Because the City has no new industries, the population base has not changed and is expected to remain stable. In addition, several downtown businesses have closed during recent years due to the overall downturn of the economy. Due to a relatively high median income, the City has not been successful in obtaining grants for expansion of infrastructure which could attract new business and cause population growth. Accordingly, the City depends on its remaining SPLOST monies to provide infrastructure for economic development.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City of Brooklet at P. O. Box 67, Brooklet, Georgia 30415.

CITY OF BROOKLET, GEORGIA
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash	\$ 143,457	\$ 223,253	\$ 366,710
Receivables, net of allowance for uncollectibles:			
Taxes	10,946	-	10,946
Intergovernmental	6,261	-	6,261
Other	7,987	38,261	46,248
Accrued interest receivable	59	19	78
Noncurrent Assets			
Capital assets:			
Nondepreciable assets	356,876	21,632	378,508
Depreciable assets, net	1,499,749	660,440	2,160,189
Other assets:			
Net pension asset	43,747	13,853	57,600
Total Assets	2,069,082	957,458	3,026,540
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources - Pension	33,686	10,667	44,353
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	14,930	33,069	47,999
Payroll taxes payable	456	-	456
Accrued salaries	512	281	793
Other accrued expenses	100	-	100
Deposits to secure services	-	42,626	42,626
Noncurrent Liabilities			
Due within one year:			
Compensated absences	984	100	1,084
Due in more than one year:			
Compensated absences, net of current portion	3,937	400	4,337
Total Liabilities	20,919	76,476	97,395
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources - Pension	75,854	24,019	99,873
<u>NET POSITION</u>			
Investment in capital assets	1,856,625	682,072	2,538,697
Restricted for:			
Capital projects	4,057	-	4,057
Public safety	8,191	-	8,191
Unrestricted	137,122	185,558	322,680
Total Net Position	\$ 2,005,995	\$ 867,630	\$ 2,873,625

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Statement of Activities
For the Year Ended June 30, 2018

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
Governmental activities:							
General government	\$ 209,554	\$ 46,490	\$ -	\$ -	\$ (163,064)	\$ -	\$ (163,064)
Judicial	5,428	-	-	-	(5,428)	-	(5,428)
Public safety	434,713	100,548	-	-	(334,165)	-	(334,165)
Public works	230,951	22,808	8,227	34,022	(165,894)	-	(165,894)
Total governmental activities	880,646	169,846	8,227	34,022	(668,551)	Nil	(668,551)
Business-type activities:							
Water	199,606	241,328	-	-	-	41,722	41,722
Sanitation	105,119	103,894	-	-	-	(1,225)	(1,225)
Total business-type activities	304,725	345,222	Nil	Nil	Nil	40,497	40,497
Total	\$ 1,185,371	\$ 515,068	\$ 8,227	\$ 34,022	(668,551)	40,497	(628,054)

General Revenues

Property taxes	332,486	-	332,486
Franchise taxes	84,999	-	84,999
Insurance premium taxes	91,982	-	91,982
Financial institution taxes	5,705	-	5,705
Alcoholic beverage taxes	22,584	-	22,584
Intangible and other taxes	7,175	-	7,175
Interest	538	555	1,093
Other revenues	15,777	-	15,777
Total general revenues	561,246	555	561,801
Transfers	137,851	(137,851)	-
Total general revenues and transfers	699,097	(137,296)	561,801
Change in net position	30,546	(96,799)	(66,253)
Net position, beginning of year	1,975,449	964,429	2,939,878
Net position, end of year	\$ 2,005,995	\$ 867,630	\$ 2,873,625

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>SPLOST 2013 Fund</u>	<u>Other Governmental Funds Cemetery Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 101,131	\$ 4,057	\$ 38,269	\$ 143,457
Receivables:				
Taxes receivable	10,946	-	-	10,946
Intergovernmental receivables	6,261	-	-	6,261
Other receivables	7,987	-	-	7,987
Accrued interest receivable	40	-	18	58
Total Assets	\$ 126,365	\$ 4,057	\$ 38,287	\$ 168,709
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>				
Accounts payable	\$ 11,628	\$ -	\$ 3,300	\$ 14,928
Payroll taxes payable	456	-	-	456
Accrued salaries	512	-	-	512
Other liabilities	100	-	-	100
Total Liabilities	12,696	Nil	3,300	15,996
Deferred Inflows of Resources	13,350	Nil	Nil	13,350
Total Liabilities and Deferred Inflows of Resources	26,046	Nil	3,300	29,346
<u>FUND BALANCES</u>				
Restricted for:				
Capital projects	-	4,057	-	4,057
Public safety	8,191	-	-	8,191
Assigned to:				
Cemetery maintenance	-	-	34,987	34,987
Unassigned	92,128	-	-	92,128
Total Fund Balances	100,319	4,057	34,987	139,363
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 126,365	\$ 4,057	\$ 38,287	\$ 168,709

