

**CITY OF BREMEN, GEORGIA**

***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED***

***June 30, 2013***

# CITY OF BREMEN, GEORGIA

## *Annual Financial Report For the Fiscal Year Ended June 30, 2013*

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## FINANCIAL SECTION

**WILL M. ROBINSON, CPA, P.C.***Certified Public Accountant*

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
Bremen, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bremen, Georgia, as of and for the year ended June 30, 2013, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bremen, Georgia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3-9, page 37 and 41-42 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 responses 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 Bremen, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local opinion sales tax proceeds (as required by the Official Code of Georgia Annotated 48-8-21) listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local opinion sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of the City of Bremen, Georgia's internal control over financial reporting and on 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 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 City of Bremen, Georgia's internal control over financial reporting and compliance.

*William M. Rohrer, CPA, P.C.*

Carrollton, Georgia  
December 26, 2013

# CITY OF BREMEN, GEORGIA

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013*

This management discussion and analysis of the City of Bremen, Georgia's financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2013. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for FY2013 are as follows:

The City's total assets exceeded its total liabilities by \$14,865,290 (net position) for the fiscal year reported. In total, combined net assets increased \$1,508,933 which represents an 11% increase over FY2012.

1. Combined tax revenues accounted for \$3,689,907 or 55% of all revenues from governmental activities. Service specific revenues in the form of charges for services, grants, contributions, and fines and forfeitures accounted for \$2,945,071 or 45% of total revenues of \$6,680,694 from governmental activities.
2. The City had \$5,060,011 in expenses related to governmental activities; only \$2,945,071 of these expenses were offset by charges for services, grants, contributions, and fine and forfeitures. General revenues (primarily taxes) of \$3,735,623 provided for these services.
3. Total Water and Sewerage Fund revenues for fiscal year 2013 were \$2,340,028. Total expenses for fiscal year 2013 were \$2,451,778. The increase in net assets after depreciation and non-operating revenues and/or expenses was \$117,684 for the fiscal year end.
4. Revenues from the General Fund were \$4,111,753 for fiscal year 2013, a decrease of 3% over the prior fiscal year. General Fund expenditures totaled \$3,993,594 for the fiscal year ending June 30, 2013, an increase of 4% over last fiscal year.

### **Overview of the Financial Statements**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Bremen as a financial whole; or as an entire operating entity. The government-wide statements (i.e. Statement of Net Position and Statement of Activities) provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. For proprietary funds, the statements offer short and long term financial information about activities the City operates like businesses, such as water and sewer. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

#### *Government-Wide Financial Statements*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall 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 internal activities.

# CITY OF BREMEN, GEORGIA

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013*

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The first of these government-wide statements is the Statement of Net Position. This is the City-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 the City's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which 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. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and user charges, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public services, health and welfare, economic development and culture and recreation. Business-type activities include the City's water system. The City's fiduciary activities simply hold resources temporarily for others and are not included in the government-wide statements since these assets are not available to fund City programs.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. 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.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

*Proprietary funds* are activities that the City operates similar to a business in that it attempts to recover costs through charges to the user. The City's only proprietary fund is an enterprise fund. Enterprise funds may be used to account for any activity or service that charges a fee to external users to cover the cost of operations, including cost of depreciation and debt service. The City operates its Water and Sewerage Fund as an enterprise fund. Proprietary fund statements use the accrual basis of accounting similar to the government-wide statements.

# CITY OF BREMEN, GEORGIA

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013*

*Fiduciary funds* (i.e., the agency funds) are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

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

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes the budgetary comparison statement for the General Fund and the City's progress in its obligation to provide pension benefits and other post-employment benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

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

The City's net position at fiscal year-end is \$14,865,290. This is a \$1,508,933 increase from last year's net position of \$13,356,357 (restated). The following table provides a summary of the City's net position.

**Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012 (Restated)</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012 (Restated)</b>
<b>Assets:</b>						
Current and other assets	\$2,229,159	\$2,087,808	\$ 91,969	\$ 123,050	\$ 2,321,128	\$ 2,210,858
Capital assets	7,585,701	6,204,463	11,390,854	11,685,338	18,976,555	17,889,801
Total assets	<u>9,814,860</u>	<u>8,292,271</u>	<u>11,482,823</u>	<u>11,808,388</u>	<u>21,297,683</u>	<u>20,100,659</u>
<b>Liabilities:</b>						
Current liabilities	521,073	421,294	777,707	755,510	1,298,780	1,176,804
Long-term liabilities	3,037,710	3,006,149	2,095,903	2,561,349	5,133,613	5,567,498
Total liabilities	<u>3,558,783</u>	<u>3,427,443</u>	<u>2,873,610</u>	<u>3,316,859</u>	<u>6,432,393</u>	<u>6,744,302</u>
<b>Net position:</b>						
Net investment in capital assets	5,298,248	3,714,525	8,959,399	8,828,339	14,257,647	12,542,864
Restricted	71,299	134,501	-	-	71,299	134,501
Unrestricted	886,530	1,015,802	(350,186)	(336,810)	536,344	678,992
Total net position	<u>\$6,256,077</u>	<u>\$4,864,828</u>	<u>\$8,609,213</u>	<u>\$8,491,529</u>	<u>\$14,865,290</u>	<u>\$13,356,357</u>



