

CITY OF BROOKLET, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**



CITY OF BROOKLET, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

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	42
Schedule of City Contributions	43
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	45
Special Revenue Funds	
Capital Projects Funds	
SPLOST 2019 Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	47
TSPLOST Fund	
Schedule of revenues, expenditures and changes in fund balances - budget to actual	48
Proprietary Funds:	
Water Fund	
Comparative statement of revenues, expenses and changes in fund net position	49
Comparative statement of cash flows	50
Sanitation Fund	
Comparative statement of revenues, expenses and changes in fund net position	52
Comparative statement of cash flows	53
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>	54
Schedule of findings and questioned costs	56
Schedule of SPLOST Expenditures	58
Schedule of Transportation SPLOST Expenditures	59

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, 2021, 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.

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, 2021, 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 42 through 43, 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 SPLOST Expenditures and Schedule of Transportation SPLOST Expenditures are presented for purposes of additional analysis and are also not a required part of the basic financial statements of the City of Brooklet, Georgia.

The combining and individual fund financial statements, the Schedule of SPLOST Expenditures and the Schedule of Transportation SPLOST Expenditures 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 March 7, 2022, 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, Hunter and Colson, P. C.

Statesboro, Georgia
March 7, 2022

CITY OF BROOKLET, GEORGIA
Management's Discussion and Analysis
June 30, 2021

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 three major governmental funds. The City's major governmental funds are the General Fund, the 2019 SPLOST Fund and the TSPLOST 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 45.

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$5,276,479, as compared to \$5,247,651 at June 30, 2020. The following table provides a summary of the City's net position.

	<u>Summary of Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:						
Current and other assets	\$ 1,698,362	2,036,910	\$ 585,244	\$ 390,133	\$ 2,283,606	\$ 2,427,043
Capital assets	2,295,047	2,188,061	1,118,578	819,152	3,413,625	3,007,213
Total assets	<u>3,993,409</u>	<u>4,224,971</u>	<u>1,703,822</u>	<u>1,209,285</u>	<u>5,697,231</u>	<u>5,434,256</u>
Deferred outflows of resources	<u>38,124</u>	<u>31,850</u>	<u>7,057</u>	<u>11,237</u>	<u>45,181</u>	<u>43,087</u>
Liabilities:						
Long-term liabilities	3,813	3,425	246,750	1,200	250,563	4,625
Other liabilities	61,518	86,629	82,266	72,674	143,784	159,303
Total liabilities	<u>65,331</u>	<u>90,054</u>	<u>329,016</u>	<u>73,874</u>	<u>394,347</u>	<u>163,928</u>
Deferred inflows of resources	<u>60,404</u>	<u>48,613</u>	<u>11,182</u>	<u>17,151</u>	<u>71,586</u>	<u>65,764</u>
Net Position:						
Investment in capital assets	2,295,047	2,188,061	872,591	819,152	3,167,638	3,007,213
Restricted	1,348,960	1,647,725	-	-	1,348,960	1,647,725
Unrestricted	261,791	282,368	498,090	310,345	759,881	592,713
Total Net Position	<u>\$ 3,905,798</u>	<u>\$ 4,118,154</u>	<u>\$ 1,370,681</u>	<u>\$ 1,129,497</u>	<u>\$ 5,276,479</u>	<u>\$ 5,247,651</u>

The current ratio is used to measure an entity's ability to meet current obligations. The City has a 27.61 to 1 ratio for governmental activities as compared to 23.51 to 1 at June 30, 2020. The current ratio for business-type activities is 7.11 to 1, as compared to 5.37 to 1 at June 30, 2020.

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 \$1,370,681. The table below focuses on the net position and revenues and expenses of the City's governmental and business-type activities. Net position decreased \$212,356 for governmental activities and increased \$241,184 for business-type activities. The City's overall financial position improved during the year ended June 30, 2021.

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	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program						
Charges for services	\$ 114,820	\$ 227,910	\$ 511,329	\$ 429,442	\$ 626,149	\$ 657,352
Operating grants	34,138	3,000	-	-	34,138	3,000
Capital grants / contributions	30,897	763,894	-	-	30,897	763,894
General						
Property taxes	415,872	386,760	-	-	415,872	386,760
Franchise taxes	92,244	97,639	-	-	92,244	97,639
Insurance premium taxes	111,151	105,371	-	-	111,151	105,371
Financial institution taxes	13,553	11,011	-	-	13,553	11,011
Alcoholic beverage taxes	28,239	26,067	-	-	28,239	26,067
Intangible and other taxes	10,046	6,768	-	-	10,046	6,768
Interest	827	1,265	647	843	1,474	2,108
Gain (loss) on sale of assets	25,498	-	11,864	-	37,362	-
Other income	12,313	7,842	-	-	12,313	7,842
Total revenues	<u>889,598</u>	<u>1,637,527</u>	<u>523,840</u>	<u>430,285</u>	<u>1,413,438</u>	<u>2,067,812</u>
Program expenses:						
General government	228,032	236,319	-	-	228,032	236,319
Judicial	7,275	5,600	-	-	7,275	5,600
Public safety	427,154	477,020	-	-	427,154	477,020
Public works	259,733	200,311	-	-	259,733	200,311
Community services	7,532	2,577	-	-	7,532	2,577
Water	-	-	306,798	257,005	306,798	257,005
Sanitation	-	-	148,086	107,713	148,086	107,713
Total expenses	<u>929,726</u>	<u>921,827</u>	<u>454,884</u>	<u>364,718</u>	<u>1,384,610</u>	<u>1,286,545</u>
Increase (decrease) in net position before transfers	(40,128)	715,700	68,956	65,567	28,828	781,267
Transfers	<u>(172,228)</u>	<u>(157,166)</u>	<u>172,228</u>	<u>157,166</u>	<u>Nil</u>	<u>Nil</u>
Increase (decrease) in net position	(212,356)	558,534	241,184	222,733	28,828	781,267
Beginning net position	<u>4,118,154</u>	<u>3,559,620</u>	<u>1,129,497</u>	<u>906,764</u>	<u>5,247,651</u>	<u>4,466,384</u>
Ending net position	<u>\$ 3,905,798</u>	<u>\$ 4,118,154</u>	<u>\$ 1,370,681</u>	<u>\$ 1,129,497</u>	<u>\$ 5,276,479</u>	<u>\$ 5,247,651</u>

Governmental Revenues

The City's governmental activities are heavily reliant on property taxes and sales taxes, which collectively make up 46.74% of governmental revenues. Note that program revenues made up 48.91% 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 30.84% of the City's total expenses, while water and public works made up 22.16% and 18.76% respectively.

Financial Analysis of the City as a Whole (continued)

There was a deficit of \$40,128 in governmental activities and an excess of \$68,956 in business-type activities. Transfers to (from) governmental activities resulted in a net deficit in governmental activities of \$212,356 and a total excess in business-type activities of \$241,184. The total change in net position was \$28,828. As stated earlier, the financial position of the City improved in the year ended June 30, 2021.

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 \$1,555,904. Of this year-end total, \$1,334,313 is restricted to capital projects, \$14,647 is restricted for public safety. The unassigned portion of governmental fund balances was \$206,944. The total ending fund balances of governmental funds shows a decrease of \$341,233, or a 17.99% decrease.

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 \$221,591, of which \$206,944 is unassigned. The total ending fund balance of the General Fund shows a decrease of \$42,468. The decrease in the current year was a result of less revenues received due to the pandemic.

Total revenues of the General Fund were \$871,915, a decrease of \$29,117 from fiscal year 2020. This equates to a 3.23% decrease in total revenues. This decrease was due to overestimated revenues in fines and forfeitures.

