

Note 1. Summary of Significant Accounting Policies (continued)

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

6. Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair market value as of the date received. The City maintains a capitalization threshold of \$5,000 for infrastructure, and a capitalization threshold of \$500 for other capital assets. The City's infrastructure consists of roads, bridges, storm sewers, sidewalks, traffic islands, street lights, traffic signals, and street signs. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Improvements and infrastructure	15 to 40 years
Buildings	20 to 40 years
Land improvements	15 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 7 years

7. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and intergovernmental revenues as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available.

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

Note 1. Summary of Significant Accounting Policies (continued)

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

8. *Compensated Absences*

It is the City's policy to pay employees for unused vacation when there is a separation from service. Accumulated sick pay does not vest and is not paid upon termination.

Leave benefits are accrued when incurred in the government-wide and proprietary fund statements as these amounts will be paid to employees upon termination or retirement. A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. All compensated absence liabilities include salary-related payments, where applicable.

9. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

10. *Fund Net Position or Equity*

Fund equity at the governmental fund reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- **Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

Note 1. Summary of Significant Accounting Policies (continued)

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

10. Fund Net Position or Equity (continued)

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

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

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

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

11. Operating Revenues and Expenses

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

12. Pensions

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

Note 1. Summary of Significant Accounting Policies (continued)

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

13. Use of Estimates

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

14. Comparative Data

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

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

During the fiscal year ended June 30, 2019, City Council approved a budget amendment which decreased General Fund expenditures by \$177,725.

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		
Community services: Community center	\$	4,231

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

At June 30, 2019, the carrying amount of the City's deposits was \$1,920,843 which is reflected as cash of \$1,920,843. The related bank balance was \$1,918,810. 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, 2019, 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, 2019 consist of the following:

Taxes receivable - Current	\$ 6,277
Prior	<u>9,372</u>
Gross receivables	15,649
Allowance for uncollectible accounts	<u>2,477</u>
Total	<u>\$ 13,172</u>

Other receivables at June 30, 2019, consisted of the following:

	<u>General Fund</u>	<u>Enterprise</u>	<u>Total</u>
Other receivables	\$ 14,393	\$ 55,929	\$ 70,322
Gross receivables	14,393	55,929	70,322
Allowance for uncollectible	<u>-</u>	<u>18,916</u>	<u>18,916</u>
Total	<u>\$ 14,393</u>	<u>\$ 37,013</u>	<u>\$ 51,406</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, 2019 was as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 356,876	\$ -	\$ -	\$ 356,876
Construction-in-progress	-	126,385	118,385	8,000
Total nondepreciable capital assets	<u>356,876</u>	<u>126,385</u>	<u>118,385</u>	<u>364,876</u>
Depreciable assets: (as restated)				
Infrastructure	1,464,962	89,748	-	1,554,710
Buildings	661,876	26,756	-	688,632
Machinery and equipment	337,051	14,684	-	351,735
Vehicles	258,228	84,221	43,566	298,883
Total depreciable capital assets	<u>2,722,117</u>	<u>215,409</u>	<u>43,566</u>	<u>2,893,960</u>
Total capital assets	<u>3,078,993</u>	<u>341,794</u>	<u>161,951</u>	<u>3,258,836</u>
Accumulated depreciation: (as restated)				
Infrastructure	535,880	36,117	-	571,997
Buildings	208,487	15,422	-	223,909
Machinery and equipment	308,193	10,657	-	318,850
Vehicles	169,808	34,207	38,753	165,262
Total accumulated depreciation	<u>1,222,368</u>	<u>96,403</u>	<u>38,753</u>	<u>1,280,018</u>
Governmental activities capital assets, net	<u>\$ 1,856,625</u>	<u>\$ 245,391</u>	<u>\$ 123,198</u>	<u>\$ 1,978,818</u>
Governmental activities depreciation expense:				
General city government		\$ 10,606		
Public safety		33,137		
Public works		52,574		
Other		86		
Total governmental activities depreciation expense		<u>\$ 96,403</u>		