# CITY OF BREMEN, GEORGIA

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013*

### Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012				2012	
	2013	(Restated)	2013	2012	2013	(Restated)
Revenues:						
Program:						
Charges for services	\$ 413,435	\$ 364,888	\$2,338,244	\$2,417,563	\$ 2,751,679	\$ 2,782,451
Operating grants	70,616	62,018	-	-	70,616	62,018
Capital grants	2,461,020	1,381,014	-	-	2,461,020	1,381,014
General:						
Property taxes	1,302,155	1,482,254	-	-	1,302,155	1,482,254
Alcoholic beverage taxes	142,283	146,144	-	-	142,283	146,144
Vehicle taxes	141,393	109,933	-	-	141,393	109,933
Sales taxes	934,980	192,988	-	-	934,980	192,988
Franchise taxes	503,207	501,217	-	-	503,207	501,217
Insurance premium taxes	310,230	292,072	-	-	310,230	292,072
Other taxes	355,659	407,480	-	-	355,659	407,480
Unrestricted investment earnings	52	24	1,784	975	1,836	999
Miscellaneous revenue	45,664	201,881	-	-	45,664	201,881
Total revenues	<u>6,680,694</u>	<u>5,141,913</u>	<u>2,340,028</u>	<u>2,418,538</u>	<u>9,020,722</u>	<u>7,560,451</u>
Program expenses:						
General government	531,086	416,164	-	-	531,086	416,164
Judicial	17,850	15,747	-	-	17,850	15,747
Public safety	2,444,288	2,389,571	-	-	2,444,288	2,389,571
Public works	689,235	671,625	-	-	689,235	671,625
Health and welfare	100,415	89,710	-	-	100,415	89,710
Culture and recreation	1,078,935	1,049,888	-	-	1,078,935	1,049,888
Housing and development	96,108	87,723	-	-	96,108	87,723
Interest on long-term debt	102,094	111,318	-	-	102,094	111,318
Water and sewerage	-	-	2,451,778	2,338,193	2,451,778	2,338,193
Total expenses	<u>5,060,011</u>	<u>4,831,746</u>	<u>2,451,778</u>	<u>2,338,193</u>	<u>7,511,789</u>	<u>7,169,939</u>
Excess (deficiency) before transfers	1,620,683	310,167	(111,750)	80,345	1,508,933	390,512
Transfers	<u>(229,434)</u>	<u>(222,841)</u>	<u>229,434</u>	<u>222,841</u>	<u>-</u>	<u>-</u>
Changes in net position	1,391,249	87,326	117,684	303,186	1,508,933	390,512
Beginning net position, restated	<u>4,864,828</u>	<u>4,777,502</u>	<u>8,491,529</u>	<u>8,188,343</u>	<u>13,356,357</u>	<u>12,965,845</u>
Ending net position	<u>\$6,256,077</u>	<u>\$4,864,828</u>	<u>\$8,609,213</u>	<u>\$8,491,529</u>	<u>\$14,865,290</u>	<u>\$13,356,357</u>

#### *Governmental Activities*

Please note that the most significant expense is public safety expenses of \$2,444,288 representing 48% of the total governmental expenses. The next most significant program expenses are culture and recreation which totals \$1,078,935 and 21%, public works which totals \$689,235 and 14%, general government which totals \$531,086 and 10% of the total governmental expenses.

## CITY OF BREMEN, GEORGIA

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013*

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#### *Business-Type Activities*

The most significant business-type activity of the City is the Water and Sewer Department. The majority of its revenue was derived from user fees charged for product and service.

#### *Cost of Program Services*

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows, for governmental and business-type activities, the combined total cost of services and the combined net cost of services, that is, it identifies the cost of these services supported by tax revenue.

Program revenues make up 59% of the combined revenues, which shows the City is dependent upon tax revenues for governmental activities.

#### Governmental and Business-Type Activities (Combined)

	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses:		
General government	\$ 531,086	\$ (424,115)
Judicial	17,850	(17,850)
Public safety	2,444,288	(2,174,051)
Public works	689,235	(208,458)
Health and welfare	100,415	(100,415)
Culture and recreation	1,078,935	1,008,151
Housing and development	96,108	(96,108)
Interest on long-term debt	102,094	(102,094)
Water and sewerage	2,451,778	(113,534)
Total expenses	<u>\$ 7,511,789</u>	<u>\$ (2,228,474)</u>

#### *Governmental Fund Balance*

The General Fund's fund balance for the fiscal year ending June 30, 2013 is \$1,956,901. The SPLOST Fund's fund balance (deficit) for the fiscal year ending June 30, 2013 is (\$450,574) and the Other Governmental Funds total fund balances are \$71,265; these funds include three special revenue funds and one capital projects fund. Total Governmental Fund's fund balance is \$1,577,592.

#### *General Fund Budgeting Highlights*

The City's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. The actual revenues of \$4,111,753 were over the final budgeted amount of \$3,893,873 by \$217,880. The actual expenditures of \$3,993,594 were over the final budgeted amount of \$3,941,873 by \$51,721.

# CITY OF BREMEN, GEORGIA

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2013, the City had \$18,976,555 invested in capital assets. The following table provides a summary of the City's capital assets.

#### Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 636,284	\$ 636,284	\$ 182,960	\$ 182,960	\$ 819,244	\$ 819,244
Construction in progress	38,244	28,244	-	-	38,244	28,244
Buildings and improvements	5,007,139	3,459,240	-	-	5,007,139	3,459,240
Improvements other than buildings	1,683,566	1,824,940	-	-	1,683,566	1,824,940
Water & sewer system	-	-	11,206,934	11,500,458	11,206,934	11,500,458
Furniture and equipment	19,029	15,781	-	-	19,029	15,781
Vehicles	201,439	263,641	960	1,920	202,399	265,561
Total	<u>\$7,585,701</u>	<u>\$6,228,130</u>	<u>\$ 11,390,854</u>	<u>\$ 11,685,338</u>	<u>\$18,976,555</u>	<u>\$17,913,468</u>

The primary increases occurred in the governmental activities with increases to buildings and improvements for the library addition of approximately \$1.8m.

Additional information on the City's capital assets can be found in Note 5 of this report.

#### Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$5,899,911. This debt includes compensated absences, capital lease payables, notes payable, OPEB obligation and other long-term debt. No additional debt was issued during the current fiscal year. The City is current on all required debt service obligations.

#### Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Compensated absences	\$ 69,172	\$ 51,927	\$ 27,480	\$ 20,659	\$ 96,652	\$ 72,586
Capital lease payables	73,925	101,440	978,353	1,134,177	1,052,278	1,235,617
Notes payable	2,213,528	2,412,165	1,453,102	1,722,822	3,666,630	4,134,987
OPEB obligation	959,494	713,146	-	-	959,494	713,146
Other long term debt	-	-	124,857	148,999	124,857	148,999
Total	<u>\$3,316,119</u>	<u>\$3,278,678</u>	<u>\$ 2,583,792</u>	<u>\$ 3,026,657</u>	<u>\$ 5,899,911</u>	<u>\$ 6,305,335</u>

Additional information on the City's long-term liabilities can be found in Note 6 of this report.

# **CITY OF BREMEN, GEORGIA**

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013*

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### **Economic Outlook**

The City of Bremen is located in Haralson and Carroll County, which is located in the north western part of the state, approximately 40 miles west of Atlanta. The 2000 U.S. Census population figure for the City of Bremen was 4,579 and the 2010 U.S. Census population figure was 6,227. City leaders have recognized and plans have been developed and/or implemented to maintain balanced, controlled and planned developments in concert with an economic development plan that encourages appropriate growth. The economic growth has also placed increased demands on services, but the City has adopted a conservative approach and implemented programs to meet these demands. The City has still been able to provide its services at a cost per capita that is comparable to other communities with similar demographic and economic characteristics.