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 \$511,329, an increase of \$81,887 over fiscal year 2020. After considering expenditures, the net income of these funds before capital contributions and transfers is \$68,956.

Budgetary Highlights

Revenues in the General Fund were over the budget by \$7,600. This increase was due to new homes being built and growing the tax digest.

Expenditures in the General Fund were under the budget by \$8,954. The decrease resulted primarily from reduced spending across several departments.

A budget amendment was adopted during the year ended June 30, 2021 which resulted in an increase in General Fund expenditures of \$91,025.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2021, was \$3,413,625 as follows:

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Nondepreciable assets:						
Land	\$ 356,876	\$ 356,876	\$ 21,632	\$ 21,632	\$ 378,508	\$ 378,508
Construction in progress	9,885	101,389	-	164,214	9,885	265,603
Book value - nondepreciable assets	<u>366,761</u>	<u>458,265</u>	<u>21,632</u>	<u>185,846</u>	<u>388,393</u>	<u>644,111</u>
Depreciable assets:						
Infrastructure	1,792,420	1,692,421	1,558,210	1,337,921	3,350,630	3,030,342
Building	708,602	708,602	82,771	56,404	791,373	765,006
Machinery and equipment	538,172	397,639	149,217	120,825	687,389	518,464
Vehicles	334,059	321,683	366,526	143,781	700,585	465,464
Total depreciable assets	3,373,253	3,120,345	2,156,724	1,658,931	5,529,977	4,779,276
Less accumulated depreciation	<u>1,444,967</u>	<u>1,390,549</u>	<u>1,059,778</u>	<u>1,025,625</u>	<u>2,504,745</u>	<u>2,416,174</u>
Book value - depreciable assets	<u>1,928,286</u>	<u>1,729,796</u>	<u>1,096,946</u>	<u>633,306</u>	<u>3,025,232</u>	<u>2,363,102</u>
Percentage depreciated	<u>42.84 %</u>	<u>44.56 %</u>	<u>49.14 %</u>	<u>61.82 %</u>	<u>45.29 %</u>	<u>50.56 %</u>
Total Capital Assets	<u>\$ 2,295,047</u>	<u>\$ 2,188,061</u>	<u>\$ 1,118,578</u>	<u>\$ 819,152</u>	<u>\$ 3,413,625</u>	<u>\$ 3,007,213</u>

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

Debt Outstanding

As of June 30, 2021, the City had total outstanding long-term debt of \$250,563 as follows:

	Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Accumulated leave benefits	\$ 3,813	\$ 3,425	\$ 763	\$ 1,200	\$ 4,576	\$ 4,625
Capital leases						
Sanitation truck	-	-	245,987	-	245,987	-
Total Long-Term Debt	<u>\$ 3,813</u>	<u>\$ 3,425</u>	<u>\$ 246,750</u>	<u>\$ 1,200</u>	<u>\$ 250,563</u>	<u>\$ 4,625</u>

During the year ended June 30, 2021, the City issued no long-term debt. The City retired \$437 of existing debt.

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

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. The City depends on its remaining SPLOST and TSPLOST monies to provide infrastructure for economic development as the median income of Brooklet often makes it ineligible for infrastructure grants.

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, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 1,590,843	\$ 546,116	\$ 2,136,959
Receivables, net of allowance for uncollectibles:			
Taxes	8,448	-	8,448
Other	13,424	40,827	54,251
Accrued interest receivable	20	31	51
Internal balances	14,835	(14,835)	-
Noncurrent Assets			
Capital assets:			
Nondepreciable assets	366,761	21,632	388,393
Depreciable assets, net	1,928,286	1,096,946	3,025,232
Other assets:			
Net pension asset	70,792	13,105	83,897
Total Assets	<u>3,993,409</u>	<u>1,703,822</u>	<u>5,697,231</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources - Pension	<u>38,124</u>	<u>7,057</u>	<u>45,181</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	53,086	17,049	70,135
Payroll taxes payable	4,016	-	4,016
Accrued salaries	3,836	839	4,675
Accrued interest payable	-	6,168	6,168
Other accrued expenses	580	-	580
Deposits to secure services	-	58,210	58,210
Noncurrent Liabilities			
Due within one year:			
Compensated absences	763	153	916
Capital lease payable	-	32,464	32,464
Due in more than one year:			
Compensated absences, net of current portion	3,050	610	3,660
Capital lease payable, net of current portion	-	213,523	213,523
Total Liabilities	<u>65,331</u>	<u>329,016</u>	<u>394,347</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources - Pension	<u>60,404</u>	<u>11,182</u>	<u>71,586</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,295,047	872,591	3,167,638
Restricted for:			
Capital projects	1,334,313	-	1,334,313
Public safety	14,647	-	14,647
Unrestricted	261,791	498,090	759,881
Total Net Position	<u>\$ 3,905,798</u>	<u>\$ 1,370,681</u>	<u>\$ 5,276,479</u>

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, 2021

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	\$ 228,032	\$ 54,445	\$ -	\$ -	\$ (173,587)	\$ -	\$ (173,587)
Judicial	7,275	-	-	-	(7,275)	-	(7,275)
Public safety	427,154	56,653	34,138	-	(336,363)	-	(336,363)
Public works	259,733	9,842	-	30,897	(218,994)	-	(218,994)
Community services	7,532	(6,720)	-	-	(14,252)	-	(14,252)
Cemeteries	-	600	-	-	600	-	600
Total governmental activities	929,726	114,820	34,138	30,897	(749,871)	Nil	(749,871)
Business-type activities:							
Water	306,798	372,211	-	-	-	65,413	65,413
Sanitation	148,086	139,118	-	-	-	(8,968)	(8,968)
Total business-type activities	454,884	511,329	Nil	Nil	Nil	56,445	56,445
Total	\$ 1,384,610	\$ 626,149	\$ 34,138	\$ 30,897	(749,871)	56,445	(693,426)

General Revenues

Property taxes	415,872	-	415,872
Franchise taxes	92,244	-	92,244
Insurance premium taxes	111,151	-	111,151
Financial institution taxes	13,553	-	13,553
Alcoholic beverage taxes	28,239	-	28,239
Intangible and other taxes	10,046	-	10,046
Interest	827	647	1,474
Other revenues	12,313	-	12,313
Gain (loss) on sale of assets	25,498	11,864	37,362
Total general revenues	709,743	12,511	722,254
Transfers	(172,228)	172,228	-
Total general revenues and transfers	537,515	184,739	722,254
Change in net position	(212,356)	241,184	28,828
Net position, beginning of year	4,118,154	1,129,497	5,247,651
Net position, end of year	\$ 3,905,798	\$ 1,370,681	\$ 5,276,479

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

CITY OF BROOKLET, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>SPLOST 2019 Fund</u>	<u>TSPLOST Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 271,365	\$ 270,771	\$ 1,048,707	\$ 1,590,843
Receivables:				
Taxes receivable	8,448	-	-	8,448
Other receivables	13,424	-	-	13,424
Accrued interest receivable	20	-	-	20
Due from other funds	-	16,166	-	16,166
	<u>\$ 293,257</u>	<u>\$ 286,937</u>	<u>\$ 1,048,707</u>	<u>\$ 1,628,901</u>
Total Assets				
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>				
Accounts payable	\$ 53,088	\$ -	\$ -	\$ 53,088
Payroll taxes payable	4,016	-	-	4,016
Accrued salaries	3,836	-	-	3,836
Other liabilities	580	-	-	580
Due to other funds	-	-	1,331	1,331
	<u>61,520</u>	<u>Nil</u>	<u>1,331</u>	<u>62,851</u>
Total Liabilities				
Deferred Inflows of Resources	<u>10,146</u>	<u>Nil</u>	<u>Nil</u>	<u>10,146</u>
	<u>71,666</u>	<u>Nil</u>	<u>1,331</u>	<u>72,997</u>
Total Liabilities and Deferred Inflows of Resources				
<u>FUND BALANCES</u>				
Restricted for:				
Capital projects	-	286,937	1,047,376	1,334,313
Public safety	14,647	-	-	14,647
Unrestricted	206,944	-	-	206,944
	<u>221,591</u>	<u>286,937</u>	<u>1,047,376</u>	<u>1,555,904</u>
Total Fund Balances				
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 293,257</u>	<u>\$ 286,937</u>	<u>\$ 1,048,707</u>	<u>\$ 1,628,901</u>

