

Note 1. Summary of Significant Accounting Policies (continued)

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

3. *Interfund Balances*

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

4. *Interfund Activities*

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

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

5. *Inventories and Prepaid Expenses*

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

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

6. *Capital Assets*

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

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 assigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

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

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

11. Operating Revenues and Expenses

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

12. Pensions

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

Note 1. Summary of Significant Accounting Policies (continued)

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

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

14. Comparative Data

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

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

During the fiscal year ended June 30, 2017, City Council approved a budget amendment which decreased General Fund Expenditures by \$212,060.

The legal level of budgetary control is the department level.

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

B. Excess of Expenditures over Appropriations

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

General Fund		
General city government: Administration	\$	18,696
Public works: Streets	\$	50,162

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

At June 30, 2017, the carrying amount of the City's deposits was \$458,289 which is reflected as cash of \$458,289. The related bank balance was \$473,054. Of this bank balance, \$257,028 was FDIC insured. The uninsured portion was collateralized at 110% with State or U.S. Government securities held by a third party.

B. Receivables

Receivables at June 30, 2017, 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, 2017 consist of the following:

Taxes receivable - Current	\$ 3,440
Prior	<u>20,622</u>
Gross receivables	24,062
Allowance for uncollectible accounts	<u>3,476</u>
Total	<u>\$ 20,586</u>

Other receivables at June 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>Enterprise</u>	<u>Total</u>
Intergovernmental receivables	\$ 6,261	\$ -	\$ 6,261
Other receivables	<u>11,164</u>	<u>36,696</u>	<u>47,860</u>
Gross receivables	17,425	36,696	54,121
Allowance for uncollectible	<u>-</u>	<u>4,644</u>	<u>4,644</u>
Total	<u>\$ 17,425</u>	<u>\$ 32,052</u>	<u>\$ 49,477</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, 2017 was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 276,876	\$ 80,000	\$ -	\$ 356,876
Total nondepreciable capital assets	<u>276,876</u>	<u>80,000</u>	<u>Nil</u>	<u>356,876</u>
Depreciable assets: (as restated)				
Infrastructure	1,385,610	79,352	-	1,464,962
Buildings	524,085	81,345	-	605,430
Machinery and equipment	333,530	3,521	-	337,051
Vehicles	219,539	-	-	219,539
Total depreciable capital assets	<u>2,462,764</u>	<u>164,218</u>	<u>-</u>	<u>2,626,982</u>
Total capital assets	<u>2,739,640</u>	<u>244,218</u>	<u>Nil</u>	<u>2,983,858</u>
Accumulated depreciation: (as restated)				
Infrastructure	466,289	34,035	-	500,324
Buildings	181,327	13,143	-	194,470
Machinery and equipment	287,064	10,811	-	297,875
Vehicles	114,931	25,182	-	140,113
Total accumulated depreciation	<u>1,049,611</u>	<u>83,171</u>	<u>Nil</u>	<u>1,132,782</u>
Governmental activities capital assets, net	<u>\$ 1,690,029</u>	<u>\$ 161,047</u>	<u>\$ Nil</u>	<u>\$ 1,851,076</u>
Governmental activities depreciation expense:				
General city government		\$ 9,688		
Public safety		24,036		
Public works		<u>49,447</u>		
Total governmental activities depreciation expense		<u>\$ 83,171</u>		

