

CITY OF BROOKLET, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**

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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 aggregate remaining fund information of the City of Brooklet, Georgia (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brooklet, Georgia as of June 30, 2019, 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 4 through 10 and pages 42 through 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements, the Schedule of Projects Constructed with Special Purpose Local Option Tax Proceeds and the Schedule of Projects Constructed with Transportation 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 February 21, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brooklet, Georgia's internal control over financial reporting and compliance.

Reddick, Riggs, Hunter and Colson, P. C.

Statesboro, Georgia
February 21, 2020

CITY OF BROOKLET, GEORGIA
Management's Discussion and Analysis
June 30, 2019

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 11 and 12 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 13 through 17 of this report.

The City maintains two major and two non-major governmental funds. The City's major governmental funds are the General Fund and the TSPLOST Fund. The City's non-major governmental funds are the Cemetery Fund and the 2013 SPLOST 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 18 through 21 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 22 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 44.

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$4,466,384, as compared to \$2,873,625 at June 30, 2018. The following table provides a summary of the City's net position.

	Summary of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 1,789,335	212,457	\$ 281,076	\$ 275,386	\$ 2,070,411	\$ 487,843
Capital assets	1,978,818	1,856,625	693,939	682,072	2,672,757	2,538,697
Total assets	3,768,153	2,069,082	975,015	957,458	4,743,168	3,026,540
Deferred outflows of resources	25,868	33,686	5,736	10,667	31,604	44,353
Liabilities:						
Long-term liabilities	85,511	4,921	1,397	500	86,908	5,421
Other liabilities	70,573	15,998	55,223	75,976	125,796	91,974
Total liabilities	156,084	20,919	56,620	76,476	212,704	97,395
Deferred inflows of resources	78,317	75,854	17,367	24,019	95,684	99,873
Net Position:						
Investment in capital assets	1,896,224	1,856,625	693,939	682,072	2,590,163	2,538,697
Restricted	1,470,788	12,248	-	-	1,470,788	12,248
Unrestricted	192,608	137,122	212,825	185,558	405,433	322,680
Total Net Position	\$ 3,559,620	\$ 2,005,995	\$ 906,764	\$ 867,630	\$ 4,466,384	\$ 2,873,625

The current ratio is used to measure an entity's ability to meet current obligations. The City of Brooklet, Georgia has a 25.35 to 1 ratio for governmental activities as compared to 13.28 to 1 at June 30, 2018. The current ratio for business-type activities is 5.09 to 1, as compared to 3.62 to 1 at June 30, 2018. The increase is due to an increase in water and sanitation revenues.

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 \$906,764. The table below focuses on the net position and revenues and expenses of the City's governmental and business-type activities. Net position increased \$1,557,856 for governmental activities and increased \$39,134 for business-type activities. The City's overall financial position improved during the year ended June 30, 2019.

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program						
Charges for services	\$ 132,392	\$ 169,845	\$ 378,888	\$ 345,222	\$ 511,280	\$ 515,067
Operating grants	-	8,227	-	-	-	8,227
Capital grants / contributions	1,573,896	34,022	-	-	1,573,896	34,022
General						
Property taxes	357,916	332,487	-	-	357,916	332,487
Franchise taxes	93,811	84,999	-	-	93,811	84,999
Insurance premium taxes	99,198	91,982	-	-	99,198	91,982
Financial institution taxes	7,378	5,705	-	-	7,378	5,705
Alcoholic beverage taxes	24,169	22,584	-	-	24,169	22,584
Intangible and other taxes	4,950	7,175	-	-	4,950	7,175
Interest	854	538	796	555	1,650	1,093
Gain (loss) on sale of assets	1,687	-	-	-	1,687	-
Other income	12,521	15,777	-	-	12,521	15,777
Total revenues	2,308,772	773,341	379,684	345,777	2,688,456	1,119,118
Program expenses:						
General government	228,031	209,554	-	-	228,031	209,554
Judicial	7,750	5,428	-	-	7,750	5,428
Public safety	342,476	434,713	-	-	342,476	434,713
Public works	162,551	230,951	-	-	162,551	230,951
Community services	4,231	-	-	-	4,231	-
Water	-	-	244,419	199,607	244,419	199,607
Sanitation	-	-	106,239	105,118	106,239	105,118
Total expenses	745,039	880,646	350,658	304,725	1,095,697	1,185,371
Increase (decrease) in net position before transfers	1,563,733	(107,305)	29,026	41,052	1,592,759	(66,253)
Transfers	(10,108)	137,851	10,108	(137,851)	Nil	Nil
Increase (decrease) in net position	1,553,625	30,546	39,134	(96,799)	1,592,759	(66,253)
Beginning net position	2,005,995	1,975,449	867,630	964,429	2,873,625	2,939,878
Ending net position	\$ 3,559,620	\$ 2,005,995	\$ 906,764	\$ 867,630	\$ 4,466,384	\$ 2,873,625