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</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	1,284,135	53,786	-	1,337,921
Buildings and plant	56,404	-	-	56,404
Machinery and equipment	120,825	-	-	120,825
Vehicles	138,781	-	-	138,781
Total depreciable capital assets	<u>1,600,145</u>	<u>53,786</u>	<u>-</u>	<u>1,653,931</u>
Total capital assets	<u>1,621,777</u>	<u>53,786</u>	<u>Nil</u>	<u>1,675,563</u>
Accumulated depreciation:				
Infrastructure	691,396	34,667	-	726,063
Buildings	10,071	1,537	-	11,608
Machinery and equipment	99,457	5,715	-	105,172
Vehicles	138,781	-	-	138,781
Total accumulated depreciation	<u>939,705</u>	<u>41,919</u>	<u>Nil</u>	<u>981,624</u>
Business-type capital assets, net	<u>\$ 682,072</u>	<u>\$ 11,867</u>	<u>\$ Nil</u>	<u>\$ 693,939</u>
Business-type activities depreciation expense:				
Water		\$ 41,345		
Sanitation		<u>574</u>		
Total business-type activities depreciation expense		<u>\$ 41,919</u>		

E. Interfund Balances and Transfers

A summary of interfund receivables/payables at June 30, 2019, is as follows:

	<u>Due to:</u>	
	<u>Special Revenue</u>	
	<u>Cemetery Fund</u>	<u>Total</u>
Due from:		
Governmental Funds:		
General Fund	\$ 33,980	\$ 33,980
Total	<u>\$ 33,980</u>	<u>\$ 33,980</u>

Amounts due from the General Fund to the Cemetery Fund represents short-term advances for capital equipment.

Note 3. Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers (continued)

A summary of interfund transfers during the year ended June 30, 2019, is as follows:

	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Enterprise Fund</u> <u>Sanitation Fund</u>	<u>Total</u>
Transfers from:			
Governmental funds:			
General Fund	\$ -	\$ 25,452	\$ 25,452
Total governmental funds	<u>Nil</u>	<u>25,452</u>	<u>25,452</u>
Proprietary funds:			
Water Fund	<u>17,225</u>	<u>-</u>	<u>17,225</u>
Total proprietary funds	<u>17,225</u>	<u>Nil</u>	<u>17,225</u>
Total	<u>\$ 17,225</u>	<u>\$ 25,452</u>	<u>\$ 42,677</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. Obligation Under Capital Leases

The City has the following capital lease obligations at June 30, 2019:

Capital lease payable to Branch Bank and Trust (BB&T) due in annual installments of \$18,725, including interest at 4.33%, through May, 2024, for the acquisition of public safety equipment	<u>\$ 82,594</u>
Total	<u>\$ 82,594</u>

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

	<u>Governmental Activities</u>
Police vehicles	<u>\$ 84,221</u>
Total original cost	84,221
Accumulated depreciation	<u>2,807</u>
Total	<u>\$ 81,414</u>

Note 3. Detailed Notes on All Funds (continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

	<u>Governmental Activities</u>
2020	\$ 18,725
2021	18,725
2022	18,725
2023	18,725
2024	<u>18,725</u>
Total minimum lease payments	93,625
Less: amount representing interest	<u>11,031</u>
Total	<u>\$ 82,594</u>

2. Changes in Long-Term Debt

Transactions for the year ended June 30, 2019 are summarized as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital lease obligation	\$ -	\$ 82,594	\$ -	\$ 82,594	\$ 15,149
Compensated absences	<u>4,921</u>	<u>-</u>	<u>2,004</u>	<u>2,917</u>	<u>583</u>
Total governmental activities	<u>4,921</u>	<u>82,594</u>	<u>2,004</u>	<u>85,511</u>	<u>15,732</u>
Business-Type Activities:					
Compensated absences	<u>500</u>	<u>897</u>	<u>-</u>	<u>1,397</u>	<u>280</u>
Total business-type activities	<u>500</u>	<u>897</u>	<u>Nil</u>	<u>1,397</u>	<u>280</u>
Total	<u>\$ 5,421</u>	<u>\$ 83,491</u>	<u>\$ 2,004</u>	<u>\$ 86,908</u>	<u>\$ 16,012</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, 2019, 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
	<hr/>
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 2019, the actuarially determined contribution rate was 5.46% of covered payroll. For 2019, the City's contribution to the plan was \$18,199.

