

CITY OF BROOKLET, GEORGIA

FINANCIAL REPORT

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

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

CERTIFIED PUBLIC ACCOUNTANTS

TERRELL T. REDDICK
1947-2005

JAMES S. RIGGS
PATRICIA H. HUNTER

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall basic financial statement presentation.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Brooklet, Georgia as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary data on pages 3 through 9 and pages 40 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brooklet, Georgia's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Tax Proceeds is presented for purposes of additional analysis and is also not a required part of the basic financial statements of the City of Brooklet, Georgia.

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

Other Reporting Required by Government Auditing Standards

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

Reddick, Riggs and Hunter, P. C.

Statesboro, Georgia
January 11, 2019

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The *Statement of Activities* reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

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

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

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

Fund Financial Statements

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

Overview of the Financial Statements (continued)

Fund Financial Statements (continued)

The City has two kinds of funds:

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

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

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

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

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

The City maintains two enterprise funds: Water and Sanitation.

Notes to the Basic Financial Statements

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

Budgetary Presentations

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

Supplementary Financial Information

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

Financial Analysis of the City as a Whole

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

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

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

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

Financial Analysis of the City as a Whole (continued)

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

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

Governmental Revenues

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

Governmental Expenses

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

Financial Analysis of the City as a Whole (continued)

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

Financial Analysis of the City's Funds

Governmental Funds

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

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

Major Governmental Funds

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

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

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

Budgetary Highlights

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

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

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

Capital Assets and Debt Administration

Capital Assets

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

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

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

Debt Outstanding

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

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

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

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

Economic Conditions Affecting the City

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

Financial Contact

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

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

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

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

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

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 209,554 | \$ 46,490 | \$ - | \$ - | \$ (163,064) | \$ - | \$ (163,064) |
| Judicial | 5,428 | - | - | - | (5,428) | - | (5,428) |
| Public safety | 434,713 | 100,548 | - | - | (334,165) | - | (334,165) |
| Public works | 230,951 | 22,808 | 8,227 | 34,022 | (165,894) | - | (165,894) |
| Total governmental activities | 880,646 | 169,846 | 8,227 | 34,022 | (668,551) | Nil | (668,551) |
| Business-type activities: | | | | | | | |
| Water | 199,606 | 241,328 | - | - | - | 41,722 | 41,722 |
| Sanitation | 105,119 | 103,894 | - | - | - | (1,225) | (1,225) |
| Total business-type activities | 304,725 | 345,222 | Nil | Nil | Nil | 40,497 | 40,497 |
| Total | \$ 1,185,371 | \$ 515,068 | \$ 8,227 | \$ 34,022 | (668,551) | 40,497 | (628,054) |

General Revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--------------------------------------------------------------|------------------------|---------------------|-------------------|---------------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 229,500 | \$ 293,400 | \$ 304,905 | \$ 11,505 |
| Motor vehicle taxes | 36,000 | 34,000 | 35,263 | 1,263 |
| Mobile home taxes | 1,250 | 2,000 | 2,595 | 595 |
| Franchise taxes | 86,500 | 74,000 | 84,999 | 10,999 |
| Alcoholic beverage taxes | 25,000 | 24,000 | 22,584 | (1,416) |
| Business and occupation taxes | 15,000 | 20,000 | 10,665 | (9,335) |
| Insurance premium taxes | 87,000 | 91,000 | 91,982 | 982 |
| Financial institution taxes | 4,500 | 5,000 | 5,705 | 705 |
| Other taxes | 6,000 | 6,500 | 7,175 | 675 |
| Licenses and permits | 28,285 | 19,200 | 27,263 | 8,063 |
| Intergovernmental revenues | 22,000 | 27,000 | 39,220 | 12,220 |
| Charges for services | 15,000 | 15,000 | 31,370 | 16,370 |
| Fees, fines and forfeitures | 133,500 | 89,500 | 100,548 | 11,048 |
| Investment income | 200 | 75 | 401 | 326 |
| Other revenues | 600 | 1,100 | 15,378 | 14,278 |
| | <u>690,335</u> | <u>701,775</u> | <u>780,053</u> | <u>78,278</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current operations: | | | | |
| General city government | 227,885 | 225,950 | 202,801 | 23,149 |
| Judicial | 10,500 | 6,000 | 5,428 | 572 |
| Public safety | 351,965 | 341,265 | 454,879 | (113,614) |
| Public works | 184,550 | 158,175 | 240,022 | (81,847) |
| | <u>774,900</u> | <u>731,390</u> | <u>903,130</u> | <u>(171,740)</u> |
| Total expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (84,565) | (29,615) | (123,077) | (93,462) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | 1,000 | 115 | - | (115) |
| Transfers in | (85,000) | 29,500 | 161,267 | 131,767 |
| Transfers out | - | - | (24,416) | (24,416) |
| | <u>(84,000)</u> | <u>29,615</u> | <u>136,851</u> | <u>131,767</u> |
| NET CHANGE IN FUND BALANCES | (168,565) | Nil | 13,774 | 13,774 |
| FUND BALANCES, beginning of year | <u>86,545</u> | <u>86,545</u> | <u>86,545</u> | <u>Nil</u> |
| FUND BALANCES, end of year | <u>\$ (82,020)</u> | <u>\$ 86,545</u> | <u>\$ 100,319</u> | <u>\$ 13,774</u> |

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

E. Assets, Liabilities and Net Position or Equity

1. Cash, Cash Equivalents and Investments

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

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

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

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

2. Receivables

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

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.