Governmental Revenues

The City's governmental activities are heavily reliant on property taxes and sales taxes, which collectively make up 15.49% of governmental revenues. Note that program revenues made up 77.57% 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 31.25% of the City's total expenses, while water and public works made up 22.30% and 14.84% respectively.

Financial Analysis of the City as a Whole (continued)

There was an excess of \$1,563,733 in governmental activities and an excess of \$29,026 in business-type activities. Transfers to (from) governmental activities resulted in a total excess in governmental activities of \$1,553,625 and a total excess in business-type activities of \$39,134. The total change in net position was \$1,592,759. As stated earlier, the financial position of the City improved in the year ended June 30, 2019.

Financial Analysis of the City's Funds

Governmental Funds

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

Governmental funds reported ending fund balances of \$1,635,502. Of this year-end total, \$1,462,597 is restricted to capital projects, \$8,191 is restricted for public safety and \$34,164 is assigned to maintenance and care of the City's cemetery. The unassigned portion of governmental fund balances was \$130,550. The total ending fund balances of governmental funds shows an increase of \$1,496,139, or a 1,073.56% 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 \$138,741, of which \$130,550 is unassigned. The total ending fund balance of the General Fund shows an increase of \$38,422. The increase in the current year was a result of a reduction in spending due to control over expenditures.

Total revenues of the General Fund were \$732,505, a decrease of \$47,548 from fiscal year 2018. This equates to a 6.10% decrease in total revenues. This decrease was due to a decrease in fees, fines and forfeitures.

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Operating revenues for the proprietary funds were \$378,888, an increase of \$33,666 over fiscal year 2018. The increase was due to an increase in the number of utility customers. After considering expenditures, the net income of these funds before capital contributions and transfers is \$29,026.

Budgetary Highlights

Revenues in the General Fund were under the budget by \$96,891. This decrease was due to a decrease in licenses and miscellaneous revenues.

Expenditures in the General Fund were under the budget by \$134,165. The decrease resulted primarily from a reduction in spending due to control over expenditures.

A budget amendment was adopted during the year ended June 30, 2019 which resulted in an increase in General Fund expenditures of \$177,725.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2019, was \$2,672,757 as follows:

	<u>Capital Assets</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Nondepreciable assets:						
Land	\$ 356,876	\$ 356,876	\$ 21,632	\$ 21,632	\$ 378,508	\$ 378,508
Construction in progress	8,000	-	-	-	8,000	-
Book value - nondepreciable assets	<u>364,876</u>	<u>356,876</u>	<u>21,632</u>	<u>21,632</u>	<u>386,508</u>	<u>378,508</u>
Depreciable assets:						
Infrastructure	1,554,710	1,464,962	1,337,921	1,284,135	2,892,631	2,749,097
Building	688,632	661,876	56,404	56,404	745,036	718,280
Machinery and equipment	351,735	337,051	120,825	120,825	472,560	457,876
Vehicles	298,883	258,228	138,781	138,781	437,664	397,009
Total depreciable assets	2,893,960	2,722,117	1,653,931	1,600,145	4,547,891	4,322,262
Less accumulated depreciation	<u>1,280,018</u>	<u>1,222,368</u>	<u>981,624</u>	<u>939,705</u>	<u>2,261,642</u>	<u>2,162,073</u>
Book value - depreciable assets	<u>1,613,942</u>	<u>1,499,749</u>	<u>672,307</u>	<u>660,440</u>	<u>2,286,249</u>	<u>2,160,189</u>
Percentage depreciated	<u>44.23 %</u>	<u>44.91 %</u>	<u>59.35 %</u>	<u>58.73 %</u>	<u>49.73 %</u>	<u>50.02 %</u>
Total Capital Assets	<u>\$ 1,978,818</u>	<u>\$ 1,856,625</u>	<u>\$ 693,939</u>	<u>\$ 682,072</u>	<u>\$ 2,672,757</u>	<u>\$ 2,538,697</u>

