

**CITY OF BROOKLET, GEORGIA**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

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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 remaining fund information of the City of Brooklet, Georgia (the City), as of and for the year ended June 30, 2020, 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 remaining fund information of the City of Brooklet, Georgia as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brooklet, Georgia's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of SPLOST Expenditures and Schedule of Transportation SPLOST Expenditures 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 SPLOST Expenditures and the Schedule of Transportation SPLOST Expenditures 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 June 22, 2021, 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  
June 22, 2021

**CITY OF BROOKLET, GEORGIA**  
*Management's Discussion and Analysis*  
June 30, 2020

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

**Overview of the Financial Statements**

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

***Government-wide Financial Statements***

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

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

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

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

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

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

***Fund Financial Statements***

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

## **Overview of the Financial Statements (continued)**

### ***Fund Financial Statements (continued)***

The City has two kinds of funds:

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

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

The City maintains three major and one non-major governmental funds. The City's major governmental funds are the General Fund, the 2019 SPLOST Fund and the TSPLOST Fund. The City's non-major governmental funds is the Cemetery Fund.

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

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

The City maintains two enterprise funds: Water and Sanitation.

### ***Notes to the Basic Financial Statements***

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

### ***Budgetary Presentations***

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

### ***Supplementary Financial Information***

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented as supplementary financial information of this report beginning on page 43.

**Financial Analysis of the City as a Whole**

The City's net position at fiscal year-end is \$5,247,651, as compared to \$4,466,384 at June 30, 2019. The following table provides a summary of the City's net position.

	<b>Summary of Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets:</b>						
Current and other assets	\$ 2,036,910	1,789,335	\$ 390,133	\$ 281,076	\$ 2,427,043	\$ 2,070,411
Capital assets	2,188,061	1,978,818	819,152	693,939	3,007,213	2,672,757
Total assets	4,224,971	3,768,153	1,209,285	975,015	5,434,256	4,743,168
Deferred outflows of resources	31,850	25,868	11,237	5,736	43,087	31,604
<b>Liabilities:</b>						
Long-term liabilities	3,425	85,511	1,200	1,397	4,625	86,908
Other liabilities	86,629	70,573	72,674	55,224	159,303	125,797
Total liabilities	90,054	156,084	73,874	56,621	163,928	212,705
Deferred inflows of resources	48,613	78,317	17,151	17,366	65,764	95,683
<b>Net Position:</b>						
Investment in capital assets	2,188,061	1,896,224	819,152	693,939	3,007,213	2,590,163
Restricted	1,647,725	1,470,788	-	-	1,647,725	1,470,788
Unrestricted	282,368	192,608	310,345	212,825	592,713	405,433
Total Net Position	<u>\$ 4,118,154</u>	<u>\$ 3,559,620</u>	<u>\$ 1,129,497</u>	<u>\$ 906,764</u>	<u>\$ 5,247,651</u>	<u>\$ 4,466,384</u>

The current ratio is used to measure an entity's ability to meet current obligations. The City has a 23.51 to 1 ratio for governmental activities as compared to 25.35 to 1 at June 30, 2019. The current ratio for business-type activities is 5.37 to 1, as compared to 5.09 to 1 at June 30, 2019.

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 \$1,129,497. The table below focuses on the net position and revenues and expenses of the City's governmental and business-type activities. Net position increased \$558,534 for governmental activities and increased \$222,733 for business-type activities. The City's overall financial position improved during the year ended June 30, 2020.

**Financial Analysis of the City as a Whole (continued)**

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

	<b>Summary of Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
Program						
Charges for services	\$ 227,898	\$ 132,392	\$ 429,442	\$ 378,888	\$ 657,340	\$ 511,280
Operating grants	3,000	-	-	-	3,000	-
Capital grants / contributions	763,906	1,573,896	-	-	763,906	1,573,896
General						
Property taxes	386,760	357,916	-	-	386,760	357,916
Franchise taxes	97,639	93,811	-	-	97,639	93,811
Insurance premium taxes	105,371	99,198	-	-	105,371	99,198
Financial institution taxes	11,011	7,378	-	-	11,011	7,378
Alcoholic beverage taxes	26,067	24,169	-	-	26,067	24,169
Intangible and other taxes	6,768	4,950	-	-	6,768	4,950
Interest	1,265	854	843	796	2,108	1,650
Gain (loss) on sale of assets	-	1,687	-	-	-	1,687
Other income	7,842	12,521	-	-	7,842	12,521
<b>Total revenues</b>	<b>1,637,527</b>	<b>2,308,772</b>	<b>430,285</b>	<b>379,684</b>	<b>2,067,812</b>	<b>2,688,456</b>
<b>Program expenses:</b>						
General government	236,319	228,031	-	-	236,319	228,031
Judicial	5,600	7,750	-	-	5,600	7,750
Public safety	477,020	342,476	-	-	477,020	342,476
Public works	200,311	162,551	-	-	200,311	162,551
Community services	2,577	4,231	-	-	2,577	4,231
Water	-	-	257,003	244,420	257,003	244,420
Sanitation	-	-	107,715	106,238	107,715	106,238
<b>Total expenses</b>	<b>921,827</b>	<b>745,039</b>	<b>364,718</b>	<b>350,658</b>	<b>1,286,545</b>	<b>1,095,697</b>
<b>Increase (decrease) in net position before transfers</b>	<b>715,700</b>	<b>1,563,733</b>	<b>65,567</b>	<b>29,026</b>	<b>781,267</b>	<b>1,592,759</b>
<b>Transfers</b>	<b>(157,166)</b>	<b>(10,108)</b>	<b>157,166</b>	<b>10,108</b>	<b>Nil</b>	<b>Nil</b>
<b>Increase (decrease) in net position</b>	<b>558,534</b>	<b>1,553,625</b>	<b>222,733</b>	<b>39,134</b>	<b>781,267</b>	<b>1,592,759</b>
<b>Beginning net position</b>	<b>3,559,620</b>	<b>2,005,995</b>	<b>906,764</b>	<b>867,630</b>	<b>4,466,384</b>	<b>2,873,625</b>
<b>Ending net position</b>	<b>\$ 4,118,154</b>	<b>\$ 3,559,620</b>	<b>\$ 1,129,497</b>	<b>\$ 906,764</b>	<b>\$ 5,247,651</b>	<b>\$4,466,384</b>