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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the January 1, 2019 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, 2019 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, 2019 were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

The salary increase assumptions range from 8.25% to 3.25% 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, 2018 are summarized in the table below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45 %	6.40 %
International equity	20 %	7.40 %
Real Estate	10 %	5.10 %
Global fixed income	5 %	3.03 %
Domestic fixed income	<u>20 %</u>	<u>1.75 %</u>
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, 2017	\$ 269,030	\$ 326,630	\$ (57,600)
Changes for the year:			
Service cost	18,485	-	18,485
Interest	20,806	-	20,806
Differences between expected and actual experience	(19,622)	-	(19,622)
Contributions - employer	-	18,323	(18,323)
Contributions - employee	-	-	-
Net investment income	-	32,219	(32,219)
Benefit payments, including refunds of employee contributions	(20,192)	(20,192)	-
Administrative expense	-	(3,629)	3,629
Net changes	(523)	26,721	(27,244)
Balances at September 30, 2018	\$ 268,507	\$ 353,351	\$ (84,844)

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, 2018.

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	\$ (48,664)	\$ (84,844)	\$ (114,360)

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, 2019, the City recognized pension expense of \$1,785. At June 30, 2019, 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	\$ 14,099	\$ (76,610)
Changes in assumptions	2,220	-
Net difference between projected and actual earnings on pension plan investments	-	(19,074)
City contributions subsequent to the measurement date	<u>15,285</u>	<u>-</u>
Total	<u>\$ 31,604</u>	<u>\$ (95,684)</u>

City contributions subsequent to the measurement date of \$15,285 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, 2020. 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

2020	\$ (14,890)
2021	(21,878)
2022	(19,961)
2023	(19,366)
2024	<u>(3,270)</u>
Total	<u>\$ (79,365)</u>

H. Equity

Net position on the government-wide statement of assets as of June 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cost of capital assets	\$ 3,258,836	\$ 1,675,563	\$ 4,934,399
Accumulated depreciation	<u>1,280,018</u>	<u>981,624</u>	<u>2,261,642</u>
Book value	1,978,818	693,939	2,672,757
Less capital related debt	<u>82,594</u>	<u>-</u>	<u>82,594</u>
Investment in capital assets	<u>\$ 1,896,224</u>	<u>\$ 693,939</u>	<u>\$ 2,590,163</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	\$ 1,462,597	\$ -	\$ 1,462,597
Public safety	Law	8,191	-	8,191
Total restricted net position		<u>\$ 1,470,788</u>	<u>\$ -</u>	<u>\$ 1,470,788</u>

Note 4. Other Notes

A. Risk Management

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

The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA), a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The amount of insurance coverage has been adequate over the last three fiscal years to cover any settlements. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA. The City is also responsible for following loss reduction and prevention procedures established by GIRMA and reporting as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. GIRMA's responsibility includes paying claims and representing the City in defense and settlement of claims within the scope of loss protection furnished by the funds. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2019. No provisions have been made in the financial statements for the year ended June 30, 2019 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

During the calendar year 2018, the City was served with five (5) separate lawsuits, which cases involved the Brooklet Police Department. Each of the cases was originally filed in the State Court of Bulloch County, and each of the cases have been removed to the United States District Court for the Southern District of Georgia. Two (2) of the cases have been settled and were dismissed by Order of a Judge of the United States District Court for the Southern District of Georgia dated and entered September 26, 2019. The remaining cases are as follows:

The first case alleges a wrongful arrest and physical injury, together with state law and federal violations. The suit demands both compensatory and punitive damages in an unspecified amount. The case was timely reported to the City's liability insurance carrier, and is being defended by insurance defense attorneys hired by the insurance company. The outcome of the case is unknown at the date of this report.

The second case also alleges state law violations and constitutional violations, and demands both compensatory and punitive damages. This case was timely reported to the City's liability insurance carrier, and is being defended by insurance defense attorneys hired by the City's liability insurance carrier. The outcome of the case is unknown at the date of this report.