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances	\$	139,363
<i>Amounts reported in governmental activities in the statements of net position are different because:</i>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
Cost	\$ 3,078,993	
Accumulated depreciation	<u>(1,222,369)</u>	1,856,624
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Property taxes	13,350	
Net pension benefit	43,747	57,097
Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and are therefore not reported in governmental funds.		
Deferred outflows	\$ 33,686	\$
Deferred inflows	<u>(75,854)</u>	(42,168)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		<u>(4,921)</u>
Total Net Position of Governmental Activities		<u>\$ 2,005,995</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>SPLOST 2013 Fund</u>	<u>Other Governmental Funds Cemetery Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property taxes	\$ 304,905	\$ -	\$ -	\$ 304,905
Motor vehicle taxes	35,263	-	-	35,263
Mobile home taxes	2,595	-	-	2,595
Franchise taxes	84,999	-	-	84,999
Alcoholic beverage taxes	22,584	-	-	22,584
Business and occupation taxes	10,665	-	-	10,665
Insurance premium taxes	91,982	-	-	91,982
Financial institution taxes	5,705	-	-	5,705
Other taxes	7,175	-	-	7,175
Licenses and permits	27,263	-	-	27,263
Intergovernmental revenues	39,220	-	-	39,220
Charges for services	31,370	-	-	31,370
Fees, fines and forfeitures	100,548	-	-	100,548
Investment income	401	5	137	543
Contributions from private sources	-	-	3,025	3,025
Other revenues	15,378	-	-	15,378
Total revenues	<u>780,053</u>	<u>5</u>	<u>3,162</u>	<u>783,220</u>
EXPENDITURES				
Current operations:				
General city government	202,801	-	-	202,801
Judicial	5,428	-	-	5,428
Public safety	454,879	-	-	454,879
Public works	240,022	-	293	240,315
Capital:				
Public works	-	950	-	950
Total expenditures	<u>903,130</u>	<u>950</u>	<u>293</u>	<u>904,373</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(123,077)	(945)	2,869	(121,153)
OTHER FINANCING SOURCES (USES)				
Transfers in	161,267	-	1,000	162,267
Transfers out	<u>(24,416)</u>	<u>-</u>	<u>-</u>	<u>(24,416)</u>
NET CHANGE IN FUND BALANCES	13,774	(945)	3,869	16,698
FUND BALANCES, beginning of year	<u>86,545</u>	<u>5,002</u>	<u>31,118</u>	<u>122,665</u>
FUND BALANCES, end of year	<u>\$ 100,319</u>	<u>\$ 4,057</u>	<u>\$ 34,987</u>	<u>\$ 139,363</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	16,698
 <i>Amounts reported in the Statement of Activities are different because:</i>		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		95,135
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(89,586)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred property taxes at June 30, 2018	\$ 13,350	
Deferred property taxes at June 30, 2017	<u>(23,228)</u>	(9,878)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Change in net pension liability and related deferred inflows and outflows of resources		17,343
Compensated absences reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Liability at June 30, 2018	\$ (4,921)	
Liability at June 30, 2017	<u>5,755</u>	<u>834</u>
Change in net position in governmental funds		<u><u>\$ 30,546</u></u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Property taxes	\$ 229,500	\$ 293,400	\$ 304,905	\$ 11,505
Motor vehicle taxes	36,000	34,000	35,263	1,263
Mobile home taxes	1,250	2,000	2,595	595
Franchise taxes	86,500	74,000	84,999	10,999
Alcoholic beverage taxes	25,000	24,000	22,584	(1,416)
Business and occupation taxes	15,000	20,000	10,665	(9,335)
Insurance premium taxes	87,000	91,000	91,982	982
Financial institution taxes	4,500	5,000	5,705	705
Other taxes	6,000	6,500	7,175	675
Licenses and permits	28,285	19,200	27,263	8,063
Intergovernmental revenues	22,000	27,000	39,220	12,220
Charges for services	15,000	15,000	31,370	16,370
Fees, fines and forfeitures	133,500	89,500	100,548	11,048
Investment income	200	75	401	326
Other revenues	600	1,100	15,378	14,278
	<u>690,335</u>	<u>701,775</u>	<u>780,053</u>	<u>78,278</u>
EXPENDITURES				
Current operations:				
General city government	227,885	225,950	202,801	23,149
Judicial	10,500	6,000	5,428	572
Public safety	351,965	341,265	454,879	(113,614)
Public works	184,550	158,175	240,022	(81,847)
	<u>774,900</u>	<u>731,390</u>	<u>903,130</u>	<u>(171,740)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(84,565)	(29,615)	(123,077)	(93,462)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,000	115	-	(115)
Transfers in	(85,000)	29,500	161,267	131,767
Transfers out	-	-	(24,416)	(24,416)
	<u>-</u>	<u>-</u>	<u>(24,416)</u>	<u>(24,416)</u>
NET CHANGE IN FUND BALANCES	(168,565)	Nil	13,774	13,774
FUND BALANCES, beginning of year	<u>86,545</u>	<u>86,545</u>	<u>86,545</u>	<u>Nil</u>
FUND BALANCES, end of year	<u>\$ (82,020)</u>	<u>\$ 86,545</u>	<u>\$ 100,319</u>	<u>\$ 13,774</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 204,084	\$ 19,169	\$ 223,253
Accounts receivable	25,813	12,448	38,261
Accrued interest receivable	19	-	19
Total current assets	229,916	31,617	261,533
Noncurrent Assets			
Capital assets:			
Nondepreciable assets	6,632	15,000	21,632
Depreciable assets, net	658,050	2,390	660,440
Other Assets			
Net pension asset	9,936	3,917	13,853
Total noncurrent assets	674,618	21,307	695,925
Total Assets	904,534	52,924	957,458
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources	7,651	3,016	10,667
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	27,155	5,914	33,069
Accrued salaries	91	190	281
Compensated absences	74	26	100
Deposits to secure service	42,626	-	42,626
Total current liabilities	69,946	6,130	76,076
Noncurrent Liabilities			
Compensated absences	298	102	400
Total noncurrent liabilities	298	102	400
Total Liabilities	70,244	6,232	76,476
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources	17,228	6,791	24,019
<u>NET POSITION</u>			
Investment in capital assets	664,682	17,390	682,072
Unrestricted	160,031	25,527	185,558
Total Net Position	\$ 824,713	\$ 42,917	\$ 867,630

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUES			
Customer charges	\$ 217,434	\$ 103,894	\$ 321,328
Installation charges	2,419	-	2,419
Tap fees	4,200	-	4,200
Penalties	11,233	-	11,233
Miscellaneous	6,042	-	6,042
	<u>241,328</u>	<u>103,894</u>	<u>345,222</u>
Total operating revenues			
OPERATING EXPENSES			
Salaries	77,577	24,948	102,525
Employee benefits	29,295	7,547	36,842
Contractual services	20,089	70,898	90,987
Repairs, maintenance and other contractual services	2,248	-	2,248
Communications	304	-	304
Liability and property insurance	1,790	770	2,560
Travel and training	475	-	475
Supplies and materials	12,892	-	12,892
Utilities	12,187	-	12,187
Vehicle gasoline	129	-	129
Depreciation	39,709	574	40,283
Other expenses	2,911	382	3,293
	<u>199,606</u>	<u>105,119</u>	<u>304,725</u>
Total operating expenses			
OPERATING INCOME (LOSS)	<u>41,722</u>	<u>(1,225)</u>	<u>40,497</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	547	8	555
	<u>547</u>	<u>8</u>	<u>555</u>
Total nonoperating revenues (expenses)			
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	42,269	(1,217)	41,052
Transfers in	-	23,416	23,416
Transfers out	(161,267)	-	(161,267)
	<u>(118,998)</u>	<u>22,199</u>	<u>(96,799)</u>
CHANGE IN NET POSITION			
NET POSITION, beginning of year	<u>943,711</u>	<u>20,718</u>	<u>964,429</u>
NET POSITION, end of year	<u>\$ 824,713</u>	<u>\$ 42,917</u>	<u>\$ 867,630</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 237,327	\$ 101,685	\$ 339,012
Cash paid for goods and services	(71,414)	(80,855)	(152,269)
Cash paid to employees for services	(77,565)	(25,086)	(102,651)
Customer deposits received (refunded)	4,999	-	4,999
	<u>93,347</u>	<u>(4,256)</u>	<u>89,091</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Net transfers in (out)	(161,267)	23,416	(137,851)
	<u>(161,267)</u>	<u>23,416</u>	<u>(137,851)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property and equipment	(41,498)	-	(41,498)
	<u>(41,498)</u>	<u>Nil</u>	<u>(41,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends and interest earned	550	9	559
	<u>550</u>	<u>9</u>	<u>559</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(108,868)	19,169	(89,699)
CASH AND EQUIVALENTS, beginning of year	312,952	Nil	312,952
CASH AND EQUIVALENTS, end of year	<u>\$ 204,084</u>	<u>\$ 19,169</u>	<u>\$ 223,253</u>