Also, the share of local option sales taxes (LOST) collected in Haralson County on behalf of the City of Bremen has increased from 21.80% to 26.71% beginning in January 2013.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, Perry Hicks, City Manager, City of Bremen, 232 Tallapoosa Street, Bremen, Georgia 30110, 770-537-2331, or [phicks@bremenga.gov](mailto:phicks@bremenga.gov).

## **BASIC FINANCIAL STATEMENTS**

# CITY OF BREMEN, GEORGIA

## Statement of Net Position June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 175,861	\$ 996,081	\$ 1,171,942
Taxes receivable, net of allowance	207,699	-	207,699
Accounts receivable, net of allowance	99,336	294,071	393,407
Internal balances	1,391,870	(1,391,870)	-
Due from other governments	61,510	-	61,510
Restricted assets:			
Cash	-	193,687	193,687
Capital assets:			
Nondepreciable capital assets	674,528	182,960	857,488
Depreciable capital assets, net	6,911,173	11,207,894	18,119,067
Net pension asset	292,883	-	292,883
Total assets	<u>9,814,860</u>	<u>11,482,823</u>	<u>21,297,683</u>
<b>LIABILITIES</b>			
Accounts payable	189,328	69,242	258,570
Accrued liabilities	51,794	26,889	78,683
Accrued interest	1,542	-	1,542
Customer deposits	-	193,687	193,687
Capital leases due within one year	26,231	169,517	195,748
Capital leases due in more than one year	47,694	808,836	856,530
Other long-term liabilities due within one year	-	24,681	24,681
Other long-term liabilities due in more than one year	-	100,176	100,176
Compensated absences due within one year	45,826	17,477	63,303
Compensated absences due in more than one year	23,346	10,003	33,349
Notes payable due within one year	206,352	276,214	482,566
Notes payable due in more than one year	2,007,176	1,176,888	3,184,064
Net other post employment benefits obligation due in more than one year	959,494	-	959,494
Total liabilities	<u>3,558,783</u>	<u>2,873,610</u>	<u>6,432,393</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,298,248	8,959,399	14,257,647
Restricted for:			
Capital projects	34,527	-	34,527
Culture and recreation	36,772	-	36,772
Unrestricted	886,530	(350,186)	536,344
Total net position	<u>\$ 6,256,077</u>	<u>\$ 8,609,213</u>	<u>\$ 14,865,290</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

*Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

Functions/Programs Primary government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
<b>Governmental activities:</b>							
General government	\$ 531,086	\$ 64,619	\$ 42,352	\$ -	\$ (424,115)	\$ -	\$ (424,115)
Judicial	17,850	-	-	-	(17,850)	-	(17,850)
Public safety	2,444,288	179,461	28,264	62,512	(2,174,051)	-	(2,174,051)
Public works	689,235	-	-	480,777	(208,458)	-	(208,458)
Health and welfare	100,415	-	-	-	(100,415)	-	(100,415)
Culture and recreation	1,078,935	169,355	-	1,917,731	1,008,151	-	1,008,151
Housing and development	96,108	-	-	-	(96,108)	-	(96,108)
Interest on long-term debt	102,094	-	-	-	(102,094)	-	(102,094)
Total governmental activities	5,060,011	413,435	70,616	2,461,020	(2,114,940)	-	(2,114,940)
<b>Business-type activities:</b>							
Water and sewerage	2,451,778	2,338,244	-	-	-	(113,534)	(113,534)
Total business-type activities	2,451,778	2,338,244	-	-	-	(113,534)	(113,534)
Total primary government	\$ 7,511,789	\$ 2,751,679	\$ 70,616	\$ 2,461,020	(2,114,940)	(113,534)	(2,228,474)
<b>General revenues:</b>							
Property taxes					1,302,155	-	1,302,155
Alcoholic beverage taxes					142,283	-	142,283
Vehicle taxes					141,393	-	141,393
Sales taxes					934,980	-	934,980
Franchise taxes					503,207	-	503,207
Insurance premium taxes					310,230	-	310,230
Other taxes					355,659	-	355,659
Unrestricted investment earnings					52	1,784	1,836
Miscellaneous revenue					45,664	-	45,664
Transfers					(229,434)	229,434	-
Total general revenues and transfers					3,506,189	231,218	3,737,407
Change in net position					1,391,249	117,684	1,508,933
Net position, beginning of year, restated					4,864,828	8,491,529	13,356,357
Net position, end of year					\$ 6,256,077	\$ 8,609,213	\$ 14,865,290

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

## Balance Sheet Governmental Funds June 30, 2013

ASSETS	General	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 111,848	\$ -	\$ 64,013	\$ 175,861
Receivables:				
Taxes	197,380	-	10,319	207,699
Accounts	99,336	-	-	99,336
Due from other funds	506,375	-	-	506,375
Advance to other funds	1,391,870	-	-	1,391,870
Due from other governments	-	61,510	-	61,510
<b>Total assets</b>	<b>\$ 2,306,809</b>	<b>\$ 61,510</b>	<b>\$ 74,332</b>	<b>\$ 2,442,651</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 180,552	\$ 5,743	\$ 3,033	\$ 189,328
Accrued liabilities	51,794	-	-	51,794
Due to other funds	-	506,341	34	506,375
<b>Total liabilities</b>	<b>232,346</b>	<b>512,084</b>	<b>3,067</b>	<b>747,497</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes & fines	117,562	-	-	117,562
<b>Total deferred inflows of resources</b>	<b>117,562</b>	<b>-</b>	<b>-</b>	<b>117,562</b>
<b>FUND BALANCES (DEFICIT)</b>				
Fund balances:				
Nonspendable:				
Advances to other funds	1,391,870	-	-	1,391,870
Restricted:				
Capital projects	-	-	34,527	34,527
Culture and recreation	-	-	36,772	36,772
Unassigned (deficit)	565,031	(450,574)	(34)	114,423
<b>Total fund balances (deficit)</b>	<b>1,956,901</b>	<b>(450,574)</b>	<b>71,265</b>	<b>1,577,592</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,306,809</b>	<b>\$ 61,510</b>	<b>\$ 74,332</b>	<b>\$ 2,442,651</b>