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Business-Type Activities:				
Nondepreciable capital assets:				
Land	\$ 21,632	\$ -	\$ -	\$ 21,632
Total nondepreciable capital assets	<u>21,632</u>	Nil	Nil	<u>21,632</u>
Depreciable capital assets:				
Infrastructure	1,242,637	-	-	1,242,637
Buildings and plant	56,404	-	-	56,404
Machinery and equipment	120,825	-	-	120,825
Vehicles	<u>138,780</u>	<u>-</u>	<u>-</u>	<u>138,780</u>
Total depreciable capital assets	<u>1,558,646</u>	<u>-</u>	<u>-</u>	<u>1,558,646</u>
Total capital assets	<u>1,580,278</u>	<u>Nil</u>	<u>Nil</u>	<u>1,580,278</u>
Accumulated depreciation:				
Infrastructure	626,144	33,109	-	659,253
Buildings	6,996	1,537	-	8,533
Machinery and equipment	85,867	6,989	-	92,856
Vehicles	<u>138,780</u>	<u>-</u>	<u>-</u>	<u>138,780</u>
Total accumulated depreciation	<u>857,787</u>	<u>41,635</u>	<u>Nil</u>	<u>899,422</u>
Business-type capital assets, net	<u>\$ 722,491</u>	<u>\$ (41,635)</u>	<u>\$ Nil</u>	<u>\$ 680,856</u>
Business-type activities depreciation expense:				
Water		\$ 41,061		
Sanitation		<u>574</u>		
Total business-type activities depreciation expense		<u>\$ 41,635</u>		

Note 3. Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers

A summary of interfund transfers during the year ended June 30, 2017, is as follows:

	<u>Transfers to:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Enterprise Fund Sanitation Fund</u>	
Transfers from:				
Governmental funds:				
General Fund	\$ -	\$ 400	\$ 13,959	\$ 14,359
Total governmental funds	Nil	400	13,959	14,359
Proprietary funds:				
Water Fund	119,909	-	-	119,909
Total proprietary funds	119,909	Nil	Nil	119,909
Total	<u>\$ 119,909</u>	<u>\$ 400</u>	<u>\$ 13,959</u>	<u>\$ 134,268</u>

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

F. Long-Term Debt

1. Changes in Long-Term Debt

Transactions for the year ended June 30, 2017 are summarized as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Net pension liability	\$ 15,507	\$ 17,755	\$ -	\$ 33,262	\$ -
Compensated absences	6,094	-	339	5,755	1,151
Total governmental activities	21,601	17,755	339	39,017	1,151
Business-Type Activities:					
Net pension liability	2,600	2,977	-	5,577	-
Compensated absences	670	-	45	625	125
Total business-type activities	3,270	2,977	45	6,202	125
Total	<u>\$ 24,871</u>	<u>\$ 20,732</u>	<u>\$ 384</u>	<u>\$ 45,219</u>	<u>\$ 1,276</u>

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

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan

1. Plan Description

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

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

Plan Membership. At January 1, 2017, the date of the most recent actuarial valuation there were 19 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	4
Terminated vested participants not yet receiving benefits	2
Active employees - vested	2
Active employees - nonvested	11
Total	<u>19</u>

Contributions. Participating employees are not required to contribute to the plan. The City is subject to the minimum funding standards of the Georgia Public Retirement Systems Standards law (Georgia Code Section 47-20-10). The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2017, the actuarially determined contribution rate was 4.30% of covered payroll. For 2017, the City's contribution to the Plan was \$17,637.

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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 %
Salary increases	3.75 %
Investment rate of return	7.75 %

Mortality rates for the January 1, 2017 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, 2017 were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

The salary increase assumptions range from 3.75% to 8.75% and include an inflation assumption of 3.25%. 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, 2016 are summarized in the table below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45 %	6.75 %
International equity	20 %	7.45 %
Real Estate	10 %	4.55 %
Global fixed income	5 %	3.30 %
Domestic fixed income	<u>20 %</u>	<u>1.50 %</u>
Total	<u><u>100 %</u></u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The discount rates did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that City contribution will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

3. Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2015	\$ 305,380	\$ 287,273	\$ 18,107
Changes for the year:			
Service cost	11,733	-	11,733
Interest	22,766	-	22,766
Differences between expected and actual experience	21,693	-	21,693
Contributions - employer	-	6,226	(6,226)
Contributions - employee	-	-	-
Net investment income	-	31,118	(31,118)
Benefit payments, including refunds of employee contributions	(23,262)	(23,262)	-
Administrative expense	-	(1,884)	1,884
Net changes	32,930	12,198	20,732
Balances at September 30, 2016	\$ 338,310	\$ 299,471	\$ 38,839

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, 2016.

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 7.75%, 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 (6.75%) or 1 percentage point higher (8.75%) than the current rate.