The third case alleges a wrongful arrest, as well as violations of state and federal law. The suit demands both compensatory and punitive damages. The case was timely reported to the City's liability insurance carrier, and is being defended by insurance defense attorneys hired by the insurance company. The outcome of the case is unknown 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 18,485	\$ 18,660	\$ 11,733	\$ 2,277	\$ 6,179
Interest on total pension liability	20,806	25,208	22,766	21,468	26,026
Difference between expected and actual experience	(19,622)	(90,390)	21,693	16,257	(67,099)
Changes of assumptions	-	3,328	-	-	0
Benefit payments, including refund of employee contributions	(20,192)	(26,086)	(23,262)	(23,263)	(22,154)
Other	-	-	-	-	(1,210)
Net change in total pension liability	(523)	(69,280)	32,930	16,739	(58,258)
Total pension liability - beginning	<u>269,030</u>	<u>338,310</u>	<u>305,380</u>	<u>288,641</u>	<u>346,899</u>
Total pension liability - ending (a)	<u>\$ 268,507</u>	<u>\$ 269,030</u>	<u>\$ 338,310</u>	<u>\$ 305,380</u>	<u>\$ 288,641</u>
Plan fiduciary net position					
Contributions - employer	\$ 18,323	\$ 13,447	\$ 6,226	\$ 13,182	\$ 22,507
Net investment income	32,219	43,628	31,118	3,755	30,375
Benefit payments, including refunds of member contributions	(20,192)	(26,086)	(23,262)	(23,263)	(22,154)
Administrative expenses	(3,629)	(3,830)	(1,884)	(1,996)	(1,641)
Net change in plan fiduciary net position	26,721	27,159	12,198	(8,322)	29,087
Plan fiduciary net position - beginning	<u>326,630</u>	<u>299,471</u>	<u>287,273</u>	<u>295,595</u>	<u>266,508</u>
Plan fiduciary net position - ending (b)	<u>\$ 353,351</u>	<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>\$ (84,844)</u>	<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	131.60 %	121.41 %	88.52 %	94.07 %	102.41 %
Covered-employee payroll	\$ 329,085	\$ 336,360	\$ 403,375	\$ 285,587	\$ 176,624
Net pension liability as a % of covered-employee payroll	(25.78)%	(17.12)%	9.63 %	6.34 %	(3.94)%

Notes to the schedule:

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	*	\$ 17,637	\$ 12,050	\$ 4,284	\$ 16,148
Contributions in relation to the actuarially determined contribution	*	16,633 **	13,054	4,284	17,995
Contribution deficiency (excess)	*	1,004	(1,004)	-	(1,847)
Covered-employee payroll	*	336,360 ***	403,075	285,587	176,624
Contributions as a percentage of covered-employee payroll	*	4.94 %	3.24 %	1.50 %	10.19 %

* 2019 information will be determined after fiscal year end and will be included in the 2020 valuation report.

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

*** 2018 covered payroll is based on data collected as of September 30, 2017 for the 2018 actuarial valuation.

Notes to schedule of Contributions:

Valuation Date: The actuarially determined contribution rate was determined as of January 1, 2019, 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, 2020.

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.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Cemetery Fund - To account for donations restricted by donors for maintenance of the cemetery and the sale of cemetery lots which have been assigned for maintenance of the cemetery, as well as the related costs of maintaining the City's cemetery.

Capital projects funds are established to account for major capital expenditures not financed by enterprise funds, internal service funds or trust funds.

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

CITY OF BROOKLET, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	
	<u>Cemetery Fund</u>	<u>SPLOST 2013 Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 3,484	\$ -	\$ 3,484
Due from other funds	33,980	-	33,980
Total assets	\$ 37,464	\$ Nil	\$ 37,464
<u>LIABILITIES</u>			
Accounts payable	\$ 3,300	\$ -	\$ 3,300
Total liabilities	3,300	Nil	3,300
<u>FUND BALANCES</u>			
Restricted for: Capital projects	-	-	-
Assigned to: Cemetery maintenance	34,164	-	34,164
Total fund balances	34,164	Nil	34,164
Total liabilities and fund balances	\$ 37,464	\$ Nil	\$ 37,464

CITY OF BROOKLET, GEORGIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds	Capital Projects Funds	
	Cemetery Fund	SPLOST 2013 Fund	Total
REVENUES			
Charges for services	\$ 5,800	\$ -	\$ 5,800
Investment income	-	4	4
	5,800	4	5,804
Total revenues			
EXPENDITURES			
Current operations:			
Public works	6,623	-	6,623
Capital:			
Public works	-	4,061	4,061
	6,623	4,061	10,684
Total expenditures			
NET CHANGE IN FUND BALANCES	(823)	(4,057)	(4,880)
FUND BALANCES, beginning of year (as restated)	34,987	4,057	39,044
FUND BALANCES, end of year	\$ 34,164	\$ Nil	\$ 34,164