(Continued)

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<i>Reconciliation of net income (loss) to net cash provided (used) by operating activities:</i>			
OPERATING INCOME (LOSS)	<u>\$ 41,722</u>	<u>\$ (1,225)</u>	<u>\$ 40,497</u>
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	39,709	574	40,283
Decrease (increase) in operating assets:			
Accounts receivable	(4,001)	(2,209)	(6,210)
Pension related deferred outflows of resources	(3,576)	(42)	(3,618)
Increase (decrease) in operating liabilities:			
Accounts payable	12,791	-	12,791
Accrued leave benefits	12	(138)	(126)
Deposits for services	4,999	-	4,999
Net pension liability (benefit)	(13,159)	(6,271)	(19,430)
Pension related deferred inflows of resources	<u>14,850</u>	<u>5,055</u>	<u>19,905</u>
Total adjustments	<u>51,625</u>	<u>(3,031)</u>	<u>48,594</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 93,347</u></u>	<u><u>\$ (4,256)</u></u>	<u><u>\$ 89,091</u></u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies

The City of Brooklet, Georgia was incorporated in 1906 under the laws of the State of Georgia and operates under an elected Mayor-Council form of government. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Using the above criteria, the City has no potential component units which should be considered for inclusion in the reporting entity.

The following are joint ventures or jointly governed organizations which are excluded from the reporting entity:

Coastal Georgia Regional Commission - Under Georgia law, the City, in conjunction with other cities and counties in a 10-county region in the coastal area of Georgia, is a member of the Coastal Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2018, the City paid \$1,814 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Financial statements for the Commission may be obtained directly from the RC at 127 F Street, Brunswick, Georgia 31520.

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements - The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the primary government. As a general rule, the effect of interfund activity, within the governmental and business-type activities, has been removed from these statements. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and intergovernmental revenues, from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

Fund financial statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. Each fund is considered to be a separate accounting entity with a self-balancing set of accounts. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The City's major governmental funds are:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's unassigned fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

SPLOST 2013 Fund - This fund is used to account for the proceeds of a Special Purpose Local Option Sales Tax received under an intergovernmental agreement with Bulloch County, Georgia. Proceeds are restricted to use for certain public facility improvements, including water facilities or improvements, and the related debt.

Note 1. **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise funds.

Water Fund - This fund is used to account for the operation of the City's water system which renders services to the residents and businesses located within the City.

Sanitation Fund - This fund is used to account for the operation of the City's solid waste and sanitation program.

C. Measurement Focus

Government-wide Financial Statements - The government-wide statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statements of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses), in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial statements and reported on the financial statement. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The City considers revenues to be available if they are collected within 60 days after year end.

Note 1. Summary of Significant Accounting Policies (continued)

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property taxes, grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by year end or within 60 days) before it can be recognized. Under the modified accrual basis, the revenues susceptible to accrual are property taxes, franchise taxes, licenses and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

E. Assets, Liabilities and Net Position or Equity

1. Cash, Cash Equivalents and Investments

The City's cash and equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the government.

State statute authorizes municipalities to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the government or governmental agency
- Obligations of any corporations of the government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

It is the City's policy to invest all cash in insured deposit accounts. Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U. S. obligations.

2. Receivables

Receivables are stated net of an allowance for uncollectible accounts. Delinquent taxes receivable are offset by the deferral of the related revenues until payment is received except amounts received within 60 days of the balance sheet date.

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

3. *Interfund Balances*

Outstanding balances resulting in transactions between funds are reported as “due to/from other funds.” These amounts are eliminated in the governmental and business-type activities column of the government-wide statement of net position, except that any residual balances between the governmental activities and the business-type activities are reported on the government-wide financial statements as “internal balances.”

4. *Interfund Activities*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the nonoperating revenues/expenses section in proprietary funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

5. *Inventories and Prepaid Expenses*

The purchase method is used to account for inventories of materials. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates the assets are unavailable for appropriation even though they are a component of reported assets.

Payments by the City in the current year to provide services occurring in the subsequent fiscal year are recorded under the purchase method. Therefore, no prepaid balance has been reflected at year end.

6. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds or contributions. The City reports these assets in the governmental activities column of the government-wide statement of net position, but does not report these assets in the governmental fund statements. Capital assets utilized by proprietary funds are reported both in the business-type column of the government-wide statement of net position and in the proprietary fund's statement of net position. General infrastructure assets (i.e., roads, bridges, right of ways, and similar items) acquired prior to July 1, 2003 are not reported.

E. Assets, Liabilities and Net Position or Equity (continued)

6. *Capital Assets (continued)*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair market value as of the date received. The City maintains a capitalization threshold of \$5,000 for infrastructure, and a capitalization threshold of \$500 for other capital assets. The City's infrastructure consists of roads, bridges, storm sewers, sidewalks, traffic islands, street lights, traffic signals, and street signs. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Improvements and infrastructure	15 to 40 years
Buildings	20 to 40 years
Land improvements	15 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 7 years

7. *Deferred Outflows/Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and intergovernmental revenues as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available.

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

8. *Compensated Absences*

It is the City's policy to pay employees for unused vacation when there is a separation from service. Accumulated sick pay does not vest and is not paid upon termination.

Leave benefits are accrued when incurred in the government-wide and proprietary fund statements as these amounts will be paid to employees upon termination or retirement. A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. All compensated absence liabilities include salary-related payments, where applicable.

9. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

10. *Fund Net Position or Equity*

Fund equity at the governmental fund reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- **Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

10. Fund Net Position or Equity (continued)

- **Assigned** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted or committed. Assignment of funds requires a simple majority vote of City Council.
- **Unassigned** - Fund balances are reported as assigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

11. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues are those revenues generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for the use of the water and solid waste programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including investment earnings, interest expense, and the gain or loss on the disposition of capital assets.

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Brooklet, Georgia's Municipal Employees Benefit System (GMEBS) plans and additions to/deductions from the Plan's fiduciary net pension have been determined on the same basis as they are reported by GMEBS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

13. 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 the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

14. Comparative Data

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements and schedules in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

The City adopts an annual operating budget for all governmental funds except the capital projects funds, which have an adopted project budget. The budgets are adopted on a basis consistent with GAAP, except that no provision is made to reserve for encumbrances. All annual appropriations lapse at fiscal year end.

The City's budgetary process requires that expending agencies and department heads submit appropriation requests to the City Clerk. After review by the City Clerk, the requests are combined and an operating budget is submitted to the City Council prior to June for the fiscal year commencing the following July 1. Once received by the City Council, public hearings are advertised and conducted at City Hall to obtain taxpayer comments. Prior to July, the budget is legally enacted through passage of an ordinance. The final budget can be amended by the City Council throughout the year.

During the fiscal year ended June 30, 2018, City Council approved a budget amendment which decreased General Fund Expenditures by \$43,510.

The legal level of budgetary control is the department level.

The City does not use encumbrance accounting, whereby commitments for goods and services at the end of the year are recorded as encumbrances for budgetary control.

B. Excess of Expenditures over Appropriations

In governmental funds, operating expenditures exceeded the budget as follows:

General Fund		
Public safety: Police	\$	113,614
Public works: Streets	\$	81,847

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

At June 30, 2018, the carrying amount of the City's deposits was \$366,710 which is reflected as cash of \$366,710. The related bank balance was \$381,954. Of this bank balance, \$250,000 was FDIC insured. The uninsured portion was collateralized at 110% with State or U.S. Government securities held by a third party.

B. Receivables

Receivables at June 30, 2018, including the applicable allowance for uncollectible accounts, consisted of taxes, interest, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Property taxes at June 30, 2018 consist of the following:

Taxes receivable - Current	\$ 4,395
Prior	<u>9,027</u>
Gross receivables	13,422
Allowance for uncollectible accounts	<u>2,476</u>
Total	<u>\$ 10,946</u>

Other receivables at June 30, 2018, consisted of the following:

	<u>General Fund</u>	<u>Enterprise</u>	<u>Total</u>
Intergovernmental receivables	\$ 6,261	\$ -	\$ 6,261
Other receivables	<u>7,987</u>	<u>42,905</u>	<u>50,892</u>
Gross receivables	14,248	42,905	57,153
Allowance for uncollectible	<u>-</u>	<u>4,644</u>	<u>4,644</u>
Total	<u>\$ 14,248</u>	<u>\$ 38,261</u>	<u>\$ 52,509</u>

Other receivables in the General Fund consist primarily of franchise taxes, local option sales taxes and alcoholic beverage taxes.

C. Property Taxes

Property taxes are levied on October 20, based on the assessed value of property as listed on the previous January 1 and are due December 20. On December 21, the bill becomes delinquent and interest may be assessed by the government. Penalties may be assessed 30 days after that date.

At the fund reporting level, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue since they are not available to finance current expenditures. The City has adopted the policy of writing off all taxes receivable over seven years old.

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 356,876	\$ -	\$ -	\$ 356,876
Total nondepreciable capital assets	<u>356,876</u>	<u>Nil</u>	<u>Nil</u>	<u>356,876</u>
Depreciable assets: (as restated)				
Infrastructure	1,464,962	-	-	1,464,962
Buildings	605,430	56,446	-	661,876
Machinery and equipment	337,051	-	-	337,051
Vehicles	<u>219,539</u>	<u>38,689</u>	<u>-</u>	<u>258,228</u>
Total depreciable capital assets	<u>2,626,982</u>	<u>95,135</u>	<u>-</u>	<u>2,722,117</u>
Total capital assets	<u>2,983,858</u>	<u>95,135</u>	<u>Nil</u>	<u>3,078,993</u>
Accumulated depreciation: (as restated)				
Infrastructure	500,324	35,556	-	535,880
Buildings	194,470	14,017	-	208,487
Machinery and equipment	297,875	10,318	-	308,193
Vehicles	<u>140,113</u>	<u>29,695</u>	<u>-</u>	<u>169,808</u>
Total accumulated depreciation	<u>1,132,782</u>	<u>89,586</u>	<u>Nil</u>	<u>1,222,368</u>
Governmental activities capital assets, net	<u>\$ 1,851,076</u>	<u>\$ 5,549</u>	<u>\$ Nil</u>	<u>\$ 1,856,625</u>
Governmental activities depreciation expense:				
General city government		\$ 10,616		
Public safety		28,339		
Public works		<u>50,631</u>		
Total governmental activities depreciation expense		<u>\$ 89,586</u>		

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Business-Type Activities:				
Nondepreciable capital assets:				
Land	\$ 21,632	\$ -	\$ -	\$ 21,632
Total nondepreciable capital assets	<u>21,632</u>	<u>Nil</u>	<u>Nil</u>	<u>21,632</u>
Depreciable capital assets:				
Infrastructure	1,242,637	41,498	-	1,284,135
Buildings and plant	56,404	-	-	56,404
Machinery and equipment	120,825	-	-	120,825
Vehicles	138,780	1	-	138,781
Total depreciable capital assets	<u>1,558,646</u>	<u>41,499</u>	<u>-</u>	<u>1,600,145</u>
Total capital assets	<u>1,580,278</u>	<u>41,499</u>	<u>Nil</u>	<u>1,621,777</u>
Accumulated depreciation:				
Infrastructure	659,253	32,143	-	691,396
Buildings	8,533	1,538	-	10,071
Machinery and equipment	92,856	6,601	-	99,457
Vehicles	138,780	1	-	138,781
Total accumulated depreciation	<u>899,422</u>	<u>40,283</u>	<u>Nil</u>	<u>939,705</u>
Business-type capital assets, net	<u>\$ 680,856</u>	<u>\$ 1,216</u>	<u>\$ Nil</u>	<u>\$ 682,072</u>
Business-type activities depreciation expense:				
Water		\$ 39,709		
Sanitation		<u>574</u>		
Total business-type activities depreciation expense		<u>\$ 40,283</u>		