	1% Decrease 6.75 %	Current Discount Rate 7.75 %	1% Increase 8.75 %
City's net pension liability	\$ 77,007	\$ 38,839	\$ 7,548

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$4,502. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,833	\$ (16,775)
Changes in assumptions	11,211	(303)
Net difference between projected and actual earnings on pension plan investments	-	(11,576)
City contributions subsequent to the measurement date	<u>10,042</u>	<u>-</u>
Total	<u>\$ 49,086</u>	<u>\$ (28,654)</u>

City contributions subsequent to the measurement date of \$10,042 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, 2018. 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

2018	\$ (10,345)
2019	6,733
2020	8,687
2021	1,699
2022	<u>3,616</u>
Total	<u>\$ 10,390</u>

H. Equity

Net position on the government-wide statement of assets as of June 30, 2017, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cost of capital assets	\$ 2,983,858	\$ 1,580,278	\$ 4,564,136
Accumulated depreciation	<u>1,132,782</u>	<u>899,422</u>	<u>2,032,204</u>
Book value	1,851,076	680,856	2,531,932
Less capital related debt	-	-	-
Investment in capital assets	<u>\$ 1,851,076</u>	<u>\$ 680,856</u>	<u>\$ 2,531,932</u>

Note 3. Detailed Notes on All Funds (continued)

H. Equity (continued)

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

<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	\$ 5,002	\$ -	\$ 5,002
Public safety	Law	14,507	-	14,507
Total restricted net position		<u>\$ 19,509</u>	<u>\$ -</u>	<u>\$ 19,509</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, 2017. No provisions have been made in the financial statements for the year ended June 30, 2017 for any estimate of potential unpaid claims.

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

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

B. Contingencies and Pending Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to the schedule:

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

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

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

* 2017 Information will be determined after fiscal year end and will be included in the 2016 valuation report

Notes to schedule of Contributions:

Valuation Date: The actuarially determined contribution rate was determined as of January 1, 2017, 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, 2018.

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	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
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	7.75%
Projected salary increases	3.25% 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.
Changes in methods and assumptions:	As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.
Benefit Changes:	There were no changes in benefit provisions in the last two fiscal years.

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

For information regarding assumptions and amortization methods, see Note 3.G.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BROOKLET, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	2017				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2016 Actual
REVENUES					
Taxes:					
Property taxes	\$ 229,500	\$ 278,250	\$ 247,406	\$ (30,844)	\$ 218,131
Motor vehicle taxes	36,000	30,000	34,348	4,348	35,741
Mobile home taxes	1,250	25,000	1,367	(23,633)	1,444
Franchise taxes	86,500	90,500	90,860	360	88,188
Alcoholic beverage taxes	25,000	20,000	24,231	4,231	23,794
Business and occupation taxes	15,000	16,000	11,003	(4,997)	13,393
Insurance premium taxes	87,000	91,410	87,068	(4,342)	80,381
Financial institution taxes	4,500	4,500	4,277	(223)	4,159
Other taxes	6,000	6,000	4,986	(1,014)	6,085
Licenses and permits	28,250	34,525	43,896	9,371	43,888
Intergovernmental revenues	22,000	34,000	95,538	61,538	18,213
Charges for services	15,000	12,000	17,760	5,760	16,970
Fees, fines and forfeitures	139,500	161,000	101,977	(59,023)	154,445
Investment income	200	75	244	169	339
Other revenues	600	600	2,752	2,152	5,515
	<u>696,300</u>	<u>803,860</u>	<u>767,713</u>	<u>(36,147)</u>	<u>710,686</u>
EXPENDITURES					
Current operations:					
General city government					
Legislative	14,500	14,500	12,698	1,802	12,200
Administration	213,385	235,410	254,106	(18,696)	220,503
Judicial					
Municipal court	10,500	8,500	5,000	3,500	10,000
Public safety					
Police	351,965	427,400	388,975	38,425	368,094
Public works					
Street	186,950	303,550	353,712	(50,162)	185,448
	<u>777,300</u>	<u>989,360</u>	<u>1,014,491</u>	<u>(25,131)</u>	<u>796,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(81,000)	(185,500)	(246,778)	(61,278)	(85,559)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	1,000	500	6,000	5,500	11,233
Transfers in	80,000	185,000	119,909	(65,091)	130,896
Transfers out	-	-	(14,359)	(14,359)	(1,983)
	<u>-</u>	<u>-</u>	<u>(14,359)</u>	<u>(14,359)</u>	<u>(1,983)</u>
NET CHANGE IN FUND BALANCES	Nil	Nil	(135,228)	(135,228)	54,587
FUND BALANCES, beginning of year	<u>221,773</u>	<u>221,773</u>	<u>221,773</u>	Nil	<u>167,186</u>
FUND BALANCES, end of year	<u>\$ 221,773</u>	<u>\$ 221,773</u>	<u>\$ 86,545</u>	<u>\$ (135,228)</u>	<u>\$ 221,773</u>