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

Debt Outstanding

As of June 30, 2019, the City had total outstanding long-term debt of \$86,908 as follows:

	<u>Long-Term Debt</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Accumulated leave benefits	\$ 2,917	\$ 4,921	\$ 1,397	\$ 500	\$ 4,314	\$ 5,421
Capital leases						
Police vehicles	<u>82,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,594</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 85,511</u>	<u>\$ 4,921</u>	<u>\$ 1,397</u>	<u>\$ 500</u>	<u>\$ 86,908</u>	<u>\$ 5,421</u>

During the year ended June 30, 2019, the City issued notes payable of \$82,594. The City retired \$2,004 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 and TSPLOST 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, 2019

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash	\$ 1,692,230	\$ 228,613	\$ 1,920,843
Receivables, net of allowance for uncollectibles:			
Taxes	13,172	-	13,172
Other	14,393	37,013	51,406
Accrued interest receivable	95	51	146
Noncurrent Assets			
Capital assets:			
Nondepreciable assets	364,876	21,632	386,508
Depreciable assets, net	1,613,942	672,307	2,286,249
Other assets:			
Net pension asset	69,445	15,399	84,844
Total Assets	3,768,153	975,015	4,743,168
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources - Pension	25,868	5,736	31,604
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	67,518	9,932	77,450
Payroll taxes payable	461	-	461
Accrued salaries	1,794	-	1,794
Other accrued expenses	800	-	800
Deposits to secure services	-	45,291	45,291
Noncurrent Liabilities			
Due within one year:			
Compensated absences	583	280	863
Capital lease payable	15,149	-	15,149
Due in more than one year:			
Compensated absences, net of current portion	2,334	1,117	3,451
Capital lease payable, net of current portion	67,445	-	67,445
Total Liabilities	156,084	56,620	212,704
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources - Pension	78,317	17,367	95,684
<u>NET POSITION</u>			
Investment in capital assets, net of related debt	1,896,224	693,939	2,590,163
Restricted for:			
Capital projects	1,462,597	-	1,462,597
Public safety	8,191	-	8,191
Unrestricted	192,608	212,825	405,433
Total Net Position	\$ 3,559,620	\$ 906,764	\$ 4,466,384

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, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:						
General government	\$ 228,031	\$ 43,956	\$ -	\$ (184,075)	\$ -	\$ (184,075)
Judicial	7,750	-	-	(7,750)	-	(7,750)
Public safety	342,476	59,520	-	(282,956)	-	(282,956)
Public works	162,551	26,691	1,573,896	1,438,036	-	1,438,036
Community services	4,231	2,225	-	(2,006)	-	(2,006)
Total governmental activities	<u>745,039</u>	<u>132,392</u>	<u>1,573,896</u>	<u>961,249</u>	<u>Nil</u>	<u>961,249</u>
Business-type activities:						
Water	244,419	269,419	-	-	25,000	25,000
Sanitation	106,239	109,469	-	-	3,230	3,230
Total business-type activities	<u>350,658</u>	<u>378,888</u>	<u>Nil</u>	<u>Nil</u>	<u>28,230</u>	<u>28,230</u>
Total	<u>\$ 1,095,697</u>	<u>\$ 511,280</u>	<u>\$ 1,573,896</u>	<u>961,249</u>	<u>28,230</u>	<u>989,479</u>

General Revenues

Property taxes	357,916	-	357,916
Franchise taxes	93,811	-	93,811
Insurance premium taxes	99,198	-	99,198
Financial institution taxes	7,378	-	7,378
Alcoholic beverage taxes	24,169	-	24,169
Intangible and other taxes	4,950	-	4,950
Interest	854	796	1,650
Other revenues	12,521	-	12,521
Gain (loss) on sale of assets	1,687	-	1,687
Total general revenues	602,484	796	603,280
Transfers	(10,108)	10,108	-
Total general revenues and transfers	<u>592,376</u>	<u>10,904</u>	<u>603,280</u>
Change in net position	1,553,625	39,134	1,592,759
Net position, beginning of year	<u>2,005,995</u>	<u>867,630</u>	<u>2,873,625</u>
Net position, end of year	<u>\$ 3,559,620</u>	<u>\$ 906,764</u>	<u>\$ 4,466,384</u>