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, 2021

Total Governmental Fund Balances		\$	1,555,904
<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		\$	3,740,015
Accumulated depreciation		<u>(1,444,967)</u>	2,295,048
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Property taxes		\$	10,146
Net pension benefit		<u>70,792</u>	\$ 80,938
Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and, therefore, are not reported in governmental funds.			
Deferred outflows		\$	38,124
Deferred inflows		<u>(60,404)</u>	(22,280)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences			<u>(3,812)</u>
Total Net Position of Governmental Activities		<u>\$</u>	<u>3,905,798</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, 2021

	<u>General Fund</u>	<u>SPLOST 2019 Fund</u>	<u>TSPLOST Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property taxes	\$ 342,655	\$ -	\$ -	\$ 342,655
Motor vehicle taxes	73,655	-	-	73,655
Mobile home taxes	2,013	-	-	2,013
Franchise taxes	92,244	-	-	92,244
Alcoholic beverage taxes	28,239	-	-	28,239
Business and occupation taxes	13,238	-	-	13,238
Insurance premium taxes	111,151	-	-	111,151
Financial institution taxes	13,553	-	-	13,553
Other taxes	10,046	-	-	10,046
Licenses and permits	37,423	-	-	37,423
Intergovernmental revenues	60,632	-	-	60,632
Charges for services	9,842	-	-	9,842
Fees, fines and forfeitures	56,653	-	-	56,653
Investment income	827	120	4,283	5,230
Other revenues	19,744	-	-	19,744
	<u>871,915</u>	<u>120</u>	<u>4,283</u>	<u>876,318</u>
Total revenues				
EXPENDITURES				
Current operations:				
General city government	218,124	-	-	218,124
Judicial	7,275	-	-	7,275
Public safety	395,146	-	-	395,146
Public works	195,794	-	-	195,794
Community services	7,532	-	-	7,532
Capital:				
Public safety	-	41,418	-	41,418
Public works	-	56,075	205,675	261,750
	<u>823,871</u>	<u>97,493</u>	<u>205,675</u>	<u>1,127,039</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,044	(97,373)	(201,392)	(250,721)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25,641	-	-	25,641
Transfers out	(116,153)	-	-	(116,153)
	<u>(42,468)</u>	<u>(97,373)</u>	<u>(201,392)</u>	<u>(341,233)</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCES, beginning of year	<u>264,059</u>	<u>384,310</u>	<u>1,248,768</u>	<u>1,897,137</u>
FUND BALANCES, end of year	<u>\$ 221,591</u>	<u>\$ 286,937</u>	<u>\$ 1,047,376</u>	<u>\$ 1,555,904</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, 2021

Net change in fund balances - total governmental funds		\$ (341,233)
<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.		237,548
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.		(130,418)
In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		(143)
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, 2021	\$ 10,146	
Deferred property taxes at June 30, 2020	<u>(11,750)</u>	(1,604)
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		23,882
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, 2021	\$ (3,813)	
Liability at June 30, 2020	<u>3,425</u>	(388)
Change in net position in governmental funds		<u><u>\$ (212,356)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Property taxes	\$ 349,000	\$ 342,450	\$ 342,655	\$ 205
Motor vehicle taxes	45,000	70,700	73,655	2,955
Mobile home taxes	2,550	1,600	2,013	413
Franchise taxes	96,980	91,850	92,244	394
Alcoholic beverage taxes	24,000	27,500	28,239	739
Business and occupation taxes	26,000	15,250	13,238	(2,012)
Insurance premium taxes	107,000	111,900	111,151	(749)
Financial institution taxes	-	13,500	13,553	53
Other taxes	6,600	10,000	10,046	46
Licenses and permits	3,500	34,375	37,423	3,048
Intergovernmental revenues	5,500	59,850	60,632	782
Charges for services	25,000	9,800	9,842	42
Fees, fines and forfeitures	91,185	56,500	56,653	153
Investment income	190	690	827	137
Other revenues	13,645	18,350	19,744	1,394
	<u>796,150</u>	<u>864,315</u>	<u>871,915</u>	<u>7,600</u>
EXPENDITURES				
Current operations:				
General city government	213,500	219,410	218,124	1,286
Judicial	5,800	7,500	7,275	225
Public safety	373,700	400,585	395,146	5,439
Public works	140,300	197,330	195,794	1,536
Community services	8,500	8,000	7,532	468
	<u>741,800</u>	<u>832,825</u>	<u>823,871</u>	<u>8,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,350	31,490	48,044	16,554
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	37,500	25,641	(11,859)
Use (return) of prior year surplus	-	160,000	-	(160,000)
Transfers out	(54,350)	(251,545)	(116,153)	135,392
	<u>Nil</u>	<u>(22,555)</u>	<u>(42,468)</u>	<u>(19,913)</u>
NET CHANGE IN FUND BALANCES	Nil	(22,555)	(42,468)	(19,913)
FUND BALANCES, beginning of year	<u>264,059</u>	<u>264,059</u>	<u>264,059</u>	<u>Nil</u>
FUND BALANCES, end of year	<u>\$ 264,059</u>	<u>\$ 241,504</u>	<u>\$ 221,591</u>	<u>\$ (19,913)</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, 2021

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 491,068	\$ 55,048	\$ 546,116
Accounts receivable	29,757	11,070	40,827
Accrued interest receivable	31	-	31
Total current assets	520,856	66,118	586,974
Noncurrent Assets			
Capital assets:			
Nondepreciable assets	6,632	15,000	21,632
Depreciable assets, net	862,348	234,598	1,096,946
Other assets:			
Net pension asset	13,105	-	13,105
Total noncurrent assets	882,085	249,598	1,131,683
Total Assets	1,402,941	315,716	1,718,657
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources	7,057	Nil	7,057
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	9,194	7,855	17,049
Accrued salaries	389	450	839
Accrued interest payable	-	6,168	6,168
Due to other funds	14,835	-	14,835
Compensated absences	153	-	153
Capital lease payable - current portion	-	32,464	32,464
Deposits to secure service	54,510	3,700	58,210
Total current liabilities	79,081	50,637	129,718
Noncurrent Liabilities			
Compensated absences	610	-	610
Capital lease payable, net of current portion	-	213,523	213,523
Total noncurrent liabilities	610	213,523	214,133
Total Liabilities	79,691	264,160	343,851
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources	11,182	Nil	11,182
<u>NET POSITION</u>			
Net investment in capital assets	868,980	3,611	872,591
Unrestricted	450,145	47,945	498,090
Total Net Position	\$ 1,319,125	\$ 51,556	\$ 1,370,681