CITY OF BROOKLET, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	2019				2018 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
REVENUES					
Taxes:					
Property taxes	\$ 293,400	\$ 314,342	\$ 317,685	\$ 3,343	\$ 304,905
Motor vehicle taxes	34,000	34,885	38,099	3,214	35,263
Mobile home taxes	2,000	2,970	2,240	(730)	2,595
Franchise taxes	74,000	93,813	93,811	(2)	84,999
Alcoholic beverage taxes	24,000	-	24,169	24,169	22,584
Business and occupation taxes	20,000	22,068	15,093	(6,975)	10,665
Insurance premium taxes	91,000	100,049	99,198	(851)	91,982
Financial institution taxes	5,000	6,528	7,378	850	5,705
Other taxes	6,500	4,589	4,950	361	7,175
Licenses and permits	19,200	35,201	21,164	(14,037)	27,263
Intergovernmental revenues	27,000	32,424	5,573	(26,851)	39,220
Charges for services	15,000	25,990	30,816	4,826	31,370
Fees, fines and forfeitures	89,500	54,428	59,520	5,092	100,548
Investment income	75	221	863	642	401
Other revenues	1,100	101,888	11,946	(89,942)	15,378
	<u>701,775</u>	<u>829,396</u>	<u>732,505</u>	<u>(96,891)</u>	<u>780,053</u>
EXPENDITURES					
Current operations:					
General city government					
Legislative	12,500	12,600	12,600	-	12,450
Administration	213,450	218,392	208,550	9,842	190,351
Judicial					
Municipal court	6,000	8,075	7,750	325	5,428
Public safety					
Police	341,265	456,649	406,637	50,012	454,879
Public works					
Street	158,175	213,399	135,182	78,217	240,022
Community services					
Community center	-	-	4,231	(4,231)	-
	<u>731,390</u>	<u>909,115</u>	<u>774,950</u>	<u>134,165</u>	<u>903,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,615)	(79,719)	(42,445)	37,274	(123,077)

(Continued)

CITY OF BROOKLET, GEORGIA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	2019				2018 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
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)	160,267
Transfers out	(5,500)	(5,500)	(25,452)	(19,952)	(23,416)
NET CHANGE IN FUND BALANCES	Nil	Nil	38,422	38,422	13,774
FUND BALANCES, beginning of year	100,319	100,319	100,319	Nil	86,545
FUND BALANCES, end of year	<u>\$ 100,319</u>	<u>\$ 100,319</u>	<u>\$ 138,741</u>	<u>\$ 38,422</u>	<u>\$ 100,319</u>

CITY OF BROOKLET, GEORGIA
Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	<u>2019</u>			<u>2018</u> <u>Actual</u>
	<u>Budget</u> <u>(Original and</u> <u>Final)</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
Charges for services:				
Cemetery fees	\$ 2,500	\$ 5,800	\$ 3,300	\$ -
Investment income	50	-	(50)	137
Contributions from private sources	450	-	(450)	3,025
	<u>3,000</u>	<u>5,800</u>	<u>2,800</u>	<u>3,162</u>
Total revenues				
EXPENDITURES				
Current operations:				
Public works				
Cemetery and beautification	8,550	6,623	1,927	293
	<u>8,550</u>	<u>6,623</u>	<u>1,927</u>	<u>293</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,550)	(823)	4,727	2,869
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,000
NET CHANGE IN FUND BALANCES	(5,550)	(823)	4,727	3,869
FUND BALANCES, beginning of year	34,987	34,987	Nil	31,118
FUND BALANCES, end of year	<u>\$ 29,437</u>	<u>\$ 34,164</u>	<u>\$ 4,727</u>	<u>\$ 34,987</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, 2019
With Comparative Totals for the Year Ended June 30, 2018