The accompanying notes are an integral part of these financial statements



## CITY OF BREMEN, GEORGIA

### *Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2013*

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Total Governmental Fund Balances		\$ 1,577,592
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost	\$ 12,123,119	
Less accumulated depreciation	<u>(4,537,418)</u>	7,585,701

The net pension asset is not a current financial resource and is not recorded in the fund statements.	292,883
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes and police fines	117,562
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Net other post employment benefits obligations are not due and payable in the current period and therefore not reported in the funds.	(959,494)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Note payable	\$ (2,213,528)	
Accrued interest payable	(1,542)	
Compensated absences	(69,172)	
Capital leases	<u>(73,925)</u>	<u>(2,358,167)</u>

Net position of governmental activities	<u>\$ 6,256,077</u>
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**The accompanying notes are an integral part of these financial statements.**

# CITY OF BREMEN, GEORGIA

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2013

	General	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,602,472	\$ -	\$ 141,657	\$ 3,744,129
Licenses and permits	60,106	-	-	60,106
Intergovernmental	37,560	637,044	-	674,604
Charges for services	173,879	-	-	173,879
Fines and forfeitures	158,964	-	-	158,964
Investment income	52	-	-	52
Contributions and donations	33,056	-	19,799	52,855
Miscellaneous revenue	45,664	-	-	45,664
Total revenues	<u>4,111,753</u>	<u>637,044</u>	<u>161,456</u>	<u>4,910,253</u>
<b>EXPENDITURES</b>				
Current:				
General government	402,612	-	-	402,612
Judicial	17,850	-	-	17,850
Public safety	2,116,651	-	6,582	2,123,233
Public works	387,406	-	-	387,406
Health and welfare	91,919	-	-	91,919
Culture and recreation	849,885	-	99,627	949,512
Housing and development	96,108	-	-	96,108
Capital outlay	-	253,923	-	253,923
Debt service:				
Principal	27,515	101,001	97,636	226,152
Interest	3,648	86,695	11,245	101,588
Total expenditures	<u>3,993,594</u>	<u>441,619</u>	<u>215,090</u>	<u>4,650,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>118,159</u>	<u>195,425</u>	<u>(53,634)</u>	<u>259,950</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	10,215	-	-	10,215
Transfers in	52,535	-	108,881	161,416
Transfers out	-	(338,315)	(52,535)	(390,850)
Total other financing sources (uses)	<u>62,750</u>	<u>(338,315)</u>	<u>56,346</u>	<u>(219,219)</u>
Net change in fund balances	180,909	(142,890)	2,712	40,731
FUND BALANCE, beginning of year, restated	<u>1,775,992</u>	<u>(307,684)</u>	<u>68,553</u>	<u>1,536,861</u>
FUND BALANCE (DEFICIT), end of year	<u>\$ 1,956,901</u>	<u>\$ (450,574)</u>	<u>\$ 71,265</u>	<u>\$ 1,577,592</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

## *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended June 30, 2013*

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	40,731
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 52,826		
Depreciation expense	<u>(475,897)</u>		(423,071)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Capital contributions	\$ 1,804,177		
Disposal of capital assets	<u>(23,535)</u>		1,780,642

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (43,342)		
Hotel motel taxes	<u>(10,880)</u>		(33,736)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments:			
Capital leases	\$ 27,515		
Notes payable	<u>198,637</u>		226,152

The increase in other post employment benefits obligations did not require the use of current financial resources and therefore was not reported as expenditures in governmental funds, but is an expense in the Statement of Activities.	(246,348)
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The increase in the net pension asset is reported in the statement of activities but because it does not affect current financial resources, is not reported in the governmental funds.	64,630
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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.	<u>(17,751)</u>
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Change in net position of governmental activities	<u><u>\$ 1,391,249</u></u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

## Statement of Net Position Proprietary Fund June 30, 2013

	Business-type Activities <u>Enterprise Fund</u> <u>Water and</u> <u>Sewerage Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 996,081
Accounts receivable, net of allowances	294,071
Restricted assets, cash	
Customer deposits	193,687
Total current assets	1,483,839
<b>NON CURRENT ASSETS</b>	
Capital assets:	
Non depreciable	182,960
Depreciable, net of accumulated depreciation	11,207,894
Total capital assets (net of accumulated depreciation)	11,390,854
Total non current assets	11,390,854
Total assets	12,874,693
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	69,242
Accrued liabilities	26,889
Compensated absences	17,477
Customer deposits, payable with restricted assets	193,687
Capital lease payable, current portion	169,517
Notes payable, current portion	276,214
Other long-term liabilities, current portion	24,681
Total current liabilities	777,707
<b>LONG-TERM LIABILITIES</b>	
Compensated absences	10,003
Capital lease payable	808,836
Notes payable	1,176,888
Advance from other funds	1,391,870
Other long-term liabilities	100,176
Total long-term liabilities	3,487,773
Total liabilities	4,265,480
<b>NET POSITION</b>	
Net investment in capital assets	8,959,399
Unrestricted (deficit)	(350,186)
Total net position	\$ 8,609,213

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

*Statement of Revenues, Expense, and  
Changes in Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013*

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
	<b>Water and Sewerage Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water sales	\$ 1,094,632
Sewer sales	785,026
Other charges	76,586
Sanitation charges	382,000
Total operating revenues	<u>2,338,244</u>
<b>OPERATING EXPENSES</b>	
Personnel costs	823,061
Contracted services	200,767
Supplies	1,024,488
Depreciation	294,484
Total operating expenses	<u>2,342,800</u>
Operating loss	<u>(4,556)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	1,784
Interest expense	(108,978)
Total nonoperating revenues (expenses)	<u>(107,194)</u>
Loss before transfers	<u>(111,750)</u>
<b>TRANSFERS IN</b>	<u>229,434</u>
Change in net position	117,684
<b>NET POSITION, beginning of year</b>	<u>8,491,529</u>
<b>NET POSITION, end of year</b>	<u>\$ 8,609,213</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

## Statement of Cash Flows Proprietary Fund For the Fiscal Year Ended June 30, 2013

	Business-type Activities Enterprise Funds Water and Sewerage Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,360,823
Payments to employees	(813,453)
Payments to suppliers for goods and services provided	(713,861)
Net cash provided by operating activities	833,509
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	229,434
Net cash provided by non-capital financing activities	229,434
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid on capital debt	(108,978)
Principal payments on long-term borrowings	(449,686)
Net cash used in capital and related financing activities	(558,664)
Net increase in cash and cash equivalents	506,063
Cash and cash equivalents, beginning of year (including restricted cash of \$183,374)	683,705
Cash and cash equivalents, end of year (including restricted cash of \$193,687)	\$ 1,189,768
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Net operating loss	\$ (4,556)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation	294,484
Decrease in accounts receivable	12,266
Decrease in accounts payable	(13,484)
Increase in due to other funds	507,911
Increase in accrued liabilities	2,787
Increase in customer deposits	10,313
Increase in compensated absences	6,821
Net cash provided by operating activities	\$ 833,509