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, 2021

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUES			
Customer charges	\$ 307,545	\$ 139,118	\$ 446,663
Installation charges	800	-	800
Tap fees	37,900	-	37,900
Penalties	25,930	-	25,930
Miscellaneous	36	-	36
	<u>372,211</u>	<u>139,118</u>	<u>511,329</u>
Total operating revenues			
OPERATING EXPENSES			
Salaries	73,900	6,787	80,687
Employee benefits	15,481	9,711	25,192
Contractual services	19,835	48,545	68,380
Repairs, maintenance and other contractual services	70,238	993	71,231
Communications	604	-	604
Liability and property insurance	3,739	4,536	8,275
Landfill fees	-	12,321	12,321
Supplies and materials	41,957	43,993	85,950
Utilities	20,949	-	20,949
Vehicle gasoline	1,319	1,209	2,528
Depreciation	46,061	12,622	58,683
Other expenses	12,715	1,201	13,916
	<u>306,798</u>	<u>141,918</u>	<u>448,716</u>
Total operating expenses			
OPERATING INCOME (LOSS)	<u>65,413</u>	<u>(2,800)</u>	<u>62,613</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	622	25	647
Interest expense	-	(6,168)	(6,168)
Gain (loss) on sale of assets	11,864	-	11,864
	<u>12,486</u>	<u>(6,143)</u>	<u>6,343</u>
Total nonoperating revenues (expenses)			
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	77,899	(8,943)	68,956
Contributed capital	56,075	-	56,075
Transfers in	96,002	20,151	116,153
CHANGE IN NET POSITION	229,976	11,208	241,184
NET POSITION, beginning of year	<u>1,089,149</u>	<u>40,348</u>	<u>1,129,497</u>
NET POSITION, end of year	<u>\$ 1,319,125</u>	<u>\$ 51,556</u>	<u>\$ 1,370,681</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, 2021

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 367,782	\$ 138,659	\$ 506,441
Cash paid for goods and services	(190,318)	(123,428)	(313,746)
Cash paid to employees for services	(74,406)	(7,075)	(81,481)
Customer deposits received (refunded)	7,225	3,700	10,925
Net cash provided by operating activities	110,283	11,856	122,139
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Net borrowings from other funds	14,835	-	14,835
Net transfers in (out)	96,002	20,151	116,153
Net cash provided by noncapital financing activities	110,837	20,151	130,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property and equipment	(61,057)	(240,978)	(302,035)
Proceeds from sale of property and equipment	11,864	-	11,864
Proceeds from issuance of other long-term debt	-	245,987	245,987
Net cash provided (used) by capital and related financing activities	(49,193)	5,009	(44,184)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends and interest earned	637	25	662
Net cash provided by investing activities	637	25	662
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,564	37,041	209,605
CASH AND EQUIVALENTS, beginning of year	318,504	18,007	336,511
CASH AND EQUIVALENTS, end of year	\$ 491,068	\$ 55,048	\$ 546,116

(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, 2021

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<i>Reconciliation of net income (loss) to net cash provided by operating activities:</i>			
OPERATING INCOME (LOSS)	\$ 65,413	\$ (2,800)	\$ 62,613
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Provision for losses on receivables	2,540	495	3,035
Depreciation	46,062	12,622	58,684
Decrease (increase) in operating assets:			
Accounts receivable	(4,430)	(460)	(4,890)
Pension related deferred outflows of resources	1,650	2,530	4,180
Increase (decrease) in operating liabilities:			
Accounts payable	(3,775)	(3,370)	(7,145)
Accrued salaries	(505)	148	(357)
Accrued leave benefits	-	(436)	(436)
Deposits for services	7,225	3,700	10,925
Net pension liability (benefit)	(1,788)	3,287	1,499
Pension related deferred inflows of resources	(2,109)	(3,860)	(5,969)
	44,870	14,656	59,526
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 110,283</u>	<u>\$ 11,856</u>	<u>\$ 122,139</u>

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:

Contribution of capital: Capital projects through SPLOST Funds

	<u>\$ 56,075</u>	<u>\$ Nil</u>	<u>\$ 56,075</u>
--	------------------	---------------	------------------

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

CITY OF BROOKLET, GEORGIA
Notes to Financial Statements
June 30, 2021

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 organization; 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, 2021, 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 2019 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.

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

B. Basis of Presentation (continued)

TSPLOST 2013 Fund - This fund is used to account for the proceeds of a Transportation Special Purpose Local Option Sales Tax received under an intergovernmental agreement with Bulloch County, Georgia. Proceeds are restricted to use for certain transportation capital improvements.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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 unassigned 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's Georgia 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, 2021, City Council approved a budget amendment which decreased General Fund expenditures by \$91,025.

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.

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

At June 30, 2021, the carrying amount of the City's deposits was \$2,136,959 which is reflected as cash of \$2,136,959. The related bank balance was \$2,146,662. Of this bank balance, \$262,540 was FDIC insured. The uninsured portion was collateralized at 110% with State or U.S. Government securities held by a third party.

Note 3. Detailed Notes on All Funds (continued)

B. Receivables

Receivables at June 30, 2021, 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, 2021 consisted of the following:

Taxes receivable - Current	\$ 2,446
Prior	<u>8,165</u>
Gross receivables	10,611
Allowance for uncollectible accounts	<u>2,163</u>
Total	<u><u>\$ 8,448</u></u>

Other receivables at June 30, 2021, consisted of the following:

	<u>General Fund</u>	<u>Enterprise</u>	<u>Total</u>
Other receivables	\$ 13,424	\$ 50,577	\$ 64,001
Gross receivables	13,424	50,577	64,001
Allowance for uncollectible	<u>-</u>	<u>9,750</u>	<u>9,750</u>
Total	<u><u>\$ 13,424</u></u>	<u><u>\$ 40,827</u></u>	<u><u>\$ 54,251</u></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, 2021 was as follows:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 356,876	\$ -	\$ -	\$ 356,876
Construction-in-progress	101,389	64,570	156,074	9,885
Total nondepreciable capital assets	<u>458,265</u>	<u>64,570</u>	<u>156,074</u>	<u>366,761</u>
Depreciable assets: (as restated)				
Infrastructure	1,692,421	99,999	-	1,792,420
Buildings	708,602	-	-	708,602
Machinery and equipment	397,639	189,633	49,100	538,172
Vehicles	321,683	39,276	26,900	334,059
Total depreciable capital assets	<u>3,120,345</u>	<u>328,908</u>	<u>76,000</u>	<u>3,373,253</u>
Total capital assets	<u>3,578,610</u>	<u>393,478</u>	<u>232,074</u>	<u>3,740,014</u>
Accumulated depreciation: (as restated)				
Infrastructure	610,944	42,075	-	653,019
Buildings	240,095	16,478	-	256,573
Machinery and equipment	330,507	30,842	49,100	312,249
Vehicles	209,003	41,023	26,900	223,126
Total accumulated depreciation	<u>1,390,549</u>	<u>130,418</u>	<u>76,000</u>	<u>1,444,967</u>
Governmental activities capital assets, net	<u>\$ 2,188,061</u>	<u>\$ 263,060</u>	<u>\$ 156,074</u>	<u>\$ 2,295,047</u>
Governmental activities depreciation expense:				
General city government		\$ 10,049		
Public safety		45,619		
Public works		74,664		
Other		86		
Total governmental activities depreciation expense		<u>\$ 130,418</u>		

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Business-Type Activities:				
Nondepreciable capital assets:				
Land	\$ 21,632	\$ -	\$ -	\$ 21,632
Construction-in-progress	164,214	56,075	220,289	-
Total nondepreciable capital assets	<u>185,846</u>	<u>56,075</u>	<u>220,289</u>	<u>21,632</u>
Depreciable capital assets:				
Infrastructure	1,337,921	220,289	-	1,558,210
Buildings and plant	56,404	26,367	-	82,771
Machinery and equipment	120,825	34,690	6,298	149,217
Vehicles	143,781	240,977	18,232	366,526
Total depreciable capital assets	<u>1,658,931</u>	<u>522,323</u>	<u>24,530</u>	<u>2,156,724</u>
Total capital assets	<u>1,844,777</u>	<u>578,398</u>	<u>244,819</u>	<u>2,178,356</u>
Accumulated depreciation:				
Infrastructure	762,812	39,396	-	802,208
Buildings	13,146	1,647	-	14,793
Machinery and equipment	110,886	5,592	6,298	110,180
Vehicles	138,781	12,048	18,232	132,597
Total accumulated depreciation	<u>1,025,625</u>	<u>58,683</u>	<u>24,530</u>	<u>1,059,778</u>
Business-type capital assets, net	<u>\$ 819,152</u>	<u>\$ 519,715</u>	<u>\$ 220,289</u>	<u>\$ 1,118,578</u>
Business-type activities depreciation expense:				
Water		\$ 46,061		
Sanitation		12,622		
Total business-type activities depreciation expense		<u>\$ 58,683</u>		