	<u>2019</u>			<u>2018</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	\$ -	\$ 4	\$ 4	\$ 5
Total revenues	Nil	4	4	5
EXPENDITURES				
Capital:				
Public works	4,057	4,061	(4)	950
Total expenditures	4,057	4,061	(4)	950
NET CHANGE IN FUND BALANCES	(4,057)	(4,057)	Nil	(945)
FUND BALANCES, beginning of year	4,057	4,057	Nil	5,002
FUND BALANCES, end of year	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ 4,057</u>

CITY OF BROOKLET, GEORGIA
TSPLOST Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	<u>2019</u>			<u>2018</u> Actual
	<u>Budget</u> <u>(Original and</u> <u>Final)</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	
REVENUES				
TSPLOST Revenues	\$ 288,000	\$ 1,536,146	\$ 1,248,146	\$ -
LMIG Grants	-	26,849	26,849	-
Investment income	-	5,323	5,323	-
Total revenues	<u>288,000</u>	<u>1,568,318</u>	<u>1,280,318</u>	<u>Nil</u>
EXPENDITURES				
Capital:				
Public works	<u>288,000</u>	<u>105,721</u>	<u>182,279</u>	<u>-</u>
Total expenditures	<u>288,000</u>	<u>105,721</u>	<u>182,279</u>	<u>Nil</u>
NET CHANGE IN FUND BALANCES	Nil	1,462,597	1,462,597	Nil
FUND BALANCES, beginning of year	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
FUND BALANCES, end of year	<u>\$ Nil</u>	<u>\$ 1,462,597</u>	<u>\$ 1,462,597</u>	<u>\$ Nil</u>

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Customer charges	\$ 241,607	\$ 217,434
Installation charges	1,900	2,419
Tap fees	3,000	4,200
Penalties	22,689	11,233
Miscellaneous	223	6,042
Total operating revenues	269,419	241,328
OPERATING EXPENSES		
Salaries	100,443	77,577
Employee benefits	35,157	29,295
Contractual services	16,151	20,089
Repairs, maintenance and other contractual services	1,619	2,248
Communications	708	304
Liability and property insurance	2,043	1,790
Travel and training	-	475
Supplies and materials	13,189	12,892
Utilities	19,619	12,187
Vehicle gasoline	1,972	129
Depreciation	41,345	39,709
Other expenses	12,173	2,911
Total operating expenses	244,419	199,606
OPERATING INCOME	25,000	41,722
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	766	547
Total nonoperating revenues (expenses)	766	547
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	25,766	42,269
Contributed capital	1,881	-
Transfers out	(17,225)	(161,267)
CHANGE IN NET POSITION	10,422	(118,998)
NET POSITION, beginning of year	824,713	943,711
NET POSITION, end of year	\$ 835,135	\$ 824,713

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 256,995	\$ 237,327
Cash paid for goods and services	(117,463)	(71,414)
Cash paid to employees for services	(99,588)	(77,565)
Customer deposits received (refunded)	2,665	4,999
	<u>42,609</u>	<u>93,347</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	<u>(17,225)</u>	<u>(161,267)</u>
Net cash used by noncapital financing activities	<u>(17,225)</u>	<u>(161,267)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	<u>(51,905)</u>	<u>(41,498)</u>
Net cash used by capital and related financing activities	<u>(51,905)</u>	<u>(41,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends and interest earned	<u>734</u>	<u>550</u>
Net cash provided by investing activities	<u>734</u>	<u>550</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,787)	(108,868)
CASH AND EQUIVALENTS, beginning of year	<u>204,084</u>	<u>312,952</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 178,297</u>	<u>\$ 204,084</u>

(Continued)

CITY OF BROOKLET, GEORGIA
Water Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
<i>Reconciliation of net income to net cash provided by operating activities:</i>		
OPERATING INCOME	\$ 25,000	\$ 41,722
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for losses on receivable	10,733	-
Depreciation	41,345	39,709
Decrease (increase) in operating assets:		
Accounts receivable	(12,150)	(4,001)
Pension related deferred outflows of resources	1,915	(3,576)
Increase (decrease) in operating liabilities:		
Accounts payable	(22,429)	12,791
Accrued salaries	(91)	-
Accrued leave benefits	946	12
Deposits for services	2,665	4,999
Net pension liability (benefit)	(5,463)	(13,159)
Pension related deferred inflows of resources	138	14,850
	17,609	51,625
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 42,609	\$ 93,347

Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities:

Contribution of property and equipment through SPLOST funds	\$ 1,881	\$ Nil
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CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Customer charges	\$ 109,469	\$ 103,894
Total operating revenues	109,469	103,894
OPERATING EXPENSES		
Salaries	22,586	24,948
Employee benefits	6,784	7,547
Contractual services	71,980	70,898
Liability and property insurance	771	770
Depreciation	574	574
Other expenses	3,544	382
Total operating expenses	106,239	105,119
OPERATING	3,230	(1,225)
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	30	8
Total nonoperating revenues (expenses)	30	8
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,260	(1,217)
Transfers in	25,452	23,416
CHANGE IN NET POSITION	28,712	22,199
NET POSITION, beginning of year	42,917	20,718
NET POSITION, end of year	\$ 71,629	\$ 42,917

CITY OF BROOKLET, GEORGIA
Sanitation Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 108,594	\$ 101,685
Cash paid for goods and services	(80,104)	(80,855)
Cash paid to employees for services	(22,825)	(25,086)
	<u>5,665</u>	<u>(4,256)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net transfers in (out)	<u>25,452</u>	<u>23,416</u>
	<u>25,452</u>	<u>23,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and interest earned	<u>30</u>	<u>9</u>
	<u>30</u>	<u>9</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,147	19,169
CASH AND EQUIVALENTS, beginning of year	<u>19,169</u>	<u>Nil</u>
CASH AND EQUIVALENTS, end of year	<u><u>\$ 50,316</u></u>	<u><u>\$ 19,169</u></u>
<i>Reconciliation of net income (loss) to net cash provided (used) by operating activities:</i>		
OPERATING INCOME (LOSS)	<u>\$ 3,230</u>	<u>\$ (1,225)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Provision for losses on receivable	3,539	-
Depreciation	573	574
Decrease (increase) in operating assets:		
Accounts receivable	(873)	(2,209)
Pension related deferred outflows of resources	3,016	(42)
Increase (decrease) in operating liabilities:		
Accounts payable	(707)	-
Accrued salaries	(190)	-
Accrued leave benefits	(49)	(138)
Net pension liability (benefit)	3,917	(6,271)
Pension related deferred inflows of resources	(6,791)	5,055
	<u>2,435</u>	<u>(3,031)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 5,665</u></u>	<u><u>\$ (4,256)</u></u>

OTHER REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brooklet, Georgia 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 and have issued our report thereon dated February 21, 2020.

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 2019-001 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 2019-003 and 2019-004.

City of Brooklet, Georgia's Response to Findings

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

Purpose of this Report

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

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

Statesboro, Georgia
February 21, 2020

CITY OF BROOKLET, GEORGIA
Schedule of Findings and Questioned Costs
June 30, 2019

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 2019 - 001:

Criteria: An important control over the City's police department is maintaining control over and accounting for all issued and unissued tickets.

Condition: During the year ended June 30, 2019, there were several tickets which were unaccounted for.

Context: Of the total of fifteen incomplete ticket books, eight are in use by current officers, with two officers having two ticket books each. The remaining seven were issued to officers no longer with the department.

Cause: Ticket books were not turned in by officers who were terminated. Also, multiple books were issued to the same officers.

Effect: Failure to maintain control over all ticket books could allow an officer to prepare a ticket from an unused book, collect for the fine immediately from the offender, and keep the proceeds.

Recommendation: We recommend that in future years, the department maintain a sign out/in log to ensure each officer only has one ticket book at a time. Officers should sign in their completed ticket book before being issued another. Terminated officers should be required to return their ticket books upon departure.

Comments: Management will review the need to control unused ticket books with appropriate personnel within the Police Department.

Schedule of Findings and Questioned Costs (continued)

Finding 2019 - 002:

Criteria: An important control over cash receipting is the daily balancing of funds received to the cash receipts journal and the prompt deposit of those funds.

Condition: During a surprise cash count of the City's cash drawers, we noted that the drawer had not been balanced, nor funds deposited for the previous day's receipts.

Context: During our audit, we noted a number instances in which receipts for multiple days were combined into a single deposit.

Cause: It appears that the failure to balance and deposit all monies received daily was due disregard of the City's adopted policy by the personnel responsible for receipting cash.

