

Note 1. Summary of Significant Accounting Policies (continued)

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

10. Fund Net Position or Equity (continued)

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

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

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

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

11. Operating Revenues and Expenses

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

12. Pensions

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

Note 1. Summary of Significant Accounting Policies (continued)

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

13. Use of Estimates

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

14. Comparative Data

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

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

The legal level of budgetary control is the department level.

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

B. Excess of Expenditures over Appropriations

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

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

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

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

B. Receivables

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

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

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

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

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

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

C. Property Taxes

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

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

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets

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

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

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

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

Note 3. Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers

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

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

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

F. Long-Term Debt

1. Changes in Long-Term Debt

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

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

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

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan

1. Plan Description

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

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

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

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

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

2. Net Pension Liability

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

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

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the table below:

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

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

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

3. Net Pension Liability

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

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

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

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

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

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

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

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

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

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

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

H. Equity

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

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

Note 3. Detailed Notes on All Funds (continued)

H. Equity (continued)

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

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

Note 4. Other Notes

A. Risk Management

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

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

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

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

Note 4. Other Notes (continued)

B. Contingencies and Pending Litigation

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to the schedule:

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

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

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

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

Notes to schedule of Contributions:

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

Methods and assumptions used to determine contribution rates

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

Actuarial Assumptions:

Net Investment Rate of Return 7.50%
Projected salary increases 2.75% plus service based merit increases
Cost of Living Adjustments 0.00%
Retirement Age Normal retirement age is 65 with 5 years of service; early retirement age is 55 with 10 years of service.
Changes in methods and assumptions: Amounts reported for the fiscal year ending in 2018 reflect the following assumption changes based on an actuarial study conducted in September, 2017:

The investment return assumption was decreased from 7.75% to 7.5%.
The inflation assumption was decreased from 3.25% to 2.75%.

Benefit Changes: There were no changes in benefit provisions in the last two fiscal years.

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

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER REPORTS

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Brooklet, Georgia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as Findings 2018-002 through 2018-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brooklet, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2018-1.

City of Brooklet, Georgia's Response to Findings

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

Purpose of this Report

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

Reddick, Riggs and Hunter, P. C.

Statesboro, Georgia
January 11, 2019

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

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Finding 2018 - 001:*

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

Schedule of Findings and Questioned Costs

Finding 2018 - 002:

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

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

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

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

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

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

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

Finding 2018 - 003:*

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

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

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

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

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

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

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

Schedule of Findings and Questioned Costs

Finding 2018 - 004:*

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

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

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

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

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

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

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

** Indicates uncorrected prior year finding*

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

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