**Governmental Revenues**

The City's governmental activities are heavily reliant on property taxes and sales taxes, which collectively make up 23.61% of governmental revenues. Note that program revenues made up 68.88% 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 37.07% of the City's total expenses, while water and public works made up 19.98% and 15.57% respectively.



### **Financial Analysis of the City as a Whole (continued)**

There was an excess of \$715,700 in governmental activities and an excess of \$65,567 in business-type activities. Transfers to (from) governmental activities resulted in a total excess in governmental activities of \$558,534 and a total excess in business-type activities of \$222,733. The total change in net position was \$781,267. As stated earlier, the financial position of the City improved in the year ended June 30, 2020.

### **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 \$1,897,137. Of this year-end total, \$1,633,078 is restricted to capital projects, \$14,647 is restricted for public safety and \$- is assigned to maintenance and care of the City's cemetery. The unassigned portion of governmental fund balances was \$249,412. The total ending fund balances of governmental funds shows an increase of \$261,635, or a 16.00% 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 \$264,059, of which \$249,412 is unassigned. The total ending fund balance of the General Fund shows an increase of \$125,318. The increase in the current year was a result of better defined purchasing procedures.

Total revenues of the General Fund were \$901,032, an increase of \$168,527 from fiscal year 2019. This equates to a 23.01% increase in total revenues. This increase was due to an increase in fees, fines and forfeitures and building permits.

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 \$429,442, an increase of \$50,554 over fiscal year 2019. The increase was due to an expansion of the water and sanitation services provided. After considering expenditures, the net income of these funds before capital contributions and transfers is \$65,567.

### **Budgetary Highlights**

Revenues in the General Fund were over the budget by \$5,682. This increase an increase in financial institution taxes.

Expenditures in the General Fund were under the budget by \$155,356. The decrease resulted primarily from better defined purchasing procedures.

A budget amendment was adopted during the year ended June 30, 2020 which resulted in an increase in General Fund expenditures of \$149,735.

**Capital Assets and Debt Administration**

***Capital Assets***

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2020, was \$3,007,213 as follows:

	<u>Capital Assets</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Nondepreciable assets:</b>						
Land	\$ 356,876	\$ 356,876	\$ 21,632	\$ 21,632	\$ 378,508	\$ 378,508
Construction in progress	101,389	8,000	164,214	-	265,603	8,000
Book value - nondepreciable assets	<u>458,265</u>	<u>364,876</u>	<u>185,846</u>	<u>21,632</u>	<u>644,111</u>	<u>386,508</u>
<b>Depreciable assets:</b>						
Infrastructure	1,692,421	1,554,710	1,337,921	1,337,921	3,030,342	2,892,631
Building	708,602	688,632	56,404	56,404	765,006	745,036
Machinery and equipment	397,639	351,735	120,825	120,825	518,464	472,560
Vehicles	321,683	298,883	143,781	138,781	465,464	437,664
Total depreciable assets	3,120,345	2,893,960	1,658,931	1,653,931	4,779,276	4,547,891
Less accumulated depreciation	<u>1,390,549</u>	<u>1,280,018</u>	<u>1,025,625</u>	<u>981,624</u>	<u>2,416,174</u>	<u>2,261,642</u>
Book value - depreciable assets	<u>1,729,796</u>	<u>1,613,942</u>	<u>633,306</u>	<u>672,307</u>	<u>2,363,102</u>	<u>2,286,249</u>
Percentage depreciated	<u>44.56 %</u>	<u>44.23 %</u>	<u>61.82 %</u>	<u>59.35 %</u>	<u>50.56 %</u>	<u>49.73 %</u>
Total Capital Assets	<u>\$ 2,188,061</u>	<u>\$ 1,978,818</u>	<u>\$ 819,152</u>	<u>\$ 693,939</u>	<u>\$ 3,007,213</u>	<u>\$ 2,672,757</u>