Effect: The failure to deposit cash receipts daily are a departure from the City's adopted policy of depositing each day's receipts promptly and intact. In addition to subjecting the City to additional risk posed by retaining cash on hand, the failure to deposit each day's receipts separately makes it extremely difficult to isolate posting errors because it is difficult to determine which day's receipts have been recorded inaccurately. The inability to determine on which day a shortage occurred not only creates an opportunity to hide misuse of cash received, but also makes it difficult to isolate and correct errors in posting to customer accounts.

Recommendation: We recommend that City's policy of balancing cash drawers daily and depositing each days' receipts intact be emphasized with personnel responsible for receipting cash.

Comments: Management has hired additional personnel in the administrative department to ensure that all tasks are accomplished on a timely basis. The importance of complying with the City's policies regarding handling of cash receipts will be reviewed with all personnel responsible for cash receipting.

Finding 2019 - 003:*

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, 2019, one department within the General Fund exceeded appropriations.

Context: Total expenditures for the community building exceeded the budget by \$4,231.

Cause: During the year, the City established a new department to account for its community building. This new department was not contemplated within the City's original budget, nor was it included in the amended budget.

Effect: The failure to include the new department in the amended budget caused expenditure of unappropriated funds.

Recommendation: We recommend that in future years, budget amendments be reviewed to include all departments of the City.

Comments: The City Administrator/Clerk will review all future budgets and budget amendments to ensure that all departments have been considered.

Schedule of Findings and Questioned Costs (continued)

Finding 2019 - 004:

Criteria: State law requires that the City’s proposed budget, including amendments, be maintained at the legal level of control for each fund requiring a budget. Further, state law requires the proposed budget, or amended budget, to be placed on file for public inspection.

Condition: During the year ended June 30, 2019, we noted that the City adopted a budget amendment which increased budgeted expenditures for the General Fund from \$782,300 to \$914,615. However, the amended budget was presented only at the fund total level, not at the City’s legal level of control by department.

Context: In comparing the amended budget to the City’s accounting system, we noted that the detailed worksheets used to develop the budget amendment did not agree with total budgeted expenditures included in the resolution. We also noted that a copy of the budget was not available for public inspection.

Cause: It appears that the discrepancies between the detailed worksheets and the total expenditures approved in the amendment were caused, in part, by errors in the spreadsheet used to develop the budget amendment. The failure to make the budget available for public inspection was caused by oversight on the part of City personnel.

Effect: Once adopted, the budget acts as a legal spending authorization. Inaccurate budget amounts included on the budget-to-actual comparisons could cause Council to incorrectly authorize expenditures which are not budgeted, and are, therefore, not within the City’s legal spending authorization.

Recommendation: We recommend that the future budgets or budget amendments be adopted at the department level in accordance with the City’s previously adopted legal level of control at the department level. We also recommend that all spreadsheets used to develop such budgets be carefully reviewed for accuracy. Finally, we recommend that a copy of the budgets as adopted be maintained in a public inspection file and that a permanent copy spreadsheet which was used as a basis for the budget or budget amendment be maintained by the City Administrator/Clerk.

Comments: The City Administrator/Clerk will review and correct the spreadsheet which is used to develop the budget for accuracy. All future budgets will be adopted at the legal level of control and will be retained for public inspection.

** 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, 2019

<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	\$ 825,862	\$ Nil	\$ 825,862
Public safety facilities and equipment	300,000	111,637	111,637	Nil	111,637
Facility construction / improvements	<u>300,520</u>	<u>199,711</u>	<u>195,650</u>	<u>4,061</u>	<u>199,711</u>
Total	<u>\$ 1,135,574</u>	<u>\$ 1,137,210</u>	<u>\$ 1,133,149</u>	<u>\$ 4,061</u>	<u>\$ 1,137,210</u>

CITY OF BROOKLET, GEORGIA
Schedule of Projects Constructed with Transportation Special Purpose Local Option Sales Tax Proceeds
For the Year Ended June 30, 2019

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Project				
Roads, streets and bridges	\$ 1,920,000	\$ Nil	\$ 105,721	\$ 105,721
Total	<u>\$ 1,920,000</u>	<u>\$ Nil</u>	<u>\$ 105,721</u>	<u>\$ 105,721</u>