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

## *Statement of Fiduciary Assets and Liabilities* *Agency Fund* *June 30, 2013*

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	<u>\$ 49,316</u>
Total assets	<u><u>\$ 49,316</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 49,316</u>
Total liabilities	<u><u>\$ 49,316</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies**

The financial statements of the City of Bremen, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### **A. Reporting Entity**

The City of Bremen, Georgia was incorporated in 1883 under the provisions of an act of the General Assembly of Georgia. The City operates under the Mayor-Council form of government and provides the following services to its citizens as authorized by its charter: public safety (police and fire), recreation, water, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Bremen, Georgia (the "primary government") and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the following component units are presented in the City's financial statements.

The City of Bremen Downtown Development Authority (the "Authority") was created as a separate legal entity by action of the City Council to assist in the development and redevelopment activities in the downtown area. The seven member governing board of the Authority is appointed by the City Council. The Authority is blended as a special revenue fund of the City because it provides services almost exclusively for the benefit of the City. Separate financial statements are not prepared for the Authority.

The City of Bremen Development Authority (the "Development Authority") was created as a separate legal entity by an act of the state legislature and "activated" by action of the City Council to promote and expand industry, welfare and trade for the public good and welfare of the City of Bremen, Georgia, and make long-range plans for such development and expansion. The governing board of the Authority is appointed by the City Council for fixed terms. The Development Authority is fiscally dependent upon the City because the City Council has the sole authority to levy taxes for the Development Authority. The Development Authority is audited along with the primary government's financial statements as a discretely presented component unit. There was no financial activity for the Development Authority in the current fiscal year. Separate financial statements are not prepared for the Development Authority.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.



# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **B. Government-wide and Fund Financial Statements (Continued)**

*Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **capital projects SPLOST Fund** accounts for the financial resources provided from the 1999, 2012 and 2009 one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parks and recreation facilities, water and sewer projects, road improvements and the administrative building.

The City reports the following major proprietary fund:

The **Water and Sewerage Fund** accounts for the activities of the water distribution and sewer treatment system.

The City also reports the following fund types within the non-major governmental funds:

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

*Capital projects funds* account for general capital projects funded by donations.

**Agency Fund** accounts for the collection and disbursement of monies by the City on behalf of other governments.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis* of accounting, as are for the proprietary fund and the fiduciary funds. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments, are recorded only when payment is due.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Cash and Investments**

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Customer deposit resources in the water fund are restricted to the payment of customer's deposits as they become due.

#### **E. Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **F. Management 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements*

*June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **G. Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. Inventories reported in the governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute "available, spendable resources" even though they are a component of net current assets.

#### **H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide and proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	20-50
Improvements other than buildings	10-20
Furniture and equipment	5-10
Vehicles	5-20
Water system	10-60

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. The City is a Phase 3 entity and is not required to record infrastructure from years prior to implementation of the reporting model.

#### **I. Long-Term Obligations**

In the government-wide financial statements and proprietary 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 statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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 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.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **J. Compensated Absences**

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

#### **K. Fund Equity**

Fund equity at the governmental fund financial 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 assets and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose 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 or 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. Only the City Council may modify or rescind the commitment.

*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 nor committed. Through resolution, the City Council has authorized the City Manager to assign fund balances.

*Unassigned* – Fund balances are reported as unassigned 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 amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- (1) Committed
- (2) Assigned
- (3) Unassigned

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **K. Fund Equity (Continued)**

**Net Position** – Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

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

#### **L. Deferred outflows/inflows of resources**

The City implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the financial statements 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 or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. This item arises only under a modified accrual basis of accounting and, accordingly, the item, unavailable revenue from property taxes and police fines, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

### **Note 2. Legal Compliance Budgets**

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Charter establishes the fiscal year as the twelve-month period beginning July 1 and ending to June 30. Prior to June 30, the departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year, after which the City Manager and City Clerk subsequently submit a budget of estimated expenditures and revenues to the City Council for the City's operating funds. These include General, Administrative, Police and Fire, Streets, Library and Recreation, Senior Citizens, and Water and Sewer.
2. Upon receipt of the budget estimates, the Council holds a first meeting on the Budget Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance until ten days have passed after the Ordinance Publication.
3. The budget is then legally enacted through the passage of the Budget Ordinance.
4. The legal level of budgetary control is the departmental level. Budgeted amounts can be transferred between accounts within departments; however, any revisions of the total departmental budget must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budgets for the General Fund, special revenue funds, and capital project fund were adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted, or as amended by the City Council. No individual amendments were made during the current year.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2013.

General government	
Mayor	\$ 160
General administration	59,975
Judicial	
Municipal court	950
Public safety	
Police	2,496
Fire	6,396
Public works	
Highways and streets	14,555
Housing and development	
Economic development	2,677

### **Note 3. Deposits**

#### **Custodial Credit Risk – Deposits:**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At June 30, 2013, all of the deposits of the City were fully collateralized in accordance with the state statutes.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

### **Note 4. Receivables**

Receivables at June 30, 2013, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water and Sewerage</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 201,014	\$ -	\$ 10,319	\$ 211,333
Accounts	162,609	309,556	-	472,165
Gross receivables	363,623	309,556	10,319	683,498
Less allowance for uncollectibles	(66,907)	(15,485)	-	(82,392)
Net total receivables	<u>\$ 296,716</u>	<u>\$ 294,071</u>	<u>\$ 10,319</u>	<u>\$ 601,106</u>

Property taxes attach as an enforceable lien on property as of January 3, 2013. Taxes are levied on August 15, 2012 and payable on or before December 1, 2012. The City bills and collects its own property taxes. Property taxes levied for the year ending June 30, 2013 and not collected are recorded as receivables, net of estimated uncollectibles.