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

***Debt Outstanding***

As of June 30, 2020, the City had total outstanding long-term debt of \$4,625 as follows:

	<u>Long-Term Debt</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Accumulated leave benefits	\$ 3,425	\$ 2,917	\$ 1,200	\$ 1,397	\$ 4,625	\$ 4,314
<b>Capital leases</b>						
Police vehicles	-	82,594	-	-	-	82,594
Total Long-Term Debt	<u>\$ 3,425</u>	<u>\$ 85,511</u>	<u>\$ 1,200</u>	<u>\$ 1,397</u>	<u>\$ 4,625</u>	<u>\$ 86,908</u>

During the year ended June 30, 2020, the City issued no long-term debt. The City retired \$82,791 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. The City depends on its remaining SPLOST and TSPLOST monies to provide infrastructure for economic development as the median income of Brooklet often makes it ineligible for infrastructure grants.

The City recently annexed a subdivision and population within the City is expected to grow.

**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, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash	\$ 1,971,606	\$ 336,511	\$ 2,308,117
Receivables, net of allowance for uncollectibles:			
Taxes	10,144	-	10,144
Other	13,629	38,972	52,601
Accrued interest receivable	138	46	184
<b>Noncurrent Assets</b>			
Capital assets:			
Nondepreciable assets	458,265	185,846	644,111
Depreciable assets, net	1,729,796	633,306	2,363,102
Other assets:			
Net pension asset	41,393	14,604	55,997
<b>Total Assets</b>	4,224,971	1,209,285	5,434,256
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows of resources - Pension	31,850	11,237	43,087
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Accounts payable	82,454	24,192	106,646
Payroll taxes payable	290	-	290
Accrued salaries	3,749	1,197	4,946
Other accrued expenses	136	-	136
Deposits to secure services	-	47,285	47,285
<b>Noncurrent Liabilities</b>			
Due within one year:			
Compensated absences	685	240	925
Due in more than one year:			
Compensated absences; net of current portion	2,740	960	3,700
<b>Total Liabilities</b>	90,054	73,874	163,928
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows of resources - Pension	48,613	17,151	65,764
<b><u>NET POSITION</u></b>			
Investment in capital assets	2,188,061	819,152	3,007,213
Restricted for:			
Capital projects	1,633,078	-	1,633,078
Public safety	14,647	-	14,647
Unrestricted	282,368	310,345	592,713
<b>Total Net Position</b>	\$ 4,118,154	\$ 1,129,497	\$ 5,247,651

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, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 236,319	\$ 83,408	\$ -	\$ -	\$ (152,911)	\$ -	\$ (152,911)
Judicial	5,600	-	-	-	(5,600)	-	(5,600)
Public safety	477,020	112,718	-	-	(364,302)	-	(364,302)
Public works	200,311	31,497	3,000	763,906	598,092	-	598,092
Community services	2,577	275	-	-	(2,302)	-	(2,302)
<b>Total governmental activities</b>	<b>921,827</b>	<b>227,898</b>	<b>3,000</b>	<b>763,906</b>	<b>72,977</b>	<b>Nil</b>	<b>72,977</b>
<b>Business-type activities:</b>							
Water	257,003	310,260	-	-	-	53,257	53,257
Sanitation	107,715	119,182	-	-	-	11,467	11,467
<b>Total business-type activities</b>	<b>364,718</b>	<b>429,442</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>64,724</b>	<b>64,724</b>
<b>Total</b>	<b>\$ 1,286,545</b>	<b>\$ 657,340</b>	<b>\$ 3,000</b>	<b>\$ 763,906</b>	<b>72,977</b>	<b>64,724</b>	<b>137,701</b>

**General Revenues**

Property taxes	386,760	-	386,760
Franchise taxes	97,639	-	97,639
Insurance premium taxes	105,371	-	105,371
Financial institution taxes	11,011	-	11,011
Alcoholic beverage taxes	26,067	-	26,067
Intangible and other taxes	6,768	-	6,768
Interest	1,265	843	2,108
Other revenues	7,842	-	7,842
<b>Total general revenues</b>	<b>642,723</b>	<b>843</b>	<b>643,566</b>
Transfers	(157,166)	157,166	-
<b>Total general revenues and transfers</b>	<b>485,557</b>	<b>158,009</b>	<b>643,566</b>
<b>Change in net position</b>	<b>558,534</b>	<b>222,733</b>	<b>781,267</b>
<b>Net position, beginning of year</b>	<b>3,559,620</b>	<b>906,764</b>	<b>4,466,384</b>
<b>Net position, end of year</b>	<b>\$ 4,118,154</b>	<b>\$ 1,129,497</b>	<b>\$ 5,247,651</b>