Note 3. Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers

A summary of interfund transfers during the year ended June 30, 2018, is as follows:

	<u>Transfers to:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Enterprise Fund Sanitation Fund</u>	
Transfers from:				
Governmental funds:				
General Fund	\$ -	\$ 1,000	\$ 23,416	\$ 24,416
Total governmental funds	Nil	1,000	23,416	24,416
Proprietary funds:				
Water Fund	161,267	-	-	161,267
Total proprietary funds	161,267	Nil	Nil	161,267
Total	<u>\$ 161,267</u>	<u>\$ 1,000</u>	<u>\$ 23,416</u>	<u>\$ 185,683</u>

Amounts transferred to the General Fund from the Water Fund represent amounts transferred to cover operating shortfalls. Amounts transferred to the Sanitation Fund from the General Fund represent net cash transactions of the Sanitation Fund which were deposited into or paid from the General Fund. Amounts transferred to the Cemetery Fund from the General Fund represent insurance amounts allocated to the Cemetery Fund which were paid from the General Fund.

F. Long-Term Debt

1. Changes in Long-Term Debt

Transactions for the year ended June 30, 2018 are summarized as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Net pension liability	\$ 33,262	\$ (33,262)	\$ -	\$ -	\$ -
Compensated absences	5,755	-	834	4,921	984
Total governmental activities	39,017	(33,262)	834	4,921	984
Business-Type Activities:					
Net pension liability	5,577	(5,577)	-	-	-
Compensated absences	625	-	125	500	100
Total business-type activities	6,202	(5,577)	125	500	100
Total	<u>\$ 45,219</u>	<u>\$ (38,839)</u>	<u>\$ 959</u>	<u>\$ 5,421</u>	<u>\$ 1,084</u>

The compensated absences liability will be paid from the proprietary fund from which the employee's salaries are paid. Compensated absences for governmental activities will be paid from the General Fund.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan

1. Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Brooklet Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employees Benefits System (GMEBS), an agent multiple-employer plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Prior Street, SW, Atlanta, Georgia 30303 or by calling (404)688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established and amended by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees are immediately eligible to participate. Benefits vest after 10 years. Members with 10 years of total service are eligible to retire at age 55 with reduced retirement benefits. Members with five years of total service are eligible to retire at age 65 with full retirement benefits.

Plan Membership. At January 1, 2018, the date of the most recent actuarial valuation there were 16 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	4
Terminated vested participants not yet receiving benefits	2
Active employees - vested	3
Active employees - nonvested	<u>7</u>
Total	<u><u>16</u></u>

Contributions. Participating employees are not required to contribute to the plan. The City is subject to the minimum funding standards of the Georgia Public Retirement Systems Standards law (Georgia Code Section 47-20-10). The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2018, the actuarially determined contribution rate was 5.98% of covered payroll. For 2018, the City's contribution to the Plan was \$20,380.

2. Net Pension Liability

Effective July 1, 2014 the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2017.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Salary increases	3.25 %
Investment rate of return	7.50 %

Mortality rates for the January 1, 2018 valuation were based on the RP-2000 Combined Healthy Mortality Rates with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2018 were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

The salary increase assumptions range from 3.25% to 8.00% and include an inflation assumption of 2.75%. Cost of living adjustments were not applicable.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the table below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45 %	6.71 %
International equity	20 %	7.71 %
Real Estate	10 %	5.21 %
Global fixed income	5 %	3.36 %
Domestic fixed income	20 %	2.11 %
Total	<u>100 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The discount rates did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that City contribution will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

3. Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 338,310	\$ 299,471	\$ 38,839
Changes for the year:			
Service cost	18,660	-	18,660
Interest	25,208	-	25,208
Differences between expected and actual experience	(90,390)	-	(90,390)
Contributions - employer	-	13,447	(13,447)
Contributions - employee	-	-	-
Net investment income	-	43,628	(43,628)
Benefit payments, including refunds of employee contributions	(26,086)	(26,086)	-
Administrative expense	-	(3,830)	3,830
Other	3,328	-	3,328
Net changes	(69,280)	27,159	(96,439)
Balances at September 30, 2017	<u>\$ 269,030</u>	<u>\$ 326,630</u>	<u>\$ (57,600)</u>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rates of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50 %	Current Discount Rate 7.50 %	1% Increase 8.50 %
City's net pension liability	<u>\$ (22,448)</u>	<u>\$ (57,600)</u>	<u>\$ (86,349)</u>

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

4. Pension Expense and Deferred Outflows / Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense of \$4,502. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,966	\$ (75,325)
Changes in assumptions	2,775	-
Net difference between projected and actual earnings on pension plan investments	7,474	(24,549)
City contributions subsequent to the measurement date	<u>13,228</u>	<u>-</u>
Total	<u>\$ 44,443</u>	<u>\$ (99,874)</u>

City contributions subsequent to the measurement date of \$13,228 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	
2019	\$ (11,988)
2020	(10,034)
2021	(17,022)
2022	(15,105)
2023	<u>(14,510)</u>
Total	<u>\$ (68,659)</u>

H. Equity

Net position on the government-wide statement of assets as of June 30, 2018, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cost of capital assets	\$ 3,078,993	\$ 1,621,777	\$ 4,700,770
Accumulated depreciation	<u>1,222,368</u>	<u>939,705</u>	<u>2,162,073</u>
Book value	1,856,625	682,072	2,538,697
Less capital related debt	-	-	-
Investment in capital assets	<u>\$ 1,856,625</u>	<u>\$ 682,072</u>	<u>\$ 2,538,697</u>

Note 3. Detailed Notes on All Funds (continued)

H. Equity (continued)

The Statement of Net Position shows certain amounts as restricted net position. These amounts are restricted in their use by parties outside the City such as creditors, grantors, or contributors, or restricted by law or regulation. Components of restricted net position include:

Activity	Restricted By	Governmental Activities	Business-Type Activities	Total
Capital projects				
SPLOST capital projects	Law	\$ 4,057	\$ -	\$ 4,057
Public safety	Law	8,191	-	8,191
Total restricted net position		<u>\$ 12,248</u>	<u>\$ -</u>	<u>\$ 12,248</u>

Note 4. Other Notes

A. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries the following insurance coverages. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA), a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The amount of insurance coverage has been adequate over the last three fiscal years to cover any settlements. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA. The City is also responsible for following loss reduction and prevention procedures established by GIRMA and reporting as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. GIRMA's responsibility includes paying claims and representing the City in defense and settlement of claims within the scope of loss protection furnished by the funds. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2018. No provisions have been made in the financial statements for the year ended June 30, 2018 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

The City pays unemployment claims to the Georgia Department of Labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

Note 4. Other Notes (continued)

B. Contingencies and Pending Litigation

Subsequent to June 30, 2018, the City has received notification of five separate lawsuits which have been filed against the City. All five cases allege misconduct or inappropriate actions on the part of the City's police department and its officers. One of the cases specifies damages in the amount of \$300,000, while the remaining cases do not specify damages. All cases have been forwarded to the City's insurance carrier for handling. The City intends to contest all cases vigorously. The outcome of the cases is not known at the date of this report.