Amounts due from other governments at June 30, 2013, are broken down as follows:

### **SPLOST Fund:**

Haralson County Board of Commissioners	
Sales tax collections	\$ 47,716
Georgia Association of Chiefs of Police, Inc.	
Grant reimbursement for Mobile Data Units	13,794
	<u>61,510</u>

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

### **Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2013 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 636,284	\$ -	\$ -	\$ 636,284
Construction in progress	28,244	10,000	-	38,244
Total	<u>664,528</u>	<u>10,000</u>	<u>-</u>	<u>674,528</u>
Capital assets, being depreciated:				
Buildings and improvements	5,520,647	1,782,553	-	7,303,200
Improvements other than buildings	3,122,857	-	-	3,122,857
Furniture and equipment	186,535	11,624	-	198,159
Vehicles	798,705	52,826	(27,156)	824,375
Total	<u>9,628,744</u>	<u>1,847,003</u>	<u>(27,156)</u>	<u>11,448,591</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,061,407)	(234,654)	-	(2,296,061)
Improvements other than buildings	(1,297,917)	(141,374)	-	(1,439,291)
Furniture and equipment	(170,754)	(8,376)	-	(179,130)
Vehicles	(535,064)	(91,493)	3,621	(622,936)
Total	<u>(4,065,142)</u>	<u>(475,897)</u>	<u>3,621</u>	<u>(4,537,418)</u>
Total capital assets, being depreciated, net	<u>5,563,602</u>	<u>1,371,106</u>	<u>(23,535)</u>	<u>6,911,173</u>
Governmental activities capital assets, net	<u>\$ 6,228,130</u>	<u>\$ 1,381,106</u>	<u>\$ (23,535)</u>	<u>\$ 7,585,701</u>
<b>Business Type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 182,960	\$ -	\$ -	\$ 182,960
Total	<u>182,960</u>	<u>-</u>	<u>-</u>	<u>182,960</u>
Capital assets, being depreciated:				
Water & sewer system	17,790,717	-	-	17,790,717
Furniture and equipment	63,023	-	-	63,023
Vehicles	106,917	-	-	106,917
Total	<u>17,960,657</u>	<u>-</u>	<u>-</u>	<u>17,960,657</u>
Less accumulated depreciation for:				
Water & sewer system	(6,290,259)	(293,524)	-	(6,583,783)
Furniture and equipment	(63,023)	-	-	(63,023)
Vehicles	(104,997)	(960)	-	(105,957)
Total	<u>(6,458,279)</u>	<u>(294,484)</u>	<u>-</u>	<u>(6,752,763)</u>
Total capital assets, being depreciated, net	<u>11,502,378</u>	<u>(294,484)</u>	<u>-</u>	<u>11,207,894</u>
Business type activities capital assets, net	<u>\$ 11,685,338</u>	<u>\$ (294,484)</u>	<u>\$ -</u>	<u>\$ 11,390,854</u>



# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

### **Note 5. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 16,794
Public safety	217,474
Public works	112,701
Health and welfare	8,496
Culture and recreation	<u>120,432</u>
Total depreciation expense - governmental activities	<u>\$ 475,897</u>
Business-type activities:	
Water and sewerage	<u>\$ 294,484</u>
Total depreciation expense - business-type activities	<u>\$ 294,484</u>

### **Note 6. Long-Term Debt**

Long-term liability activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
<b>Governmental activities:</b>						
Compensated absences	\$ 51,927	\$ 85,268	\$ 68,023	\$ 69,172	\$ 45,826	\$ 23,346
Capital lease payable	101,440	-	27,515	73,925	26,231	47,694
Notes payable	2,412,165	-	198,637	2,213,528	206,352	2,007,176
OPEB obligation	713,146	246,348	-	959,494	-	959,494
Governmental activities long-term liabilities	<u>\$ 3,278,678</u>	<u>\$ 331,616</u>	<u>\$ 294,175</u>	<u>\$ 3,316,119</u>	<u>\$ 278,409</u>	<u>\$ 3,037,710</u>
<b>Business-type activities:</b>						
Compensated absences	\$ 20,659	\$ 36,602	\$ 29,781	\$ 27,480	\$ 17,477	\$ 10,003
Capital leases payable	1,134,177	-	155,824	978,353	169,517	808,836
Other long term debt	148,999	-	24,142	124,857	24,681	100,176
Notes payable	1,722,822	-	269,720	1,453,102	276,214	1,176,888
Business-type activities long-term liabilities	<u>\$ 3,026,657</u>	<u>\$ 36,602</u>	<u>\$ 479,467</u>	<u>\$ 2,583,792</u>	<u>\$ 487,889</u>	<u>\$ 2,095,903</u>

The compensated absences liability will be paid from the General or Water and Sewerage Funds from which employees' salaries are paid. The capital leases, other long term debt, OPEB obligation and notes payable will be paid by the General Fund and the Water and Sewerage Fund.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

### **Note 6. Long-Term Debt (Continued)**

#### **Governmental Activities:**

**Capital Lease Payable.** The following is an analysis of leased assets under capital leases as of June 30, 2013:

Public Safety:	
Vehicle (fire truck)	<u>\$ 265,500</u>

The City incurred debt for the purchase of a fire truck.

Fiscal Year	Principal	Interest	Total
2014	26,231	2,335	28,566
2015	29,762	1,401	31,163
2016	17,932	246	18,178
	<u>\$ 73,925</u>	<u>\$ 3,982</u>	<u>\$ 77,907</u>

**Notes Payable.** The City incurred debt to a leasing company for the construction of a public safety facility.

Interest Rate	Term (yrs)	Due Date	Monthly Payment	Original Balance	Balance
4.37%	20	2027	\$ 15,641	\$ 2,500,000	\$1,928,804

Fiscal Year	Principal	Interest	Total
2014	\$ 105,504	\$ 82,192	\$ 187,696
2015	110,208	77,488	187,696
2016	115,122	72,574	187,696
2017	120,254	67,442	187,696
2018	125,616	62,080	187,696
2019-2023	717,255	221,225	938,480
2024-2027	634,845	53,373	688,218
	<u>\$1,928,804</u>	<u>\$636,374</u>	<u>\$ 2,565,178</u>

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

### **Note 6. Long-Term Debt (Continued)**

#### **Governmental Activities (Continued):**

**Notes Payable (Continued).** The Downtown Development Authority incurred a note payable for the construction of a library expansion. The project is a joint operation with the West Georgia Regional Library System with an expected total cost of approximately \$2 million. The remainder of the financing for the expansion is being provided by the West Georgia Regional Library System through a state grant.