E. Interfund Balances and Transfers

A summary of interfund receivables/payables at June 30, 2021, is as follows:

	<u>Due to:</u>	
	<u>Capital Projects</u>	<u>SPLOST 2019 Fund</u>
	<u>Total</u>	
Due from:		
Governmental Funds:		
Capital Projects		
TSPLOST	\$ 1,331	\$ 1,331
Proprietary Funds:		
Water Fund	14,835	14,835
Total	<u>\$ 16,166</u>	<u>\$ 16,166</u>

Note 3. Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers (continued)

Amounts due from the SPLOST Fund to the TSPLOST Fund represents amounts reimbursed for water/sewer improvements.

Amounts due from the Water Fund to the SPLOST Fund represents amounts paid in error from the SPLOST fund.

A summary of interfund transfers during the year ended June 30, 2021, is as follows:

	<u>Transfers to:</u>		
	<u>Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Transfers from:			
Governmental funds:			
General Fund	\$ 96,002	\$ 20,151	\$ 116,153
Total governmental funds	<u>96,002</u>	<u>20,151</u>	<u>116,153</u>
Total	<u>\$ 96,002</u>	<u>\$ 20,151</u>	<u>\$ 116,153</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. Short-Term Debt

The City issued tax anticipation notes on January 21, 2009, bearing interest at 4.8%, due June 30, 2010. The notes were issued for cash flow purposes. Changes in the short-term obligations for the year ended June 30, 2021 were as follows:

Balance at December 31, 2020	\$ Nil
Funds advanced	100,100
Repayments	<u>100,100</u>
Balance at June 30, 2021	<u>\$ Nil</u>

Interest on short-term debt incurred during the year ended June 30, 2021 in governmental activities totaled \$527, which was charged to expenditures during the year.

Note 3. Detailed Notes on All Funds (continued)

G. Long-Term Debt

1. Obligation Under Capital Leases

The City has the following capital lease obligations at June 30, 2021:

Capital lease payable to Truist due in annual installments of \$38,934, including interest at 2.63%, through July, 2027, for the acquisition of sanitation equipment	\$ 245,987
Total	<u>\$ 245,987</u>

The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through the capital leases are as follows:

	<u>Business-Type Activities</u>
Sanitation truck	\$ 240,978
Total original cost	240,978
Accumulated depreciation	<u>12,049</u>
Total	<u>\$ 228,929</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

	<u>Business-Type Activities</u>
2022	\$ 38,934
2023	38,934
2024	38,934
2025	38,934
2026	38,934
2027 - 2031	<u>77,866</u>
Total minimum lease payments	272,536
Less: amount representing interest	<u>26,549</u>
Total	<u>\$ 245,987</u>

Note 3. Detailed Notes on All Funds (continued)

2. Changes in Long-Term Debt

Transactions for the year ended June 30, 2021 are summarized as follows:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 3,425	\$ 388	\$ -	\$ 3,813	\$ 763
Total governmental activities	<u>3,425</u>	<u>388</u>	<u>Nil</u>	<u>3,813</u>	<u>763</u>
Business-Type Activities:					
Capital lease obligation	-	245,987	-	245,987	32,464
Compensated absences	<u>1,200</u>	<u>-</u>	<u>437</u>	<u>763</u>	<u>153</u>
Total business-type activities	<u>1,200</u>	<u>245,987</u>	<u>437</u>	<u>246,750</u>	<u>32,617</u>
Total	<u>\$ 4,625</u>	<u>\$ 246,375</u>	<u>\$ 437</u>	<u>\$ 250,563</u>	<u>\$ 33,380</u>

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

H. 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, 2021, the date of the most recent actuarial valuation there were 15 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	4
Terminated vested participants not yet receiving benefits	3
Active employees - vested	3
Active employees - nonvested	<u>5</u>
Total	<u><u>15</u></u>

Note 3. Detailed Notes on All Funds (continued)

H. Pension Plan (continued)

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 2021, the actuarially determined contribution rate was 1.37% of covered payroll. For 2021, the City's contribution to the plan was \$3,443.

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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2020.

Actuarial Assumptions. The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary increases	3.00 %
Investment rate of return	7.38 %

Mortality rates for the January 1, 2021 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, 2021 valuation 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 8.50% to 3.00% and include an inflation assumption of 2.25%. 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, 2020 are summarized in the table below:

Note 3. Detailed Notes on All Funds (continued)

H. Pension Plan (continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45 %	6.40 %
International equity	20 %	7.05 %
Domestic fixed income	20 %	1.15 %
Real Estate	10 %	4.50 %
Global fixed income	5 %	1.25 %
Total	<u>100 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. 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.

3. Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at September 30, 2019	\$ 302,741	\$ 358,738	\$ (55,997)
Changes for the year:			
Service cost	16,383	-	16,383
Interest	22,931	-	22,931
Differences between expected and actual experience	(17,129)	-	(17,129)
Contributions - employer	-	18,508	(18,508)
Contributions - employee	-	-	-
Net investment income	-	34,899	(34,899)
Benefit payments, including refunds of employee contributions	(16,397)	(16,397)	-
Administrative expense	-	(3,322)	3,322
Net changes	<u>5,788</u>	<u>33,688</u>	<u>(27,900)</u>
Balances at September 30, 2020	<u>\$ 308,529</u>	<u>\$ 392,426</u>	<u>\$ (83,897)</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, 2020.

Note 3. Detailed Notes on All Funds (continued)

H. Pension Plan (continued)

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 7.375%, 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 (6.375%) or 1 percentage point higher (8.375%) than the current rate.

	1% Decrease 6.375 %	Current Discount Rate 7.375 %	1% Increase 8.375 %
City's net pension liability	\$ (39,290)	\$ (83,897)	\$ (120,179)

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

For the year ended June 30, 2021, the City recognized pension expense of \$5,643. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,884	\$ (53,644)
Changes in assumptions	1,110	(3,771)
Net difference between projected and actual earnings on pension plan investments	9,477	(14,171)
City contributions subsequent to the measurement date	16,711	-
Total	<u>\$ 45,182</u>	<u>\$ (71,586)</u>

City contributions subsequent to the measurement date of \$16,711 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, 2022. 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	
2022	\$ (18,426)
2023	(17,831)
2024	(1,735)
2025	(5,123)
Total	<u>\$ (43,115)</u>

Note 3. Detailed Notes on All Funds (continued)

I. Equity

Net position on the government-wide statement of assets as of June 30, 2021, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cost of capital assets	\$ 3,740,014	\$ 2,178,356	\$ 5,918,370
Accumulated depreciation	<u>1,444,967</u>	<u>1,059,778</u>	<u>2,504,745</u>
Book value	2,295,047	1,118,578	3,413,625
Less capital related debt	<u>-</u>	<u>245,987</u>	<u>245,987</u>
Investment in capital assets	<u>\$ 2,295,047</u>	<u>\$ 872,591</u>	<u>\$ 3,167,638</u>

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:

<u>Activity</u>	<u>Restricted By</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital projects				
SPLOST capital projects	Law	\$ 1,047,376	\$ -	\$ 1,047,376
TSPLOST capital projects	Law	<u>286,937</u>	<u>-</u>	<u>286,937</u>
Total capital projects		1,334,313	-	1,334,313
Public safety	Law	<u>14,647</u>	<u>-</u>	<u>14,647</u>
Total restricted net position		<u>\$ 1,348,960</u>	<u>\$ -</u>	<u>\$ 1,348,960</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, 2021. No provisions have been made in the financial statements for the year ended June 30, 2021 for any estimate of potential unpaid claims.