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

CITY OF BROOKLET, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>TSPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 226,149	\$ 1,462,597	\$ 3,484	\$ 1,692,230
Receivables:				
Taxes receivable	13,172	-	-	13,172
Other receivables	14,393	-	-	14,393
Accrued interest receivable	95	-	-	95
Due from other funds	-	-	33,980	33,980
	<u>\$ 253,809</u>	<u>\$ 1,462,597</u>	<u>\$ 37,464</u>	<u>\$ 1,753,870</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>				
Accounts payable	\$ 64,217	\$ -	\$ 3,300	\$ 67,517
Payroll taxes payable	461	-	-	461
Accrued salaries	1,794	-	-	1,794
Other liabilities	800	-	-	800
Due to other funds	33,980	-	-	33,980
	<u>101,252</u>	<u>Nil</u>	<u>3,300</u>	<u>104,552</u>
Total Liabilities	<u>101,252</u>	<u>Nil</u>	<u>3,300</u>	<u>104,552</u>
Deferred Inflows of Resources	<u>13,816</u>	<u>Nil</u>	<u>Nil</u>	<u>13,816</u>
	<u>115,068</u>	<u>Nil</u>	<u>3,300</u>	<u>118,368</u>
Total Liabilities and Deferred Inflows of Resources	<u>115,068</u>	<u>Nil</u>	<u>3,300</u>	<u>118,368</u>
<u>FUND BALANCES</u>				
Restricted for:				
Capital projects	-	1,462,597	-	1,462,597
Public safety	8,191	-	-	8,191
Assigned to:				
Cemetery maintenance	-	-	34,164	34,164
Unrestricted	130,550	-	-	130,550
	<u>138,741</u>	<u>1,462,597</u>	<u>34,164</u>	<u>1,635,502</u>
Total Fund Balances	<u>138,741</u>	<u>1,462,597</u>	<u>34,164</u>	<u>1,635,502</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 253,809</u>	<u>\$ 1,462,597</u>	<u>\$ 37,464</u>	<u>\$ 1,753,870</u>

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

CITY OF BROOKLET, GEORGIA
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2019*

Total Governmental Fund Balances		\$	1,635,502
<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		\$	3,258,835
Accumulated depreciation		<u>(1,280,018)</u>	1,978,817
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Property taxes		13,816	
Net pension benefit		69,445	83,261
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		\$	25,868
Deferred inflows		<u>(78,317)</u>	\$ (52,449)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligation		\$	(82,594)
Compensated absences		<u>(2,917)</u>	<u>(85,511)</u>
Total Net Position of Governmental Activities		\$	<u>3,559,620</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, 2019

	<u>General Fund</u>	<u>TSPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property taxes	\$ 317,685	\$ -	\$ -	\$ 317,685
Motor vehicle taxes	38,099	-	-	38,099
Mobile home taxes	2,240	-	-	2,240
Franchise taxes	93,811	-	-	93,811
Alcoholic beverage taxes	24,169	-	-	24,169
Business and occupation taxes	15,093	-	-	15,093
Insurance premium taxes	99,198	-	-	99,198
Financial institution taxes	7,378	-	-	7,378
Other taxes	4,950	-	-	4,950
Licenses and permits	21,164	-	-	21,164
Intergovernmental revenues	5,573	1,562,995	-	1,568,568
Charges for services	30,816	-	5,800	36,616
Fees, fines and forfeitures	59,520	-	-	59,520
Investment income	863	5,323	4	6,190
Other revenues	11,946	-	-	11,946
	<u>732,505</u>	<u>1,568,318</u>	<u>5,804</u>	<u>2,306,627</u>
Total revenues				
EXPENDITURES				
Current operations:				
General city government	221,150	-	-	221,150
Judicial	7,750	-	-	7,750
Public safety	406,637	-	-	406,637
Public works	135,182	-	6,623	141,805
Community services	4,231	-	-	4,231
Capital:				
Public works	-	105,721	4,061	109,782
	<u>774,950</u>	<u>105,721</u>	<u>10,684</u>	<u>891,355</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(42,445)	1,462,597	(4,880)	1,415,272
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease	82,594	-	-	82,594
Sale of capital assets	6,500	-	-	6,500
Transfers in	17,225	-	-	17,225
Transfers out	(25,452)	-	-	(25,452)
	<u>38,422</u>	<u>1,462,597</u>	<u>(4,880)</u>	<u>1,496,139</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCES, beginning of year	<u>100,319</u>	<u>Nil</u>	<u>39,044</u>	<u>139,363</u>
FUND BALANCES, end of year	<u>\$ 138,741</u>	<u>\$ 1,462,597</u>	<u>\$ 34,164</u>	<u>\$ 1,635,502</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, 2019*