At the date of this report, no other litigation, claims or contingencies are pending.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKLET, GEORGIA
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 18,660	\$ 11,733	\$ 2,277	\$ 6,179
Interest on total pension liability	25,208	22,766	21,468	26,026
Difference between expected and actual experience	(90,390)	21,693	16,257	(67,099)
Changes of assumptions	3,328	-	-	0
Benefit payments, including refund of employee contributions	(26,086)	(23,262)	(23,263)	(22,154)
Other	-	-	-	(1,210)
Net change in total pension liability	(69,280)	32,930	16,739	(58,258)
Total pension liability - beginning	<u>338,310</u>	<u>305,380</u>	<u>288,641</u>	<u>346,899</u>
Total pension liability - ending (a)	<u>\$ 269,030</u>	<u>\$ 338,310</u>	<u>\$ 305,380</u>	<u>\$ 288,641</u>
Plan fiduciary net position				
Contributions - employer	\$ 13,447	\$ 6,226	\$ 13,182	\$ 22,507
Net investment income	43,628	31,118	3,755	30,375
Benefit payments, including refunds of member contributions	(26,086)	(23,262)	(23,263)	(22,154)
Administrative expenses	(3,830)	(1,884)	(1,996)	(1,641)
Net change in plan fiduciary net position	27,159	12,198	(8,322)	29,087
Plan fiduciary net position - beginning	<u>299,471</u>	<u>287,273</u>	<u>295,595</u>	<u>266,508</u>
Plan fiduciary net position - ending (b)	<u>\$ 326,630</u>	<u>\$ 299,471</u>	<u>\$ 287,273</u>	<u>\$ 295,595</u>
City's net pension liability - ending (a)-(b)	<u>\$ (57,600)</u>	<u>\$ 38,839</u>	<u>\$ 18,107</u>	<u>\$ (6,954)</u>
Plan fiduciary net position as a percentage of the total pension liability	121.41	88.52	94.07 %	102.41 %
Covered-employee payroll	336,360	403,375	285,587	\$ 176,624
Net pension liability as a % of covered-employee payroll	(17.12)%	9.63 %	6.34 %	(3.94)%

Notes to the schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF BROOKLET, GEORGIA
Required Supplementary Information
Schedule of City Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	*	\$ 12,050	\$ 4,284	16,148
Contributions in relation to the actuarially determined contribution	*	13,054	4,284	17,995
Contribution deficiency (excess)	*	(1,004)	-	(1,847)
Covered-employee payroll	*	403,375	285,587	176,624
Contributions as a percentage of covered-employee payroll	*	3.24 %	1.50 %	10.19 %

* 2018 Information will be determined after fiscal year end and will be included in the 2016 valuation report

Notes to schedule of Contributions:

Valuation Date: The actuarially determined contribution rate was determined as of January 1, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2019.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.50%
Projected salary increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	Normal retirement age is 65 with 5 years of service; early retirement age is 55 with 10 years of service.
Changes in methods and assumptions:	Amounts reported for the fiscal year ending in 2018 reflect the following assumption changes based on an actuarial study conducted in September, 2017: The investment return assumption was decreased from 7.75% to 7.5%. The inflation assumption was decreased from 3.25% to 2.75%.
Benefit Changes:	There were no changes in benefit provisions in the last two fiscal years.

The schedule will present 10 years of information once it is accumulated.
For information regarding assumptions and amortization methods, see Note 3.G.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BROOKLET, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
REVENUES					
Taxes:					
Property taxes	\$ 229,500	\$ 293,400	\$ 304,905	\$ 11,505	\$ 247,406
Motor vehicle taxes	36,000	34,000	35,263	1,263	34,348
Mobile home taxes	1,250	2,000	2,595	595	1,367
Franchise taxes	86,500	74,000	84,999	10,999	90,860
Alcoholic beverage taxes	25,000	24,000	22,584	(1,416)	24,231
Business and occupation taxes	15,000	20,000	10,665	(9,335)	11,003
Insurance premium taxes	87,000	91,000	91,982	982	87,068
Financial institution taxes	4,500	5,000	5,705	705	4,277
Other taxes	6,000	6,500	7,175	675	4,986
Licenses and permits	28,285	19,200	27,263	8,063	43,896
Intergovernmental revenues	22,000	27,000	39,220	12,220	95,538
Charges for services	15,000	15,000	31,370	16,370	17,760
Fees, fines and forfeitures	133,500	89,500	100,548	11,048	101,977
Investment income	200	75	401	326	244
Other revenues	600	1,100	15,378	14,278	2,752
	<u>690,335</u>	<u>701,775</u>	<u>780,053</u>	<u>78,278</u>	<u>767,713</u>
EXPENDITURES					
Current operations:					
General city government					
Legislative	14,500	12,500	12,450	50	12,698
Administration	213,385	213,450	190,351	23,099	254,106
Judicial					
Municipal court	10,500	6,000	5,428	572	5,000
Public safety					
Police	351,965	341,265	454,879	(113,614)	388,975
Public works					
Street	184,550	158,175	240,022	(81,847)	353,712
	<u>774,900</u>	<u>731,390</u>	<u>903,130</u>	<u>(171,740)</u>	<u>1,014,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(84,565)	(29,615)	(123,077)	(93,462)	(246,778)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	1,000	115	-	(115)	6,000
Transfers in	(85,000)	29,500	161,267	131,767	119,509
Transfers out	-	-	(24,416)	(24,416)	(13,959)
	<u>(84,000)</u>	<u>29,615</u>	<u>136,851</u>	<u>83,286</u>	<u>111,550</u>
NET CHANGE IN FUND BALANCES	(168,565)	Nil	13,774	13,774	(135,228)
FUND BALANCES, beginning of year	86,545	86,545	86,545	Nil	221,773
FUND BALANCES, end of year	<u>\$ (82,020)</u>	<u>\$ 86,545</u>	<u>\$ 100,319</u>	<u>\$ 13,774</u>	<u>\$ 86,545</u>