CITY OF BROOKLET, GEORGIA
Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u> <u>Actual</u>
	<u>Budget</u> <u>(Original and</u> <u>Final)</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
Charges for services:				
Cemetery fees	\$ 2,500	\$ 1,200	\$ (1,300)	\$ -
Investment income	50	137	87	138
Contributions from private sources	450	2,700	2,250	1,000
Total revenues	<u>3,000</u>	<u>4,037</u>	<u>1,037</u>	<u>1,138</u>
EXPENDITURES				
Current operations:				
Public works				
Cemetery and beautification	8,550	5,676	2,874	6,899
Total expenditures	<u>8,550</u>	<u>5,676</u>	<u>2,874</u>	<u>6,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,550)	(1,639)	3,911	(5,761)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	400	400	-
NET CHANGE IN FUND BALANCES	(5,550)	(1,239)	4,311	(5,761)
FUND BALANCES, beginning of year	<u>32,357</u>	<u>32,357</u>	<u>Nil</u>	<u>38,118</u>
FUND BALANCES, end of year	<u>\$ 26,807</u>	<u>\$ 31,118</u>	<u>\$ 4,311</u>	<u>\$ 32,357</u>

CITY OF BROOKLET, GEORGIA
SPLOST 2013 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u> <u>Actual</u>
	<u>Budget</u> <u>(Original and</u> <u>Final)</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
Intergovernmental revenues:				
SPLOST Revenues	\$ 394,000	\$ -	\$ (394,000)	\$ -
Investment income	300	54	(246)	292
Total revenues	<u>394,300</u>	<u>54</u>	<u>(394,246)</u>	<u>292</u>
EXPENDITURES				
Capital:				
General city government	15,000	31,603	(16,603)	550
Public safety	43,000	-	43,000	1,214
Public works	336,300	47,751	288,549	378,245
Total expenditures	<u>394,300</u>	<u>79,354</u>	<u>314,946</u>	<u>380,009</u>
NET CHANGE IN FUND BALANCES	Nil	(79,300)	(79,300)	(379,717)
FUND BALANCES, beginning of year	<u>84,302</u>	<u>84,302</u>	Nil	<u>464,019</u>
FUND BALANCES, end of year	<u>\$ 84,302</u>	<u>\$ 5,002</u>	<u>\$ (79,300)</u>	<u>\$ 84,302</u>

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Customer charges	\$ 218,757	\$ 163,590
Installation charges	5,900	3,600
Tap fees	14,400	14,550
Penalties	11,098	3,080
Miscellaneous	342	1,963
Total operating revenues	250,497	186,783
OPERATING EXPENSES		
Salaries	31,067	19,090
Employee benefits	11,678	10,380
Contractual services	15,996	19,382
Repairs, maintenance and other contractual services	11,642	18,354
Liability and property insurance	3,052	1,989
Travel and training	20	-
Supplies and materials	45,619	30,244
Utilities	16,710	15,591
Vehicle gasoline	2,481	6,339
Depreciation	41,061	41,218
Other expenses	1,736	4,336
Total operating expenses	181,062	166,923
OPERATING INCOME	69,435	19,860
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	523	765
Total nonoperating revenues (expenses)	523	765
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	69,958	20,625
Contributed capital	-	38,137
Transfers out	(119,909)	(130,896)
CHANGE IN NET POSITION	(49,951)	(72,134)
NET POSITION, beginning of year	993,662	1,065,796
NET POSITION, end of year	\$ 943,711	\$ 993,662