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

**CITY OF BROOKLET, GEORGIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>General Fund</u>	<u>SPLOST 2019 Fund</u>	<u>TSPLOST Fund</u>	<u>Other Governmental Funds Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 290,814	\$ 439,024	\$ 1,241,768	\$ -	\$ 1,971,606
Receivables:					
Taxes receivable	10,144	-	-	-	10,144
Other receivables	13,629	-	-	-	13,629
Accrued interest receivable	138	-	-	-	138
Due from other funds	-	-	7,000	-	7,000
	<u>\$ 314,725</u>	<u>\$ 439,024</u>	<u>\$ 1,248,768</u>	<u>\$ Nil</u>	<u>\$ 2,002,517</u>
<b><u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u></b>					
Accounts payable	\$ 34,741	\$ 47,714	\$ -	\$ -	\$ 82,455
Payroll taxes payable	290	-	-	-	290
Accrued salaries	3,749	-	-	-	3,749
Other liabilities	136	-	-	-	136
Due to other funds	-	7,000	-	-	7,000
	<u>38,916</u>	<u>54,714</u>	<u>Nil</u>	<u>Nil</u>	<u>93,630</u>
<b>Total Liabilities</b>	<u>38,916</u>	<u>54,714</u>	<u>Nil</u>	<u>Nil</u>	<u>93,630</u>
<b>Deferred Inflows of Resources</b>	<u>11,750</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>11,750</u>
	<u>50,666</u>	<u>54,714</u>	<u>Nil</u>	<u>Nil</u>	<u>105,380</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>50,666</u>	<u>54,714</u>	<u>Nil</u>	<u>Nil</u>	<u>105,380</u>
<b><u>FUND BALANCES</u></b>					
Restricted for:					
Capital projects	-	384,310	1,248,768	-	1,633,078
Public safety	14,647	-	-	-	14,647
Cemetery maintenance	-	-	-	-	-
Unrestricted	249,412	-	-	-	249,412
	<u>264,059</u>	<u>384,310</u>	<u>1,248,768</u>	<u>Nil</u>	<u>1,897,137</u>
<b>Total Fund Balances</b>	<u>264,059</u>	<u>384,310</u>	<u>1,248,768</u>	<u>Nil</u>	<u>1,897,137</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 314,725</u>	<u>\$ 439,024</u>	<u>\$ 1,248,768</u>	<u>\$ Nil</u>	<u>\$ 2,002,517</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, 2020*

**Total Governmental Fund Balances** \$ 1,897,137

*Amounts reported in governmental activities in the statements of net position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Cost	\$ 3,578,611	
Accumulated depreciation	<u>(1,390,550)</u>	2,188,061

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Property taxes	\$ 11,750	\$
Net pension benefit	<u>41,393</u>	53,143

Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and therefore are not reported in governmental funds.

Deferred outflows	\$ 31,850	
Deferred inflows	<u>(48,613)</u>	(16,763)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences		<u>(3,424)</u>
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**Total Net Position of Governmental Activities** \$ 4,118,154

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, 2020*

	<u>General Fund</u>	<u>SPLOST 2019 Fund</u>	<u>TSPLOST Fund</u>	<u>Other Governmental Funds Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 338,486	\$ -	\$ -	\$ -	\$ 338,486
Motor vehicle taxes	49,010	-	-	-	49,010
Mobile home taxes	2,136	-	-	-	2,136
Franchise taxes	97,639	-	-	-	97,639
Alcoholic beverage taxes	26,067	-	-	-	26,067
Business and occupation taxes	20,557	-	-	-	20,557
Insurance premium taxes	105,371	-	-	-	105,371
Financial institution taxes	11,011	-	-	-	11,011
Other taxes	6,768	-	-	-	6,768
Licenses and permits	52,862	-	-	-	52,862
Intergovernmental revenues	29,911	716,000	-	-	745,911
Charges for services	30,747	-	-	1,200	31,947
Fees, fines and forfeitures	112,718	-	-	-	112,718
Investment income	889	712	17,283	376	19,260
Contributions from private sources	-	-	-	3,000	3,000
Other revenues	16,860	-	-	-	16,860
	<u>901,032</u>	<u>716,712</u>	<u>17,283</u>	<u>4,576</u>	<u>1,639,603</u>
Total revenues					
<b>EXPENDITURES</b>					
Current operations:					
General city government	228,493	-	-	-	228,493
Judicial	5,600	-	-	-	5,600
Public safety	438,626	-	-	-	438,626
Public works	145,548	-	-	658	146,206
Community services	2,577	-	-	-	2,577
Capital:					
General city government	-	19,970	12	-	19,982
Public safety	-	146,643	-	-	146,643
Public works	-	165,789	231,100	-	396,889
	<u>820,844</u>	<u>332,402</u>	<u>231,112</u>	<u>658</u>	<u>1,385,016</u>
Total expenditures					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	80,188	384,310	(213,829)	3,918	254,587
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	80,873	-	-	-	80,873
Transfers out	(35,743)	-	-	(38,082)	(73,825)
<b>NET CHANGE IN FUND BALANCES</b>	125,318	384,310	(213,829)	(34,164)	261,635
<b>FUND BALANCES, beginning of year</b>	138,741	Nil	1,462,597	34,164	1,635,502
<b>FUND BALANCES, end of year</b>	<u>\$ 264,059</u>	<u>\$ 384,310</u>	<u>\$ 1,248,768</u>	<u>\$ Nil</u>	<u>\$ 1,897,137</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, 2020*