Note 4. Other Notes (continued)

A. Risk Management (continued)

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.

B. Contingencies and Pending Litigation

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

C. Other

In March, 2020, the World Health Organization declared the novel coronavirus (Covid-19) a pandemic. There have been mandates from federal, state and local authorities requiring temporary closure of various schools, businesses and other facilities and organizations. In order to mitigate the additional financial burden placed on local governments by these circumstances, the State of Georgia provided funding to the City under the Cares Act, approved by Congress on March 25, 2020. The pandemic has impacted all local governments in terms of additional costs and reduced revenues. While this impact is expected to be temporary, the continued spread of Covid-19 and its impact on social interaction, travel, economies and financial markets may adversely affect the City's operations and financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 16,383	\$ 16,327	\$ 18,485	\$ 18,660	\$ 11,733	\$ 2,277	\$ 6,179
Interest on total pension liability	22,931	20,605	20,806	25,208	22,766	21,468	26,026
Difference between expected and actual experience	(17,129)	23,780	(19,622)	(90,390)	21,693	16,257	(67,099)
Changes of assumptions	-	(6,287)	-	3,328	-	-	-
Benefit payments, including refund of employee contributions	(16,397)	(20,191)	(20,192)	(26,086)	(23,262)	(23,263)	(22,154)
Other	-	-	-	-	-	-	(1,210)
Net change in total pension liability	5,788	34,234	(523)	(69,280)	32,930	16,739	(58,258)
Total pension liability - beginning	302,741	268,507	269,030	338,310	305,380	288,641	346,899
Total pension liability - ending (a)	\$ 308,529	\$ 302,741	\$ 268,507	\$ 269,030	\$ 338,310	\$ 305,380	\$ 288,641
Plan fiduciary net position							
Contributions - employer	\$ 18,508	\$ 18,318	\$ 18,323	\$ 13,447	\$ 6,226	\$ 13,182	\$ 22,507
Net investment income	34,899	10,514	32,219	43,628	31,118	3,755	30,375
Benefit payments, including refunds of member contributions	(16,397)	(20,191)	(20,192)	(26,086)	(23,262)	(23,263)	(22,154)
Administrative expenses	(3,322)	(3,254)	(3,629)	(3,830)	(1,884)	(1,996)	(1,641)
Net change in plan fiduciary net position	33,688	5,387	26,721	27,159	12,198	(8,322)	29,087
Plan fiduciary net position - beginning	358,738	353,351	326,630	299,471	287,273	295,595	266,508
Plan fiduciary net position - ending (b)	\$ 392,426	\$ 358,738	\$ 353,351	\$ 326,630	\$ 299,471	\$ 287,273	\$ 295,595
City's net pension liability - ending (a)-(b)	\$ (83,897)	\$ (55,997)	\$ (84,844)	\$ (57,600)	\$ 38,839	\$ 18,107	\$ (6,954)
Plan fiduciary net position as a percentage of the total pension liability	127.19 %	118.50 %	131.60 %	121.41 %	88.52 %	94.07 %	102.41 %
Covered-employee payroll	\$ 249,388	\$ 389,459	\$ 329,085	\$ 336,360	\$ 403,375	\$ 285,587	\$ 176,624
Net pension liability as a % of covered-employee payroll	(33.64)%	(14.38)%	(25.78)%	(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

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	--	1 \$ 18,199	\$ 20,380	\$ 17,637	\$ 12,050	\$ 4,284	\$ 16,148
Contributions in relation to the actuarially determined contribution	--	1 \$ 18,199 ²	20,380	16,633	13,054	4,284	17,995
Contribution deficiency (excess)	--	1 \$ Nil	Nil	1,004	(1,004)	Nil	Nil
Covered-employee payroll	--	1 \$ 389,459 ³	\$ 329,085	\$ 336,360	\$ 403,375	\$ 285,587	\$ 176,624
Contributions as a percentage of covered-employee payroll	--	1 4.67 %	6.19 %	4.94 %	3.24 %	1.50 %	10.19 %

¹ 2021 information will be determined after fiscal year end and will be included in the 2022 valuation report.

² Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in the receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

³ 2020 covered payroll is based on data collected as of September 30, 2019 for the 2020 actuarial valuation.

Notes to Schedule of Contributions:

Valuation Date: The actuarially determined contribution rate was determined as of January 1, 2021, 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, 2022.

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 7.375%
- Projected salary increases 2.25% 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
- Actuarial Valuation History for Notes to Schedules: This exhibit describes assumption and benefit changes reflected in the last two fiscal years. For earlier changes, please see prior valuation reports.

Changes of Assumptions:

- Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:
 - The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
 - The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

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

Notes to Schedule of Contributions: (Continued)
Actuarial Assumptions: (Continued)
Actuarial Valuation History for Notes to Schedules: (Continued)
Changes of Assumptions: (Continued)

- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex distinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct rates under the 2019 OASDI Trustees Report used for the intermediate alternative. Previously future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.
- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

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.H.

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, 2021
With Comparative Totals for the Year Ended June 30, 2020

	2021				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2020 Actual
REVENUES					
Taxes:					
Property taxes	\$ 349,000	\$ 342,450	\$ 342,655	\$ 205	\$ 338,486
Motor vehicle taxes	45,000	70,700	73,655	2,955	49,010
Mobile home taxes	2,550	1,600	2,013	413	2,136
Franchise taxes	96,980	91,850	92,244	394	97,639
Alcoholic beverage taxes	24,000	27,500	28,239	739	26,067
Business and occupation taxes	26,000	15,250	13,238	(2,012)	20,557
Insurance premium taxes	107,000	111,900	111,151	(749)	105,371
Financial institution taxes	-	13,500	13,553	53	11,011
Other taxes	6,600	10,000	10,046	46	6,768
Licenses and permits	3,500	34,375	37,423	3,048	52,862
Intergovernmental revenues	5,500	59,850	60,632	782	29,911
Charges for services	25,000	9,800	9,842	42	30,747
Fees, fines and forfeitures	91,185	56,500	56,653	153	112,718
Investment income	190	690	827	137	889
Other revenues	13,645	18,350	19,744	1,394	16,860
	<u>796,150</u>	<u>864,315</u>	<u>871,915</u>	<u>7,600</u>	<u>901,032</u>
Total revenues					
EXPENDITURES					
Current operations:					
General city government					
Legislative	12,000	14,000	13,650	350	12,000
Administration	201,500	205,410	204,474	936	216,493
Judicial					
Municipal court	5,800	7,500	7,275	225	5,600
Public safety					
Police	373,700	400,585	395,146	5,439	438,626
Public works					
Street	131,000	185,330	185,180	150	145,548
Cemetery	9,300	12,000	10,614	1,386	-
Community services					
Community center	8,500	8,000	7,532	468	2,577
	<u>741,800</u>	<u>832,825</u>	<u>823,871</u>	<u>8,954</u>	<u>820,844</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	54,350	31,490	48,044	16,554	80,188

(Continued)