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 241,870	\$ 193,315
Cash paid for goods and services	(98,502)	(109,435)
Cash paid to employees for services	(31,255)	(19,531)
Customer deposits received (refunded)	5,606	7,665
	<u>117,719</u>	<u>72,014</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	(119,909)	(130,896)
	<u>(119,909)</u>	<u>(130,896)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends and interest earned	544	765
	<u>544</u>	<u>765</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,646)	(58,117)
CASH AND EQUIVALENTS, beginning of year	<u>314,598</u>	<u>372,715</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 312,952</u>	<u>\$ 314,598</u>

Reconciliation of net income to net cash provided by operating activities:

OPERATING INCOME	\$ 69,435	\$ 19,860
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	58	-
Depreciation	41,061	41,218
Decrease (increase) in operating assets:		
Accounts receivable	(8,627)	6,531
Pension related deferred outflows of resources	(1,488)	(648)
Increase (decrease) in operating liabilities:		
Accounts payable	11,083	1,343
Accrued salaries	(224)	(71)
Accrued leave benefits	37	(370)
Deposits for services	5,606	7,665
Net pension liability (benefit)	1,721	2,618
Pension related deferred inflows of resources	(943)	(6,132)
	<u>48,284</u>	<u>52,154</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 117,719	\$ 72,014

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:		
Contribution of property and equipment through SPLOST funds	\$ Nil	\$ 38,137

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Customer charges	\$ 94,802	\$ 92,667
Total operating revenues	94,802	92,667
OPERATING EXPENSES		
Salaries	25,368	15,345
Employee benefits	10,116	4,774
Contractual services	74,008	59,720
Repairs, maintenance and other contractual services	-	260
Liability and property insurance	600	643
Supplies and materials	185	6,491
Vehicle gasoline	904	3,741
Depreciation	574	574
Other expenses	208	1,235
Total operating expenses	111,963	92,783
OPERATING LOSS	(17,161)	(116)
NONOPERATING REVENUES (EXPENSES)		
LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(17,161)	(116)
Transfers in	13,959	1,983
CHANGE IN NET POSITION	(3,202)	1,867
NET POSITION, beginning of year	23,920	22,053
NET POSITION, end of year	\$ 20,718	\$ 23,920

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 93,100	\$ 92,502
Cash paid for goods and services	(81,259)	(79,241)
Cash paid to employees for services	(25,800)	(15,245)
	<u>(13,959)</u>	<u>(1,984)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	<u>13,959</u>	<u>1,984</u>
	<u>13,959</u>	<u>1,984</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	Nil	Nil
CASH AND EQUIVALENTS, beginning of year	<u>Nil</u>	<u>Nil</u>
CASH AND EQUIVALENTS, end of year	<u>\$ Nil</u>	<u>\$ Nil</u>
<i>Reconciliation of net loss to net cash used by operating activities:</i>		
OPERATING LOSS	<u>\$ (17,161)</u>	<u>\$ (116)</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	208	-
Depreciation	573	573
Decrease (increase) in operating assets:		
Accounts receivable	(1,701)	(163)
Pension related deferred outflows of resources	(1,086)	(464)
Increase (decrease) in operating liabilities:		
Accounts payable	5,073	692
Accrued salaries	(351)	259
Accrued leave benefits	(81)	(159)
Net pension liability (benefit)	1,256	1,913
Pension related deferred inflows of resources	(689)	(4,519)
	<u>3,202</u>	<u>(1,868)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (13,959)</u>	<u>\$ (1,984)</u>

OTHER REPORTS

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

CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
1947-2005
JAMES S. RIGGS
PATRICIA H. HUNTER

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Brooklet, Georgia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as Findings 2017-003 through 2017-007 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 2017-001 through 2017-002.