<b>Net change in fund balances - total governmental funds</b>	\$	261,635
<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.		402,370
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.		(110,532)
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, 2020	\$ 11,750	
Deferred property taxes at June 30, 2019	<u>(13,816)</u>	(2,066)
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		7,635
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, 2020	\$ (3,425)	
Liability at June 30, 2019	<u>2,917</u>	<u>(508)</u>
<b>Change in net position in governmental funds</b>		<u><u>\$ 558,534</u></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, 2020*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 316,537	\$ 338,100	\$ 338,486	\$ 386
Motor vehicle taxes	37,255	48,600	49,010	410
Mobile home taxes	3,000	2,000	2,136	136
Franchise taxes	93,813	97,000	97,639	639
Alcoholic beverage taxes	24,108	26,000	26,067	67
Business and occupation taxes	22,093	31,500	20,557	(10,943)
Insurance premium taxes	100,050	105,000	105,371	371
Financial institution taxes	6,528	800	11,011	10,211
Other taxes	5,076	6,500	6,768	268
Licenses and permits	71,876	51,250	52,862	1,612
Intergovernmental revenues	27,500	29,900	29,911	11
Charges for services	21,331	30,400	30,747	347
Fees, fines and forfeitures	98,350	112,000	112,718	718
Investment income	250	800	889	89
Other revenues	110,900	15,500	16,860	1,360
	<u>938,667</u>	<u>895,350</u>	<u>901,032</u>	<u>5,682</u>
Total revenues				
<b>EXPENDITURES</b>				
Current operations:				
General city government	259,950	234,950	228,493	6,457
Judicial	7,800	6,000	5,600	400
Public safety	413,415	555,250	438,626	116,624
Public works	145,300	175,500	145,548	29,952
Community services	-	4,500	2,577	1,923
	<u>826,465</u>	<u>976,200</u>	<u>820,844</u>	<u>155,356</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	112,202	(80,850)	80,188	161,038
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	43,500	82,750	80,873	(1,877)
Transfers out	-	(1,900)	(35,743)	(33,843)
	<u>155,702</u>	<u>Nil</u>	<u>125,318</u>	<u>125,318</u>
<b>NET CHANGE IN FUND BALANCES</b>				
<b>FUND BALANCES, beginning of year</b>	<u>138,741</u>	<u>138,741</u>	<u>138,741</u>	<u>Nil</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 294,443</u>	<u>\$ 138,741</u>	<u>\$ 264,059</u>	<u>\$ 125,318</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, 2020*

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash	\$ 318,504	\$ 18,007	\$ 336,511
Accounts receivable	27,867	11,105	38,972
Accrued interest receivable	46	-	46
Total current assets	346,417	29,112	375,529
<b>Noncurrent Assets</b>			
Capital assets:			
Nondepreciable assets	170,846	15,000	185,846
Depreciable assets, net	627,063	6,243	633,306
Other assets:			
Net pension asset	11,317	3,287	14,604
Total noncurrent assets	809,226	24,530	833,756
<b>Total Assets</b>	1,155,643	53,642	1,209,285
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related deferred outflows of resources	8,708	2,529	11,237
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Accounts payable	12,968	11,224	24,192
Accrued salaries	895	302	1,197
Compensated absences	153	87	240
Deposits to secure service	47,285	-	47,285
Total current liabilities	61,301	11,613	72,914
<b>Noncurrent Liabilities</b>			
Compensated absences	610	350	960
Total noncurrent liabilities	610	350	960
<b>Total Liabilities</b>	61,911	11,963	73,874
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related deferred inflows of resources	13,291	3,860	17,151
<b><u>NET POSITION</u></b>			
Investment in capital assets	797,909	21,243	819,152
Unrestricted	291,240	19,105	310,345
<b>Total Net Position</b>	\$ 1,089,149	\$ 40,348	\$ 1,129,497