CITY OF BROOKLET, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	2021				2020 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ -	\$ 37,500	\$ 25,641	\$ (11,859)	\$ -
Use (return) of prior year surplus	-	160,000	-	(160,000)	-
Transfers in	-	-	-	-	80,873
Transfers out	(54,350)	(251,545)	(116,153)	135,392	(35,743)
NET CHANGE IN FUND BALANCES	Nil	(22,555)	(42,468)	(19,913)	125,318
FUND BALANCES, beginning of year	264,059	264,059	264,059	Nil	138,741
FUND BALANCES, end of year	<u>\$ 264,059</u>	<u>\$ 241,504</u>	<u>\$ 221,591</u>	<u>\$ (19,913)</u>	<u>\$ 264,059</u>

CITY OF BROOKLET, GEORGIA
SPLOST 2019 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	<u>2021</u>			<u>2020</u> Actual
	<u>Budget</u> (Original and Final)	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
Intergovernmental revenues:				
SPLOST Revenues	\$ 119,333	\$ -	\$ (119,333)	\$ 716,000
Investment income	-	120	120	712
Total revenues	<u>119,333</u>	<u>120</u>	<u>(119,213)</u>	<u>716,712</u>
EXPENDITURES				
Capital:				
General city government	-	-	-	19,970
Public safety	77,000	38,676	38,324	146,643
Public works	42,333	58,817	(16,484)	165,789
Total expenditures	<u>119,333</u>	<u>97,493</u>	<u>21,840</u>	<u>332,402</u>
NET CHANGE IN FUND BALANCES	Nil	(97,373)	(97,373)	384,310
FUND BALANCES, beginning of year	<u>384,310</u>	<u>384,310</u>	Nil	<u>Nil</u>
FUND BALANCES, end of year	<u>\$ 384,310</u>	<u>\$ 286,937</u>	<u>\$ (97,373)</u>	<u>\$ 384,310</u>

CITY OF BROOKLET, GEORGIA
TSPLOST Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2021
With Comparative Totals for the Year Ended June 30, 2020

	<u>2021</u>			<u>2020</u> Actual
	<u>Budget</u> <u>(Original and</u> <u>Final)</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
TSPLOST Revenues	\$ 384,000	\$ -	\$ (384,000)	\$ -
Investment income	-	4,283	4,283	17,271
Total revenues	<u>384,000</u>	<u>4,283</u>	<u>(379,717)</u>	<u>17,271</u>
EXPENDITURES				
Capital:				
Public works	384,000	205,675	178,325	231,100
Total expenditures	<u>384,000</u>	<u>205,675</u>	<u>178,325</u>	<u>231,100</u>
NET CHANGE IN FUND BALANCES	Nil	(201,392)	(201,392)	(213,829)
FUND BALANCES, beginning of year	1,248,768	1,248,768	Nil	1,462,597
FUND BALANCES, end of year	<u>\$ 1,248,768</u>	<u>\$ 1,047,376</u>	<u>\$ (201,392)</u>	<u>\$ 1,248,768</u>

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Customer charges	\$ 307,545	\$ 280,062
Installation charges	800	1,550
Tap fees	37,900	6,100
Penalties	25,930	21,360
Miscellaneous	36	1,188
Total operating revenues	372,211	310,260
OPERATING EXPENSES		
Salaries	73,900	81,349
Employee benefits	15,481	35,644
Contractual services	19,835	13,244
Repairs, maintenance and other contractual services	70,238	32,192
Communications	604	608
Liability and property insurance	3,739	4,068
Travel and training	-	150
Supplies and materials	41,957	13,459
Utilities	20,949	22,706
Vehicle gasoline	1,319	1,466
Depreciation	46,061	43,428
Other expenses	12,715	8,689
Total operating expenses	306,798	257,003
OPERATING INCOME	65,413	53,257
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	622	800
Gain (loss) on sale of assets	11,864	-
Total nonoperating revenues (expenses)	12,486	800
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	77,899	54,057
Contributed capital	56,075	164,214
Transfers in	96,002	35,743
CHANGE IN NET POSITION	229,976	254,014
NET POSITION, beginning of year	1,089,149	835,135
NET POSITION, end of year	\$ 1,319,125	\$ 1,089,149

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 367,782	\$ 306,531
Cash paid for goods and services	(190,318)	(123,856)
Cash paid to employees for services	(74,406)	(81,009)
Customer deposits received (refunded)	7,225	1,994
Net cash provided by operating activities	110,283	103,660
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net borrowings from other funds	14,835	-
Net transfers in (out)	96,002	35,742
Net cash provided by noncapital financing activities	110,837	35,742
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(61,057)	-
Proceeds from sale of property and equipment	11,864	-
Net cash by capital and related financing activities	(49,193)	Nil
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends and interest earned	637	805
Net cash provided by investing activities	637	805
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,564	140,207
CASH AND EQUIVALENTS, beginning of year	318,504	178,297
CASH AND EQUIVALENTS, end of year	\$ 491,068	\$ 318,504

(Continued)

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
<i>Reconciliation of net income to net cash provided by operating activities:</i>		
OPERATING INCOME	\$ 65,413	\$ 53,257
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	2,540	3,096
Depreciation	46,062	43,428
Decrease (increase) in operating assets:		
Accounts receivable	(4,430)	(3,732)
Pension related deferred outflows of resources	1,650	(2,972)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,775)	8,243
Accrued salaries	(505)	895
Accrued leave benefits	-	(555)
Deposits for services	7,225	1,994
Net pension liability (benefit)	(1,788)	4,082
Pension related deferred inflows of resources	(2,109)	(4,076)
	44,870	50,403
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 110,283	\$ 103,660

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:		
Contribution of property and equipment through SPLOST funds	\$ 56,075	\$ 164,214

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Customer charges	\$ 139,118	\$ 119,182
Total operating revenues	139,118	119,182
OPERATING EXPENSES		
Salaries	6,787	24,356
Employee benefits	9,711	5,189
Contractual services	48,545	73,697
Repairs, maintenance and other contractual services	993	-
Liability and property insurance	4,536	971
Landfill fees	12,321	-
Supplies and materials	43,993	-
Vehicle gasoline	1,209	-
Depreciation	12,622	574
Other expenses	1,201	2,928
Total operating expenses	141,918	107,715
OPERATING INCOME (LOSS)	(2,800)	11,467
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	25	43
Interest expense	(6,168)	-
Total nonoperating revenues (expenses)	(6,143)	43
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(8,943)	11,510
Transfers in	20,151	-
Transfers out	-	(42,791)
CHANGE IN NET POSITION	11,208	(31,281)
NET POSITION, beginning of year	40,348	71,629
NET POSITION, end of year	\$ 51,556	\$ 40,348

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 138,659	\$ 116,110
Cash paid for goods and services	(123,428)	(76,975)
Cash paid to employees for services	(7,075)	(23,696)
Customer deposits received (refunded)	3,700	-
Net cash provided by operating activities	11,856	15,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	20,151	(42,791)
Net cash provided (used) by noncapital financing activities	20,151	(42,791)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(240,978)	(5,000)
Proceeds from issuance of long-term debt	245,987	-
Net cash provided (used) by capital and related financing activities	5,009	(5,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and interest earned	25	43
Net cash provided by investing activities	25	43
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,041	(32,309)
CASH AND EQUIVALENTS, beginning of year	18,007	50,316
CASH AND EQUIVALENTS, end of year	\$ 55,048	\$ 18,007
<i>Reconciliation of net income (loss) to net cash provided by operating activities:</i>		
OPERATING INCOME (LOSS)	\$ (2,800)	\$ 11,467
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	495	1,747
Depreciation	12,622	573
Decrease (increase) in operating assets:		
Accounts receivable	(460)	(3,070)
Pension related deferred outflows of resources	2,530	(2,529)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,370)	6,018
Accrued salaries	148	303
Accrued leave benefits	(436)	357
Deposits for services	3,700	-
Net pension liability (benefit)	3,287	(3,287)
Pension related deferred inflows of resources	(3,860)	3,860
Total adjustments	14,656	3,972
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,856	\$ 15,439

OTHER REPORTS

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 7, 2022.