City of Brooklet, Georgia's Response to Findings

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

Purpose of this Report

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

Reddick, Riggs and Hunter, P. C.

Statesboro, Georgia
November 2, 2017

CITY OF BROOKLET, GEORGIA
Schedule of Findings and Questioned Costs
June 30, 2017

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 2017 - 001:

Criteria:	Federal and state payroll tax regulations establish the City's required deposit schedule for payroll taxes.
Condition:	During the year ended June 30, 2017, we noted numerous instances in which tax deposits were made late.
Context:	For the City's required semi-weekly deposits for federal taxes, we noted eight instances in which the deposits were not made timely. For the City's required monthly state tax deposits, we noted four instances in which the deposits were not made timely.
Cause:	It appears that failure to make timely tax deposits was due to oversight on the part of the City Clerk.
Effect:	Because of the late tax deposits, the City has been assessed penalties. While some of these penalties were caused by the actions of the prior City Administrative Assistant, a substantial portion was caused by late tax deposits in the current year. Total penalties assessed for the period were approximately \$3,800.
Recommendation:	We recommend that the importance of complying with required deposits in a timely manner be emphasized with appropriate personnel.
Comments:	The City concurs with the finding. The City Administrator has made the payroll taxes an internal part of the payroll for each week and payroll checks do not leave her office until payroll taxes are paid and journal entries made.

Schedule of Findings and Questioned Costs

Finding 2017 - 002:*

Criteria: State law requires municipalities to annually adopt a balanced budget for the general fund, special revenue funds and debt service funds. Once adopted, these budgets act as legal spending authorizations or appropriation limits.

Condition: During the year ended June 30, 2017, the general fund and the street department expended amounts which exceeded appropriations.

Context: Total Administrative expenditures exceeded the approved budget by \$18,696 and the street department exceeded the approved budget by \$50,162.

Cause: During the year, the City used its reserves to purchase property and incurred additional salary expense, as well as increased employee health insurance.

Effect: While the City did prepare a budget amendment to include these items, the Administrative department and Street departments exceeded their budget due to higher than anticipated salaries and capital outlay, respectively.

Recommendation: We recommend that in future years, budget amendments be adopted to reflect major items which were not anticipated when the original budget or prior amendments were adopted.

Comments: The City Concur with the findings. Since the budget amendments are controlled by enacting an ordinance by the City's Charter which takes up to two (2) months to complete, the City is working with the City Attorney to have their Charter changed to have the amendments enacted by a resolution, which will be a much quicker and easier procedure. Also, the City Administrator and Council member who supervises the Administrative/Financial Department have created a budgetary procedure in-house to make sure each budgetary list item is checked each month at month end.

Finding 2017 - 003:

Criteria: An essential element of the decision-making process for Council is the accuracy of financial information which can be relied upon.

Condition: During the year ended June 30, 2017, we noted a number of instances in which transactions were recorded incorrectly

Context: We noted 28 instances in which deposits to the City's general fund bank account were incorrectly recorded as credits to cash, incorrectly reducing the cash balance, or items such as tax deposits were incorrectly recorded as debits to cash, incorrectly increasing the cash balance.

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

Effect: While the errors were eventually detected and corrected near year end, the errors significantly increased the difficulty of reconciling the City's bank accounts and resulted in inaccurate financial reports during the year.

Recommendation: We recommend that memorized journal entries or journal entry worksheets be used as much as possible to avoid such errors.

Comments: The City concurs with the finding. The City Clerk has created journal entry worksheets to be used as much as possible when entering journal entries.

Schedule of Findings and Questioned Costs

Finding 2017 - 004:

Criteria:	As noted above, an essential element of the decision-making process for Council is the accuracy of financial information which can be relied upon.
Condition:	During the year ended June 30, 2017, we noted a number of instances in which transactions to the same vendor were recorded inconsistently.
Context:	The City's payments to the vendor who handles garbage collection were coded to five different expenditure/expense accounts across three funds. In addition, the City's retirement payments were inconsistently coded, with some payments being allocated to all departments, while other payments were coded fully to the administration department.
Cause:	It appears that the failure to correctly record these transactions was due to a lack of understanding on the part of the City Clerk.
Effect:	The failure to accurately record expenditures caused inaccurate monthly financial statements to be presented to Council.
Recommendation:	We recommend that greater care be exercised in recording recurring expenditures/expenses and that the correct distribution for each vendor be noted in the vendor file.
Comments:	The City concurs with the findings. The importance of accuracy has been reviewed with personnel responsible for accounts payable.