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, 2020**

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Customer charges	\$ 280,062	\$ 119,182	\$ 399,244
Installation charges	1,550	-	1,550
Tap fees	6,100	-	6,100
Penalties	21,360	-	21,360
Miscellaneous	1,188	-	1,188
	<u>310,260</u>	<u>119,182</u>	<u>429,442</u>
Total operating revenues			
<b>OPERATING EXPENSES</b>			
Salaries	81,349	24,356	105,705
Employee benefits	35,644	5,189	40,833
Contractual services	13,244	73,697	86,941
Repairs, maintenance and other contractual services	32,192	-	32,192
Communications	608	-	608
Liability and property insurance	4,068	971	5,039
Travel and training	150	-	150
Supplies and materials	13,459	-	13,459
Utilities	22,706	-	22,706
Vehicle gasoline	1,466	-	1,466
Depreciation	43,427	574	44,001
Other expenses	8,690	2,928	11,618
	<u>257,003</u>	<u>107,715</u>	<u>364,718</u>
Total operating expenses			
<b>OPERATING INCOME</b>	<u>53,257</u>	<u>11,467</u>	<u>64,724</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earned on investments	800	43	843
	<u>800</u>	<u>43</u>	<u>843</u>
Total nonoperating revenues (expenses)			
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>54,057</u>	<u>11,510</u>	<u>65,567</u>
Contributed capital	164,214	-	164,214
Transfers in	35,743	-	35,743
Transfers out	-	(42,791)	(42,791)
	<u>254,014</u>	<u>(31,281)</u>	<u>222,733</u>
<b>CHANGE IN NET POSITION</b>			
<b>NET POSITION, beginning of year</b>	<u>835,135</u>	<u>71,629</u>	<u>906,764</u>
<b>NET POSITION, end of year</b>	<u>\$ 1,089,149</u>	<u>\$ 40,348</u>	<u>\$ 1,129,497</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, 2020*

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 306,531	\$ 116,110	\$ 422,641
Cash paid for goods and services	(123,856)	(76,975)	(200,831)
Cash paid to employees for services	(81,009)	(23,696)	(104,705)
Customer deposits received (refunded)	1,994	-	1,994
	<u>103,660</u>	<u>15,439</u>	<u>119,099</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Net transfers in (out)	<u>35,742</u>	<u>(42,791)</u>	<u>(7,049)</u>
Net cash provided (used) by noncapital financing activities	<u>35,742</u>	<u>(42,791)</u>	<u>(7,049)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of property and equipment	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net cash by capital and related financing activities	<u>Nil</u>	<u>(5,000)</u>	<u>(5,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Dividends and interest earned	<u>805</u>	<u>43</u>	<u>848</u>
Net cash provided by investing activities	<u>805</u>	<u>43</u>	<u>848</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>140,207</u>	<u>(32,309)</u>	<u>107,898</u>
<b>CASH AND EQUIVALENTS, beginning of year</b>	<u>178,297</u>	<u>50,316</u>	<u>228,613</u>
<b>CASH AND EQUIVALENTS, end of year</b>	<u><u>\$ 318,504</u></u>	<u><u>\$ 18,007</u></u>	<u><u>\$ 336,511</u></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, 2020*

	<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>			
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 53,257</b>	<b>\$ 11,467</b>	<b>\$ 64,724</b>
<b>ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Provision for losses on receivables	3,096	1,747	4,843
Depreciation	43,428	573	44,001
Decrease (increase) in operating assets:			
Accounts receivable	(3,732)	(3,070)	(6,802)
Pension related deferred outflows of resources	(2,972)	(2,529)	(5,501)
Increase (decrease) in operating liabilities:			
Accounts payable	8,243	6,018	14,261
Accrued salaries	895	303	1,198
Accrued leave benefits	(555)	357	(198)
Deposits for services	1,994	-	1,994
Net pension liability (benefit)	4,082	(3,287)	795
Pension related deferred inflows of resources	(4,076)	3,860	(216)
	50,403	3,972	54,375
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 103,660</b>	<b>\$ 15,439</b>	<b>\$ 119,099</b>

**Supplemental Disclosure of Cash Flow Information**

**Noncash investing and financing activities:**

Contribution of capital: Capital projects through SPLOST Funds	\$ 164,214	\$ Nil	\$ 164,214
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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, 2020*

**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, 2020, the City paid \$1,814 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Financial statements for the Commission may be obtained directly from the RC at 127 F Street, Brunswick, Georgia 31520.

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

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

*SPLOST 2019 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.



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

**B. Basis of Presentation (continued)**

*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.

*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.

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

*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.

*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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

3. Interfund Balances

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

4. Interfund Activities

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

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

5. Inventories and Prepaid Expenses

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

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

6. Capital Assets

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

Note 1. Summary of Significant Accounting Policies (continued)

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

6. Capital Assets (continued)

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

8. *Compensated Absences*

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

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

9. *Long-Term Obligations*

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

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

10. *Fund Net Position or Equity*

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

10. Fund Net Position or Equity (continued)

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

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

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

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

11. Operating Revenues and Expenses

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

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Brooklet'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, 2020, City Council approved a budget amendment which decreased General-Fund expenditures by \$149,735.

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.

**Note 3. Detailed Notes on All Funds**

***A. Deposits and Investments***

At June 30, 2020, the carrying amount of the City's deposits was \$2,308,117 which is reflected as cash of \$2,308,117. The related bank balance was \$2,316,095. 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.