Net change in fund balances - total governmental funds		\$ 1,496,139
<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.		223,408
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.		(96,402)
In the statement of activities, only the gain (loss) on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		(4,813)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes current financial resources of governmental funds.		(82,594)
Proceeds of long-term debt		(82,594)
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, 2019	\$ 13,816	
Deferred property taxes at June 30, 2018	<u>(13,350)</u>	466
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		15,417
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, 2019	\$ (2,917)	
Liability at June 30, 2018	<u>4,921</u>	<u>2,004</u>
Change in net position in governmental funds		<u>\$ 1,553,625</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Property taxes	\$ 293,400	\$ 314,342	\$ 317,685	\$ 3,343
Motor vehicle taxes	34,000	34,885	38,099	3,214
Mobile home taxes	2,000	2,970	2,240	(730)
Franchise taxes	74,000	93,813	93,811	(2)
Alcoholic beverage taxes	24,000	-	24,169	24,169
Business and occupation taxes	20,000	22,068	15,093	(6,975)
Insurance premium taxes	91,000	100,049	99,198	(851)
Financial institution taxes	5,000	6,528	7,378	850
Other taxes	6,500	4,589	4,950	361
Licenses and permits	19,200	35,201	21,164	(14,037)
Intergovernmental revenues	27,000	32,424	5,573	(26,851)
Charges for services	15,000	25,990	30,816	4,826
Fees, fines and forfeitures	89,500	54,428	59,520	5,092
Investment income	75	221	863	642
Other revenues	1,100	101,888	11,946	(89,942)
	<u>701,775</u>	<u>829,396</u>	<u>732,505</u>	<u>(96,891)</u>
EXPENDITURES				
Current operations:				
General city government	225,950	230,992	221,150	9,842
Judicial	6,000	8,075	7,750	325
Public safety	341,265	456,649	406,637	50,012
Public works	158,175	213,399	135,182	78,217
Community services	-	-	4,231	(4,231)
	<u>731,390</u>	<u>909,115</u>	<u>774,950</u>	<u>134,165</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,615)	(79,719)	(42,445)	37,274
OTHER FINANCING SOURCES (USES)				
Proceeds of capital lease	-	-	82,594	82,594
Sale of capital assets	115	-	6,500	6,500
Transfers in	35,000	85,219	17,225	(67,994)
Transfers out	(5,500)	(5,500)	(25,452)	(19,952)
NET CHANGE IN FUND BALANCES	Nil	Nil	38,422	38,422
FUND BALANCES, beginning of year	<u>100,319</u>	<u>100,319</u>	<u>100,319</u>	<u>Nil</u>
FUND BALANCES, end of year	<u>\$ 100,319</u>	<u>\$ 100,319</u>	<u>\$ 138,741</u>	<u>\$ 38,422</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, 2019

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 178,297	\$ 50,316	\$ 228,613
Accounts receivable	27,230	9,783	37,013
Accrued interest receivable	51	-	51
Total current assets	205,578	60,099	265,677
Noncurrent Assets			
Capital assets:			
Nondepreciable assets	6,632	15,000	21,632
Depreciable assets, net	670,491	1,816	672,307
Other assets:			
Net pension asset	15,399	-	15,399
Total noncurrent assets	692,522	16,816	709,338
Total Assets	898,100	76,915	975,015
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources	5,736	Nil	5,736
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	4,725	5,207	9,932
Compensated absences	264	16	280
Deposits to secure service	45,291	-	45,291
Total current liabilities	50,280	5,223	55,503
Noncurrent Liabilities			
Compensated absences	1,054	63	1,117
Total noncurrent liabilities	1,054	63	1,117
Total Liabilities	51,334	5,286	56,620
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources	17,367	Nil	17,367
<u>NET POSITION</u>			
Investment in capital assets	677,123	16,816	693,939
Unrestricted	158,012	54,813	212,825
Total Net Position	\$ 835,135	\$ 71,629	\$ 906,764