<u>Interest Rate</u>	<u>Term (yrs)</u>	<u>Due Date</u>	<u>Monthly Payment</u>	<u>Original Balance</u>	<u>Balance</u>
3.25%	5	2015	\$ 27,220	\$ 500,000	\$ 284,724

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,848	\$ 8,033	\$ 108,881
2015	104,166	4,715	108,881
2016	79,710	1,294	81,004
	<u>\$ 284,724</u>	<u>\$ 14,042</u>	<u>\$ 298,766</u>

#### **Business-type Activities:**

**Capital Lease Payable.** The following is an analysis of leased assets under capital leases as of June 30, 2013:

Water and Sewerage Fund:  
Water Meters

\$ 2,158,454

The City incurred debt to Old National Bank for construction of the radio-read water meter project.

<u>Interest Rate</u>	<u>Term (yrs)</u>	<u>Due Date</u>	<u>Monthly Payment</u>	<u>Original Balance</u>	<u>Balance</u>
4.649%	13	2018	\$14,072 - \$19,537	\$ 1,842,737	\$ 978,353

	<u>Business-type Activities</u>
Fiscal year ending June 30,	
2014	211,451
2015	217,794
2016	224,329
2017	230,614
2018	214,870
Total minimum lease payments	1,099,058
Less amount representing interest	120,705
Present value of minimum lease payments	<u>\$ 978,353</u>

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* June 30, 2013

### **Note 6. Long-Term Debt (Continued)**

#### **Business-type Activities (Continued):**

**Other Long Term Debt.** The City entered into a contract for administrative expenses related to replacing water meters throughout the City. The original cost was \$315,717.

<u>Fiscal Year</u>	<u>Payments</u>
2014	24,681
2015	25,421
2016	26,184
2017	26,969
2018	21,602
	<u>124,857</u>

**Notes Payable.** The City incurred debt to the Georgia Environmental Facilities Authority (GEFA) for construction of various water system projects.

<u>Interest Rate</u>	<u>Term (yrs)</u>	<u>Due Date</u>	<u>Monthly Payment</u>	<u>Original Balance</u>	<u>Balance</u>
4.00%	20	2017	\$ 20,867	\$ 1,906,611	\$ 482,936
3.00%	20	2025	34,831	1,245,500	817,280
2.00%	10	2014	21,466	198,210	16,265
6.80%	25	2015	5,476	1,000,000	136,621
					<u>\$1,453,102</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 276,214	\$ 48,871	\$ 325,085
2015	251,218	36,571	287,789
2016	197,774	27,415	225,189
2017	170,298	20,059	190,357
2018	69,918	15,946	85,864
2019-2023	382,724	46,596	429,320
2024-2025	104,956	2,373	107,329
	<u>\$1,453,102</u>	<u>\$197,831</u>	<u>\$ 1,650,933</u>

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* June 30, 2013

### **Note 7. Interfund receivables, payables and transfers**

The composition of interfund balances as of June 30, 2013, is as follows:

<u>Advance From</u>	<u>Advance To Water and Sewerage Fund</u>
General Fund	\$ 1,391,870
Total	<u>\$ 1,391,870</u>

  

<u>Due To</u>	<u>Due From SPLOST Fund</u>
General Fund	\$ 506,341
Other governmental funds	<u>34</u>
Total	<u>\$ 506,375</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made. The balance above between the General Fund and SPLOST Fund represents expenditures of the SPLOST Fund paid by the General Fund due to the timing of receiving sales tax proceeds from Haralson County.

The composition of interfund transfers for the fiscal year ended June 30, 2013, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 52,535
Water and Sewerage Fund	SPLOST Fund	229,434
Downtown Development Authority Fund	SPLOST Fund	<u>108,881</u>
		<u>\$ 390,850</u>

These transfers to the General Fund from the nonmajor governmental fund (Hotel/Motel Fund) is the General Fund's portion of hotel/motel taxes for general operations of the City. The transfers from the SPLOST fund were used to pay debt service on SPLOST funded projects in the Water and Sewerage Fund and Downtown Development Authority Fund.

# CITY OF BREMEN, GEORGIA

## Notes to the Basic Financial Statements June 30, 2013

### Note 8. Joint Venture

The City, in conjunction with the cities of Buchanan, Tallapoosa and Waco, has created the Haralson County Water Authority and the Haralson County Landfill. The Haralson County Water Authority's board is composed of one representative from each of the municipalities, the Commissioner of Haralson County, and three representatives from the private sector. The Haralson County Landfill Board is composed of the Commissioner of Haralson County and one representative from each city. For the year ended June 30, 2013, the City purchased water from the Haralson County Water Authority at a cost of \$443,179. The City did not pay landfill fees to the Haralson County Landfill in the current year due to the closing of the Haralson County Landfill. The City of Bremen has no equity interest in either entity nor does the City materially contribute to the continued existence of either entity. The City's only interest is a commitment to purchase a minimum amount of water until the year 2031 from the Haralson County Water Authority. Separate financial statements may be obtained from the Haralson County Water Authority, 4277 Georgia Highway 120, Buchanan, Georgia 30113-4911. Complete financial statements are not prepared for the Haralson County Landfill. No related party transactions have occurred between the City of Bremen and the Haralson County Water Authority or the Haralson County Landfill.

Under Georgia Law, the City, in conjunction with other cities and counties in the northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto. During its year ended June 30, 2013, the City paid \$6,192 in such dues. Membership in an NWGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NWGRC in Georgia. The NWGRC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an NWGRC. Separate financial statements may be obtained from the Northwest Georgia Regional Commission, P.O. Box 1798, Rome, Georgia 30162-1798.

### Note 9. Hotel/Motel Lodging Tax

The City has levied a 5% lodging tax. A summary of the transactions for the year ended June 30, 2013 follows:

	2013	Percentage of Total Available Receipts
Beginning balance for tourism expenditures	\$ 47,277	
Lodging tax receipts collected during current fiscal year	141,657	
Total lodging tax receipts available for current fiscal year	188,934	
Disbursements:		
General Fund	52,535	28%
Tourism expenditures:		
Bremen Textile and Railroad Museum	80,000	42%
Haralson County Chamber of Commerce	14,627	8%
University of West Georgia	5,000	3%
Total expenditures during current fiscal year	152,162	
Ending balance for future tourism expenditures	\$ 36,772	

All expenditures were for promotion of tourism as required by O.C.G.A. 48-13-51.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

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### **Note 10. Defined Benefit Pension Plan**

#### **A. Plan Description**

The City's defined benefit pension plan, City of Bremen Retirement Plan (the "Plan"), provides retirement, disability, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The benefit provisions and all other requirements are established and maybe amended by City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information to the Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303-3606.