Note 3. Detailed Notes on All Funds (continued)

**B. Receivables**

Receivables at June 30, 2020, 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, 2020 consist of the following:

Taxes receivable - Current	\$ 3,467
Prior	<u>9,133</u>
Gross receivables	12,600
Allowance for uncollectible accounts	<u>2,456</u>
Total	<u><u>\$ 10,144</u></u>

Other receivables at June 30, 2020, consisted of the following:

	<u>General Fund</u>	<u>Enterprise</u>	<u>Total</u>
Other receivables	\$ 13,629	\$ 62,731	\$ 76,360
Gross receivables	13,629	62,731	76,360
Allowance for uncollectible	<u>-</u>	<u>23,759</u>	<u>23,759</u>
Total	<u><u>\$ 13,629</u></u>	<u><u>\$ 38,972</u></u>	<u><u>\$ 52,601</u></u>

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

**C. Property Taxes**

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

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



Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 356,876	\$ -	\$ -	\$ 356,876
Construction-in-progress	8,000	415,284	321,895	101,389
Total nondepreciable capital assets	<u>364,876</u>	<u>415,284</u>	<u>321,895</u>	<u>458,265</u>
Depreciable assets: (as restated)				
Infrastructure	1,554,710	137,711	-	1,692,421
Buildings	688,632	19,970	-	708,602
Machinery and equipment	351,735	45,904	-	397,639
Vehicles	298,883	22,800	-	321,683
Total depreciable capital assets	<u>2,893,960</u>	<u>226,385</u>	<u>-</u>	<u>3,120,345</u>
Total capital assets	<u>3,258,836</u>	<u>641,669</u>	<u>321,895</u>	<u>3,578,610</u>
Accumulated depreciation: (as restated)				
Infrastructure	571,997	38,947	-	610,944
Buildings	223,909	16,186	-	240,095
Machinery and equipment	318,850	11,657	-	330,507
Vehicles	165,262	43,741	-	209,003
Total accumulated depreciation	<u>1,280,018</u>	<u>110,531</u>	<u>Nil</u>	<u>1,390,549</u>
Governmental activities capital assets, net	<u>\$ 1,978,818</u>	<u>\$ 531,138</u>	<u>\$ 321,895</u>	<u>\$ 2,188,061</u>
<b>Governmental activities depreciation expense:</b>				
General city government		\$ 10,147		
Public safety		43,179		
Public works		57,119		
Other		86		
Total governmental activities depreciation expense		<u>\$ 110,531</u>		

Note 3. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
<b>Business-Type Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 21,632	\$ -	\$ -	\$ 21,632
Construction-in-progress	-	164,214	-	164,214
Total nondepreciable capital assets	<u>21,632</u>	<u>164,214</u>	<u>Nil</u>	<u>185,846</u>
Depreciable capital assets:				
Infrastructure	1,337,921	-	-	1,337,921
Buildings and plant	56,404	-	-	56,404
Machinery and equipment	120,825	-	-	120,825
Vehicles	138,781	5,000	-	143,781
Total depreciable capital assets	<u>1,653,931</u>	<u>5,000</u>	<u>-</u>	<u>1,658,931</u>
Total capital assets	<u>1,675,563</u>	<u>169,214</u>	<u>Nil</u>	<u>1,844,777</u>
Accumulated depreciation:				
Infrastructure	726,063	36,749	-	762,812
Buildings	11,608	1,538	-	13,146
Machinery and equipment	105,172	5,714	-	110,886
Vehicles	138,781	-	-	138,781
Total accumulated depreciation	<u>981,624</u>	<u>44,001</u>	<u>Nil</u>	<u>1,025,625</u>
Business-type capital assets, net	<u>\$ 693,939</u>	<u>\$ 125,213</u>	<u>\$ Nil</u>	<u>\$ 819,152</u>
<b>Business-type activities depreciation expense:</b>				
Water		\$ 43,427		
Sanitation		574		
Total business-type activities depreciation expense		<u>\$ 44,001</u>		

E. Interfund Balances and Transfers

A summary of interfund receivables/payables at June 30, 2020, is as follows:

Due from:	Due to: Capital Projects	TIA SPLOST Fund	Total
Governmental Funds:			
Capital Projects			
SPLOST 2019 Fund	\$ 7,000	\$ 7,000	
Total	<u>\$ 7,000</u>	<u>\$ 7,000</u>	

Amounts due from the SPLOST Fund to the TSPLOST Fund represents amounts reimbursed for water/sewer improvements.

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, 2020, is as follows:

	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Capital Projects Water Fund</u>	<u>Total</u>
Transfers from:			
Governmental funds:			
General Fund	\$ -	\$ 35,743	\$ 35,743
Cemetery Fund	38,082	-	38,082
Total governmental funds	<u>38,082</u>	<u>35,743</u>	<u>73,825</u>
Proprietary funds:			
Sanitation Fund	42,791	-	42,791
Total proprietary funds	<u>42,791</u>	<u>Nil</u>	<u>42,791</u>
Total	<u>\$ 80,873</u>	<u>\$ 35,743</u>	<u>\$ 116,616</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.