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, 2019

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUES			
Customer charges	\$ 241,607	\$ 109,469	\$ 351,076
Installation charges	1,900	-	1,900
Tap fees	3,000	-	3,000
Penalties	22,689	-	22,689
Miscellaneous	223	-	223
	<u>269,419</u>	<u>109,469</u>	<u>378,888</u>
Total operating revenues			
OPERATING EXPENSES			
Salaries	100,443	22,586	123,029
Employee benefits	35,157	6,784	41,941
Contractual services	16,151	71,980	88,131
Repairs, maintenance and other contractual services	1,619	-	1,619
Communications	708	-	708
Liability and property insurance	2,043	771	2,814
Supplies and materials	13,189	-	13,189
Utilities	19,619	-	19,619
Vehicle gasoline	1,972	-	1,972
Depreciation	41,345	574	41,919
Other expenses	12,173	3,544	15,717
	<u>244,419</u>	<u>106,239</u>	<u>350,658</u>
Total operating expenses			
OPERATING INCOME	<u>25,000</u>	<u>3,230</u>	<u>28,230</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	766	30	796
	<u>766</u>	<u>30</u>	<u>796</u>
Total nonoperating revenues (expenses)			
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>25,766</u>	<u>3,260</u>	<u>29,026</u>
Contributed capital	1,881	-	1,881
Transfers in	-	25,452	25,452
Transfers out	(17,225)	-	(17,225)
	<u>10,422</u>	<u>28,712</u>	<u>39,134</u>
CHANGE IN NET POSITION			
NET POSITION, beginning of year	<u>824,713</u>	<u>42,917</u>	<u>867,630</u>
NET POSITION, end of year	<u>\$ 835,135</u>	<u>\$ 71,629</u>	<u>\$ 906,764</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, 2019

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 256,995	\$ 108,594	\$ 365,589
Cash paid for goods and services	(117,463)	(80,104)	(197,567)
Cash paid to employees for services	(99,588)	(22,825)	(122,413)
Customer deposits received (refunded)	2,665	-	2,665
	<u>42,609</u>	<u>5,665</u>	<u>48,274</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Net transfers in (out)	(17,225)	25,452	8,227
	<u>(17,225)</u>	<u>25,452</u>	<u>8,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property and equipment	(51,905)	-	(51,905)
	<u>(51,905)</u>	<u>Nil</u>	<u>(51,905)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends and interest earned	734	30	764
	<u>734</u>	<u>30</u>	<u>764</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,787)	31,147	5,360
CASH AND EQUIVALENTS, beginning of year	204,084	19,169	223,253
CASH AND EQUIVALENTS, end of year	<u>\$ 178,297</u>	<u>\$ 50,316</u>	<u>\$ 228,613</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, 2019

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<i>Reconciliation of net income (loss) to net cash provided by operating activities:</i>			
OPERATING INCOME (LOSS)	\$ 25,000	\$ 3,230	\$ 28,230
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Provision for losses on receivables	10,733	3,539	14,272
Depreciation	41,345	573	41,918
Decrease (increase) in operating assets:			
Accounts receivable	(12,150)	(873)	(13,023)
Pension related deferred outflows of resources	1,915	3,016	4,931
Increase (decrease) in operating liabilities:			
Accounts payable	(22,429)	(707)	(23,136)
Accrued salaries	(91)	(190)	(281)
Accrued leave benefits	946	(49)	897
Deposits for services	2,665	-	2,665
Net pension liability (benefit)	(5,463)	3,917	(1,546)
Pension related deferred inflows of resources	138	(6,791)	(6,653)
Total adjustments	17,609	2,435	20,044
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 42,609	\$ 5,665	\$ 48,274

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:

Contribution of capital: Capital projects through SPLOST Funds

	\$ 1,881	\$ Nil	\$ 1,881
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The Notes to Financial Statements are an integral part of these statements.

CITY OF BROOKLET, GEORGIA
Notes to Financial Statements
June 30, 2019

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, 2019, 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

E. Assets, Liabilities and Net Position or Equity

1. Cash, Cash Equivalents and Investments

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

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

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

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

2. Receivables

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

Note 1. Summary of Significant Accounting Policies (continued)

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

3. Interfund Balances

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

4. Interfund Activities

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

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

5. Inventories and Prepaid Expenses

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

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

6. Capital Assets

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