CITY OF BROOKLET, GEORGIA
Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>2018</u>			<u>2017 Actual</u>
	<u>Budget (Original and Final)</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	
REVENUES				
Charges for services:				
Cemetery fees	\$ 2,500	\$ -	\$ (2,500)	\$ 1,200
Investment income	50	137	87	137
Contributions from private sources	450	3,025	2,575	2,700
	<u>3,000</u>	<u>3,162</u>	<u>162</u>	<u>4,037</u>
EXPENDITURES				
Current operations:				
Public works				
Cemetery and beautification	8,550	293	8,257	5,676
	<u>8,550</u>	<u>293</u>	<u>8,257</u>	<u>5,676</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,550)	2,869	8,419	(1,639)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,000	1,000	400
NET CHANGE IN FUND BALANCES	(5,550)	3,869	9,419	(1,239)
FUND BALANCES, beginning of year	31,118	31,118	Nil	32,357
FUND BALANCES, end of year	<u>\$ 25,568</u>	<u>\$ 34,987</u>	<u>\$ 9,419</u>	<u>\$ 31,118</u>

CITY OF BROOKLET, GEORGIA
SPLOST 2013 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>2018</u>			<u>2017</u> <u>Actual</u>
	<u>Budget</u> <u>(Original and</u> <u>Final)</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
Investment income	\$ -	\$ 5	\$ 5	\$ 54
Total revenues	Nil	5	5	54
EXPENDITURES				
Capital:				
General city government	-	-	-	31,603
Public works	5,002	950	4,052	47,751
Total expenditures	5,002	950	4,052	79,354
NET CHANGE IN FUND BALANCES	(5,002)	(945)	4,057	(79,300)
FUND BALANCES, beginning of year	5,002	5,002	Nil	84,302
FUND BALANCES, end of year	<u>\$ Nil</u>	<u>\$ 4,057</u>	<u>\$ 4,057</u>	<u>\$ 5,002</u>

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Customer charges	\$ 217,434	\$ 218,757
Installation charges	2,419	5,900
Tap fees	4,200	14,400
Penalties	11,233	11,098
Miscellaneous	6,042	342
Total operating revenues	241,328	250,497
OPERATING EXPENSES		
Salaries	77,577	31,067
Employee benefits	29,295	11,678
Contractual services	20,089	15,996
Repairs, maintenance and other contractual services	2,248	11,642
Communications	304	-
Liability and property insurance	1,790	3,052
Travel and training	475	20
Supplies and materials	12,892	45,619
Utilities	12,187	16,710
Vehicle gasoline	129	2,481
Depreciation	39,709	41,061
Other expenses	2,911	1,736
Total operating expenses	199,606	181,062
OPERATING INCOME	41,722	69,435
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	547	523
Total nonoperating revenues (expenses)	547	523
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	42,269	69,958
Transfers out	(161,267)	(119,909)
CHANGE IN NET POSITION	(118,998)	(49,951)
NET POSITION, beginning of year	943,711	993,662
NET POSITION, end of year	\$ 824,713	\$ 943,711

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 237,327	\$ 241,870
Cash paid for goods and services	(71,414)	(98,502)
Cash paid to employees for services	(77,565)	(31,255)
Customer deposits received (refunded)	4,999	5,606
Net cash provided by operating activities	93,347	117,719
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	(161,267)	(119,909)
Net cash used by noncapital financing activities	(161,267)	(119,909)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(41,498)	-
Net cash by capital and related financing activities	(41,498)	Nil
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends and interest earned	550	544
Net cash provided by investing activities	550	544
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,868)	(1,646)
CASH AND EQUIVALENTS, beginning of year	312,952	314,598
CASH AND EQUIVALENTS, end of year	\$ 204,084	\$ 312,952
<i>Reconciliation of net income to net cash provided by operating activities:</i>		
OPERATING INCOME	\$ 41,722	\$ 69,435
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	-	58
Depreciation	39,709	41,061
Decrease (increase) in operating assets:		
Accounts receivable	(4,001)	(8,627)
Pension related deferred outflows of resources	(3,576)	(1,488)
Increase (decrease) in operating liabilities:		
Accounts payable	12,791	11,083
Accrued salaries	-	(224)
Accrued leave benefits	12	37
Deposits for services	4,999	5,606
Net pension liability (benefit)	(13,159)	1,721
Pension related deferred inflows of resources	14,850	(943)
Total adjustments	51,625	48,284
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 93,347	\$ 117,719

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Customer charges	\$ 103,894	\$ 94,802
Total operating revenues	103,894	94,802
OPERATING EXPENSES		
Salaries	24,948	25,368
Employee benefits	7,547	10,116
Contractual services	70,898	74,008
Liability and property insurance	770	600
Supplies and materials	-	185
Vehicle gasoline	-	904
Depreciation	574	574
Other expenses	382	208
Total operating expenses	105,119	111,963
OPERATING LOSS	(1,225)	(17,161)
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	8	-
Total nonoperating revenues (expenses)	8	Nil
LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,217)	(17,161)
Transfers in	23,416	13,959
CHANGE IN NET POSITION	22,199	(3,202)
NET POSITION, beginning of year	20,718	23,920
NET POSITION, end of year	\$ 42,917	\$ 20,718

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 101,685	\$ 93,100
Cash paid for goods and services	(80,855)	(81,259)
Cash paid to employees for services	<u>(25,086)</u>	<u>(25,800)</u>
Net cash used by operating activities	<u>(4,256)</u>	<u>(13,959)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	<u>23,416</u>	<u>13,959</u>
Net cash provided by noncapital financing activities	<u>23,416</u>	<u>13,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and interest earned	<u>9</u>	<u>-</u>
Net cash provided by investing activities	<u>9</u>	<u>Nil</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,169	Nil
CASH AND EQUIVALENTS, beginning of year	<u>Nil</u>	<u>Nil</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 19,169</u>	<u>\$ Nil</u>
<i>Reconciliation of net loss to net cash used by operating activities:</i>		
OPERATING LOSS	\$ (1,225)	\$ (17,161)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	-	208
Depreciation	574	573
Decrease (increase) in operating assets:		
Accounts receivable	(2,209)	(1,701)
Pension related deferred outflows of resources	(42)	(1,086)
Increase (decrease) in operating liabilities:		
Accounts payable	-	5,073
Accrued salaries	-	(351)
Accrued leave benefits	(138)	(81)
Net pension liability (benefit)	(6,271)	1,256
Pension related deferred inflows of resources	<u>5,055</u>	<u>(689)</u>
Total adjustments	<u>(3,031)</u>	<u>3,202</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (4,256)</u>	<u>\$ (13,959)</u>

OTHER REPORTS

**REDDICK, RIGGS,
AND HUNTER P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
1947-2005

JAMES S. RIGGS
PATRICIA H. HUNTER

**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***

Mayor and City Council
City of Brooklet, Georgia
Brooklet, Georgia

We have audited, in accordance with the 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, each major fund and the remaining fund information of the City of Brooklet, Georgia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Brooklet, Georgia'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 the City of Brooklet, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brooklet, Georgia'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 the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as Findings 2018-002 through 2018-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brooklet, Georgia'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 test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2018-1.