E. Long-Term Debt

1. Changes in Long-Term Debt

Transactions for the year ended June 30, 2020 are summarized as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital lease obligation	\$ 82,594	\$ -	\$ 82,594	\$ -	\$ -
Compensated-absences	2,917	508	-	3,425	685
Total governmental activities	<u>85,511</u>	<u>508</u>	<u>82,594</u>	<u>3,425</u>	<u>685</u>
Business-Type Activities:					
Compensated absences	1,397	-	197	1,200	240
Total business-type activities	<u>1,397</u>	<u>Nil</u>	<u>197</u>	<u>1,200</u>	<u>240</u>
Total	<u>\$ 86,908</u>	<u>\$ 508</u>	<u>\$ 82,791</u>	<u>\$ 4,625</u>	<u>\$ 925</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, 2020, the date of the most recent actuarial valuation there were 18 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	4
Terminated vested participants not yet receiving benefits	2
Active employees - vested	4
Active employees - nonvested	8
Total	<u>18</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 2020, the actuarially determined contribution rate was 5.09% of covered payroll. For 2020, the City's contribution to the plan was \$20,053.

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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019.

Note 3. Detailed Notes on All Funds (continued)

G. Pension Plan (continued)

**Actuarial Assumptions.** The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary increases	3.25 %
Investment rate of return	7.38 %

Mortality rates for the January 1, 2020 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, 2020 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, 2019 are summarized in the table below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45 %	6.41 %
International equity	20 %	6.96 %
Domestic fixed income	20 %	1.96 %
Real Estate	10 %	4.76 %
Global fixed income	5 %	3.06 %
Domestic fixed income	-	1.75 %
Total	<u>100 %</u>	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.375%. 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, 2018	\$ 268,507	\$ 353,351	\$ (84,844)
Changes for the year:			
Service cost	16,327	-	16,327
Interest	20,605	-	20,605
Differences between expected and actual experience	23,780	-	23,780
Contributions - employer	-	18,318	(18,318)
Contributions - employee	-	-	-
Net investment income	-	10,514	(10,514)
Benefit payments, including refunds of employee contributions	(20,191)	(20,191)	-
Administrative expense	-	(3,254)	3,254
Other	(6,287)	-	(6,287)
Net changes	34,234	5,387	28,847
Balances at September 30, 2019	\$ 302,741	\$ 358,738	\$ (55,997)

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, 2019.

**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 7.375%, 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 (6.375%) or 1 percentage point higher (8.375%) than the current rate.

	1% Decrease 6.375 %	Current Discount Rate 7.375 %	1% Increase 8.375 %
City's net pension liability	\$ (13,410)	\$ (55,997)	\$ (90,745)

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, 2020, the City recognized pension expense of \$5,643. At June 30, 2020, 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	\$ 26,256	\$ (58,275)
Changes in assumptions	1,665	(5,028)
Net difference between projected and actual earnings on pension plan investments	-	(2,461)
City contributions subsequent to the measurement date	<u>15,166</u>	<u>-</u>
Total	<u>\$ 43,087</u>	<u>\$ (65,764)</u>

City contributions subsequent to the measurement date of \$15,166 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, 2021. 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	
2021	\$ (54)
2022	(13,303)
2023	(12,708)
2024	<u>3,388</u>
Total	<u>\$ (22,677)</u>

H. Equity

Net position on the government-wide statement of assets as of June 30, 2020, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cost of capital assets	\$ 3,578,610	\$ 1,844,777	\$ 5,423,387
Accumulated depreciation	<u>1,390,549</u>	<u>1,025,625</u>	<u>2,416,174</u>
Book value	2,188,061	819,152	3,007,213
Less capital related debt	-	-	-
Investment in capital assets	<u>\$ 2,188,061</u>	<u>\$ 819,152</u>	<u>\$ 3,007,213</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	\$ 1,248,768	\$ -	\$ 1,248,768
TSPLOST capital projects	Law	384,310	-	384,310
Total capital projects		1,633,078	-	1,633,078
Public safety	Law	14,647	-	14,647
Total restricted net position		<u>\$ 1,647,725</u>	<u>\$ -</u>	<u>\$ 1,647,725</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, 2020. No provisions have been made in the financial statements for the year ended June 30, 2020 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***

The City received an ante litem notice dated February 18, 2021 regarding an incident on July 23, 2020 in which an individual contends that a police officer conducted an un-lawful and unconstitutional search of the individual's person. After investigation, the City does not believe that the case has merit, and has denied the claim. The matter has been reported to the City's insurance carrier. It is believed that the City, through its insurance carrier, will vigorously defend the claim. If it is determined that liability exists, the City anticipates that insurance coverage is sufficient to cover the claim.

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