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 questioned costs as Finding 2021-001 and 2021-002 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 2021-3 and Finding 2021-4.

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, Hunter and Colson, P. C.

Statesboro, Georgia
March 7, 2022

CITY OF BROOKLET, GEORGIA
Schedule of Findings and Questioned Costs
June 30, 2021

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 2021 - 001:

Criteria: An important element of a system of internal controls is a well maintained and accurate filing system.

Condition: During our audit, we noted that invoices for both the year being audited and the subsequent period were filed together.

Context: Failure to correctly maintain vendor files means that the City's expenditures may be difficult to substantiate due to the difficulty of locating the appropriate invoices.

Cause: It appears that the errors were caused by a lack of understanding on the part of the accounting personnel.

Effect: Failure to file invoices for each fiscal year makes lookback for a specific invoice difficult in future periods. In addition, failure to correctly maintain the invoices by year could cause the City to incorrectly destroy documents in violation of its records retention plan.

Recommendation: We recommend that the City's vendor files for each fiscal year be maintained separately to facilitate adequate substantiation of expenditures.

Comments: Management agrees with the finding of the auditors. All invoices and receiving documentation such as receipts, packing slips, and other related documentation will be filed annually. COB employees will attach a receiving report to each invoice prior to payment. On the receiving report, the employee receiving the merchandise/service must sign and acknowledge that all merchandise/service had been received or completed. The receiving report will be approved by the City Clerk and authorized for payment by the mayor. All invoices, receiving reports, and copies of checks will be filed by fiscal year. All records will be maintained based on the Georgia Secretary of State's record retention guidance.

Schedule of Findings and Questioned Costs (continued)

Finding 2021 - 002:

Criteria: A critical element of the City's internal controls over utility revenues and receivables is the adequate documentation of adjustments to customer accounts.

Condition: During our audit, we noted that no formal documentation existed for the adjustments selected for testing.

Context: Of the ten items selected for testing, inadequate documentation existed for seven.

Cause: It appears that the inadequate documentation was due to a lack of understanding of the importance of this element.

Effect: Because the City has a small staff, and therefore little segregation of duties, failure to adequately document and approve utility adjustments puts the City at risk that accounts may be inappropriately adjusted to cover misappropriation of revenues.

Recommendation: We recommend that the City implement use of a standardized adjustment form for all account adjustments, indicating such information as the corrected meter reading for re-reads, other relevant circumstances, and indicating the individual who approved the adjustment. We also recommend that the council member who supervises the administrative office periodically review and approve such adjustments.

Comments: Management agrees with the finding of the auditors. All utility adjustments will be documented on a "Request for Adjustment Form". The staff member receiving the form will document the need for adjustment. A secondary staff member must approve any and all utility adjustments prior to amending the charged amount on the utility account in QS1. The mayor will be made aware of all utility adjustments monthly. All utility adjustments will be kept by fiscal year in a folder.

Schedule of Findings and Questioned Costs (continued)

Finding 2021 - 003:

Criteria: Georgia law requires that SPLOST funds be expended for capital projects approved by voters and that TSPLOST funds be expended for transportation specific capital projects.

Condition: During the year ended June 30, 2021, we noted that SPLOST funds were used to pay for the City's maintenance contract on its water tank which is an operational and maintenance item rather than a capitalizable project. In addition, SPLOST funds were used for street improvements which were not an allowable SPLOST expenditure, while TSPLOST funds were used to pay engineering expenses related to a water system expansion project.

Context: The amount spent from SPLOST for the maintenance contract was \$14,835. The street improvements paid in error from SPLOST totaled \$2,406.25 while the amount spent from TSPLOST for the water project was \$1,075.

Cause: It appears that the errors were made due to oversight.

Effect: The noted expenditures were a violation of Georgia law regarding the allowable use of SPLOST and TSPLOST funds. Further, use of funds for such purposes puts the City at risk of not having sufficient funds to complete all projects anticipated in the voter referendum that created such tax.

Recommendation: We recommend that the City immediately repay the items from appropriate funds, and that all future funds be reviewed for compliance prior to paying items from restricted purpose funds such as SPLOST and TSPLOST.

Comments: Management agrees with the finding of the auditors. Management has implemented a system whereby purchases must have a purchase order. On the purchase order, the fiscal year will appear, the vendor information, authorization identifier, items approved for purchase for a maximum approval amount will be listed. Additionally, the department code along with funding source will be identified. The receiving employee will sign and return the receiving report to the City Clerk's Office. Once invoices are received, the Clerk or designee will match receiving reports with invoices for payment. The Clerk signs the receiving report along with the mayor authorizing payment. Invoices will be paid twice monthly. The Clerk will print a summarized list of invoices for payment with funding sources for approval by the Council member over Finance or designee for the COB.

Schedule of Findings and Questioned Costs (continued)

Finding 2021 - 004:

Criteria: The City's employee handbook specifies that all employees who are considered to be employed full-time under the Affordable Care Act are eligible for City sponsored health insurance.

Condition: During our audit, we noted that the City's monthly health insurance premiums billed for the year ended June 30, 2021 included an employee who was part time, as well as an independent contractor.

Context: The additional premiums totaled \$1,574 per month.

Effect: Covering individuals under the City's group health insurance plan who are not considered full-time employees under the Affordable Care Act causes the City to incur costs which are not considered reasonable and necessary to the operation of the City. Further, failure to follow the City's policy as stated in its employee handbook subjects the City to potential claims of discrimination for other individual who fall into the same employment or contractor classification

Recommendation: We recommend that the City immediately review all covered individuals to verify that they meet eligibility requirements under the City's policy as stated in the employee handbook, and that all individuals not meeting the stated qualification be notified that they no longer qualify for coverage. We also recommend that the City notify its insurance carrier that such individuals should be removed from the City's plan.

Comments: Management agrees with the finding of the auditors. The City will ensure only eligible employees receive health-care coverage. City Attorney Hugh Hunter will provide legal advice in notifying any employee who is not eligible for healthcare coverage.

CITY OF BROOKLET, GEORGIA
Schedule of SPLOST Expenditures
For the Year Ended June 30, 2021

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
2019 SPLOST					
Recreational facilities and equipment	\$ 290,000	\$ 290,337	\$ 19,970	\$ Nil	\$ 19,970
Public safety facilities and equipment	172,000	172,200	146,643	38,676	185,319
Water capital projects	<u>254,000</u>	<u>254,305</u>	<u>165,789</u>	<u>58,817</u>	<u>224,606</u>
Total	<u>\$ 716,000</u>	<u>\$ 716,842</u>	<u>\$ 332,402</u>	<u>\$ 97,493</u>	<u>429,895</u>

CITY OF BROOKLET, GEORGIA
Schedule of Transportation SPLOST Expenditures
For the Year Ended June 30, 2021

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Estimated Cost</u>	<u>Prior Years (As Restated)</u>	<u>Current Year</u>	<u>Total</u>
Project					
Roads, streets and bridges	\$ 1,920,000	\$ 1,711,888	\$ 299,302	\$ 7,399	\$ 306,701
Equipment for street construction and maintenance		200,000	5,900	189,776	195,676
Drainage improvements	-	35,000	31,631	Nil	31,631
Other street improvements	-	Nil	Nil	8,500	8,500
Total	<u>\$ 1,920,000</u>	<u>\$ 1,946,888</u>	<u>\$ 336,833</u>	<u>\$ 205,675</u>	<u>\$ 542,508</u>