City of Brooklet, Georgia's Response to Findings

The City of Brooklet, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Brooklet, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reddick, Riggs and Hunter, P. C.

Statesboro, Georgia
January 11, 2019

CITY OF BROOKLET, GEORGIA
Schedule of Findings and Questioned Costs
 June 30, 2018

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None Reported
Noncompliance material to the financial statements noted?	Yes

Finding 2018 - 001:*

Criteria:	State law requires municipalities to annually adopt a balanced budget for the general fund, special revenue funds and debt service funds. Once adopted, these budgets act as legal spending authorizations or appropriation limits.
Condition:	During the year ended June 30, 2018, the general fund expended amounts which exceeded appropriations.
Context:	Total Police expenditures exceeded budget by \$113,614, while the Street department exceeded its budget by \$81,847.
Cause:	During the year, the City purchased a police vehicle and related equipment which were not budgeted, and incurred increase personnel costs and related benefits in the police department. During the year, the City also renovated a building at its festival grounds which was not budgeted.
Effect:	While the City did prepare a budget amendment to include these items, the Administrative department and Street departments exceeded their budget due to higher than anticipated salaries and capital outlay, respectively.
Recommendation:	We recommend that in future years, budget amendments be adopted to reflect major items which were not anticipated when the original budget or prior amendments were adopted.
Comments:	Management concurs with the findings of the auditors. The City Clerk has worked diligently to reconcile all bank accounts on a timely basis and to provide timely and accurate financial data. It is anticipated that timely and accurate financial information will assist in the development of accurate budgets.

Schedule of Findings and Questioned Costs

Finding 2018 - 002:

Criteria: An essential element of the decision-making process for Council is the accuracy of financial information which can be relied upon in the decision-making process. One of the single-most important controls over the accuracy of the financial information is the bank reconciliation process.

Condition: During the year ended June 30, 2018, we noted that bank statements were not reconciled on a timely basis.

Context: We noted several instances in which the General Fund and the Water Fund were reconciled 4 months or more after the related month end.

Cause: It appears that the failure to perform the bank reconciliations was due to a lack of understanding on the part of City personnel.

Effect: While the City did engage the use of an outside consultant and all bank reconciliations were caught up subsequent to year-end, the delays in this process increase the potential for errors in the City's bank account to remain undetected, causing Council to rely on inaccurate information for its decision-making process.

Recommendation: We recommend that the importance of performing all bank reconciliations on a timely basis be stressed to appropriate personnel.

Comments: anagement concurs with the findings of the auditors. Council has utilized the services of an outside consultant to bring all bank reconciliations current and to provide additional training for City personnel. At this time, all bank reconciliations are being performed within appropriate time frames after each month end.

Finding 2018 - 003:*

Criteria: As noted above, an essential element of the decision-making process for Council is the accuracy of financial information which can be relied upon in the decision-making process.

Condition: During the year ended June 30, 2018, we noted a number of instances in which transactions were recorded incorrectly.

Context: We noted that payments for the City's retirement plan, as well recurring payments such as payments to the City's Technology firm and other service organizations were incorrectly coded to "Dues and Subscriptions" rather than retirement expense, contracted services, etc.

Cause: It appears that the failure to correctly record these transactions was due to a lack of understanding on the part of the City Clerk.

Effect: The failure to accurately record expenditures caused inaccurate monthly financial statements to be presented to Council

Recommendation: We recommend that all accounts be carefully reviewed as part of the budgetary process to determine that nature of items which have been budgeted/ reported.

Comments: Management concurs with the finding of the auditors. Additional training has been provided to appropriate City personnel relating to the classification of recurring monthly payments in order to provide more accurate financial information.

Schedule of Findings and Questioned Costs

Finding 2018 - 004:*

Criteria: An important control over the City's accounting system is an accurate filing system for the related supporting documents.

Condition: During the year ended June 30, 2018, we noted that the City had changed its filing system to file invoices by month rather than by vendor. In addition, the invoices filed were not in any specific sequence, making it extremely difficult to locate invoices.

Context: We noted a number of instances in which invoices for various disbursements could not be located and had to be either searched for or duplicates obtained. In addition, we noted several instances in which items related to various revenue remittances could not be located.

Cause: It appears that the failure to maintain the vendor files in an orderly manner was due to a lack of understanding and a lack of available time.

Effect: While we were ultimately able to locate all of the invoices except for two items, and all payments appeared to be for appropriate expenditures, the inability to locate invoices caused difficulty and increased time to research transactions. The inability to review the prior invoices paid to a vendor could cause duplicate payments to vendors.

Recommendation: We recommend that the importance of accurate and timely filing be emphasized with appropriate personnel.

Comments: Management concurs with the findings of the auditors. Effective July 1, 2018, the City revised its filing system to return to filing all paid invoices by vendor rather than by month to facilitate review of invoices by vendor.

** Indicates uncorrected prior year finding*

CITY OF BROOKLET, GEORGIA
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds
For the Year Ended June 30, 2018

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
2013 SPLOST					
Roads, streets and bridges	\$ 535,054	\$ 825,862	\$ 824,912	\$ 950	\$ 825,862
Public safety facilities and equipment	300,000	111,637	111,637	Nil	111,637
Facility construction / improvements	<u>300,520</u>	<u>19,702</u>	<u>195,650</u>	<u>Nil</u>	<u>195,650</u>
Total	<u>\$ 1,135,574</u>	<u>\$ 957,201</u>	<u>\$ 1,132,199</u>	<u>\$ 950</u>	<u>\$ 1,133,149</u>