Finding 2017 - 005:

Criteria:	An important control over accounts receivable, to include taxes and utilities, is adequate control over account adjustments.
Condition:	During the year ended June 30, 2017, we noted an instance in which a tax account with a balance of \$10,208.46 was written off with no supporting document to substantiate the write-off.
Context:	While appropriate documentation was received from the County tax assessor for the other tax adjustments which were selected for testing, no such documentation could be located for the account in question.
Cause:	It appears that lack of documentation was oversight on the part of the tax clerk.
Effect:	Because the tax clerk handles billing of taxes as well as collection of money, account adjustments could be used to compensate for misappropriation of cash receipts.
Recommendation:	We recommend that all account adjustments be reviewed and approved by the City Administrator for appropriateness and that the review be documented on by the Administrator's initial and date on the documents.
Comments:	The City concurs with the findings. The City Administrator and Tax Clerk has created a checks and balances procedure in house before any adjustments can be made unless otherwise approved by the appropriate level of management.

Schedule of Findings and Questioned Costs

*Finding 2017 - 006:**

Criteria:	An important control over the City's accounting system is an accurate filing system for the related supporting documents.
Condition:	During the year ended June 30, 2017, we noted several instances in which supporting documentation for transactions could not be located. We also noted several instances in which duplicate payments were issued for the same invoice.
Context:	We noted a number of instances in which invoices for various disbursements could not be located and had to be either searched for or duplicates obtained. Further, we noted several instances in which invoices could not be located at all.
Cause:	It appears that several of the missing invoices were from the portion of the year in which the previous City Administrative Assistant was responsible for accounts payable. However, we noted that invoices in many cases were maintained in baskets which had not been filed.
Effect:	While we were ultimately able to locate most of the invoices, and all payments appeared to be for appropriate expenditures, the inability to locate invoices caused difficulty and increased time to research transactions. The inability to review the prior invoices paid to a vendor could cause duplicate payments to vendors.
Recommendation:	We recommend that the importance of accurate and timely filing be emphasized with appropriate personnel.
Comments:	The City concurs with the findings. The City Administrator has created a filing system in office to account for all invoices and payments month by month instead of by vendor.

Finding 2017 - 007:

Criteria:	An important control over cash disbursements is control over access to the City's accounts.
Condition:	We noted several accounts for which the authorized signatures were those of the prior mayor and prior administrative assistant.
Context:	We noted that the authorized signatures for all of the City's certificates of deposit were incorrect.
Cause:	It appears that the certificates were initially issued during the tenure of the previous mayor and administrative assistant and that the accounts have never been updated.
Effect:	Inappropriate signatures exposes the City to the risk that the certificates would be improperly released to those signers.
Recommendation:	We recommend that the bank be notified immediately that these accounts are incorrect and that the signatures be corrected on the next renewal date for these certificates.
Comments:	The City concurs with the findings. The City is working with the bank to have the signatures of the prior Mayor and City Clerk removed as soon as possible and the new Mayor, City Clerk and Administrative Supervisor added.

** Indicates uncorrected prior year finding*

CITY OF BROOKLET, GEORGIA
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds
For the Year Ended June 30, 2017

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
2013 SPLOST					
Roads, streets and bridges	\$ 535,054	\$ 824,912	\$ 777,161	\$ 47,751	\$ 824,912
Public safety facilities and equipment	300,000	111,637	111,637	Nil	111,637
Facility construction / improvements	300,520	200,652	164,047	31,603	195,650
Total	<u>\$ 1,135,574</u>	<u>\$ 1,137,201</u>	<u>\$ 1,052,845</u>	<u>\$ 79,354</u>	<u>\$ 1,132,199</u>