As of January 1, 2013, the date of the most recent actuarial valuation, the plan membership included the following categories of participants.

Retirees and beneficiaries receiving benefits	16
Terminated vested participants not yet receiving benefits	17
Active participants (fully vested and not vested)	54
Total membership	<u>87</u>

#### **B. Funding Policy**

The funding policy of the Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 9.10% of annual covered payroll.

#### **C. Annual Pension Cost**

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The required contribution was determined as part of the January 1, 2013 actuarial valuations using the projected unit credit actuarial cost method. The actuarial valuation was changed from May 1 to January 1 during the fiscal year ended June 30, 2010. The actuarial value of assets is determined by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the prior 10 years. The actuarial assumptions include (a) 7.75% investment rate of return and (b) projected salary increases for inflation of 3.5% per year and .5% per year for merit of seniority. The period, and related method, for amortizing the initial unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level of dollar amount. These amortization periods, if applicable, are closed for this plan year.

The actuarial value of system assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The method produces an adjusted actuarial value of assets.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* June 30, 2013

### **Note 10. Defined benefit Pension Plan (Continued)**

#### **C. Annual Pension Cost (Continued)**

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended June 30, 2013, were computed as follows:

Annual required contribution	\$ 120,009
Interest	(18,260)
Annual pension cost	101,749
Actual contributions made	(166,379)
Increase in net pension asset	(64,630)
Net pension asset, June 30, 2012	(228,253)
Net pension asset, June 30, 2013	<u>\$ (292,883)</u>

The chart below shows the annual pension cost which equaled the annual required contribution for the current year and prior two years along with the percentage actually contributed by the City.

Schedule of Employer Contributions			
Fiscal Period Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Asset (Obligation)
June 30, 2013	\$ 101,749	164%	\$ 292,883
June 30, 2012	109,812	168%	228,253
June 30, 2011	129,648	225%	161,708

As of the most recent valuation date, January 1, 2013, the funded status of the Plan was as follows:

Schedule of Funding Progress (Unaudited)						
Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
January 1, 2013	\$ 2,482,826	\$ 2,955,615	84.00%	\$ (472,789)	\$ 1,919,519	24.63%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 January 1, 2013.



# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

### **Note 11. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a defined contribution plan. The plan is administered and trusted by Nationwide Retirement Solutions (NRS), formerly known as Public Employees Benefit Services Corporation (PEBSCO) and the Variable Annuity Life Insurance Company (VALIC). The assets are held by NRS and VALIC and not recorded in these financial statements. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City does not match any eligible participants' contributions. All employee annual contributions are limited to maximums established by Internal Revenue Service guidelines. For the year ended June 30, 2013, employees contributed \$11,493 to the VALIC plan and \$800 for the NRS plan.

### **Note 12. Other Post Employment Benefits**

In addition to the pension benefits described in Notes 10 and 11, the City provides, through passage of local ordinance, post-retirement health benefits to all full-time City employees enrolled in the City's pension plan. The plan is a single employer plan. Provided they have twenty (20) years of total service with the City and are otherwise eligible for retirement under the City's pension plan, public safety employees are eligible for the program at age sixty (60) and all other employees are eligible at age sixty two (62). Currently, no employees are eligible for post-retirement health care benefits. The City pays the entire premium for the retiree's existing health insurance coverage for an eighteen (18) month COBRA period. At the conclusion of the COBRA period, the City pays the entire premium for employee coverage under a group retiree program. Dependent coverage is available on a retiree-pay-all basis. Coverage ends upon Medicare eligibility of the covered individual. Expenditures for post-retirement health care benefits are currently recognized as incurred and amounted to no expenditures for the year ended June 30, 2013.

#### Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of July 1, 2012.

Participants	
Actives fully eligible to retire	-
Actives not yet fully eligible to retire	64
Retirees	-
Total	<u>64</u>

#### Contributions

The annual required contribution amount is determined using actuarial methods and assumptions approved by the Council. The Council establishes and may amend the funding policy for the OPEB Health Care Plan, which is currently pay as you go.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

### **Note 12. Other Post Employment Benefits (Continued)**

The City's actuarially required contribution, OPEB cost, and increase in net OPEB obligation for the year ended June 30, 2013, were computed as follows:

Annual Required Contribution	\$ 260,278
Interest on Net OPEB Obligation	21,394
Adjustment to the ARC	<u>(35,324)</u>
Annual OPEB Cost	246,348
Actual Contribution	<u>-</u>
Increase in Net OPEB Obligation	246,348
Net OPEB obligation, beginning of year	<u>713,146</u>
Net OPEB obligation, end of year	<u><u>\$ 959,494</u></u>

#### Schedule of Employer Contributions

Fiscal Year Ended June 30,	(1) Annual OPEB Cost	(2) Actual OPEB Contribution	(3) Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 246,348	\$ -	0.00%	\$ 959,494
2012	236,026	-	0.00%	713,146
2011	236,026	-	0.00%	477,120

#### OPEB Health Care Plan

As of the most recent valuation date, July 1, 2012, the funded status of the OPEB Health Care Plan was as follows:

Actuarial Value of Asset (AVA)	\$ -
Actuarial Accrued Liability (AAL)	\$ (1,423,729)
Unfunded Actuarial Accrued Liability (UAAL)	\$ (1,423,729)
Funded Ratio (Assets as a percentage of AAL)	0.00%
Annual Covered Payroll	Not Available
UAAL as a Percentage of Covered Payroll	Not Available

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 continued 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 plan in effect at July 1, 2012.

The assumptions used in the July 1, 2012 actuarial valuation are as follows:

Measurement Date	July 1, 2012
Investment Rate of Return	
Expected Rate on Plan Assets	Not Applicable
Expected Return on City's Assets	3.00%
Rate of Compensation Increase	Not Applicable

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements June 30, 2013*

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### **Note 12. Other Post Employment Benefits (Continued)**

#### OPEB Health Care Plan (Continued)

##### Initial Health Care Cost Trend Rate

Medical Plans	7.60%
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Ultimate Health Care Trend Rate	5.00%
---------------------------------	-------

Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2023
--	------------------

Actuarial Cost Method	Projected Unit Credit
-----------------------	-----------------------

(Alternative Measurement Method)

Amortization Method	Level Dollar - Open
---------------------	---------------------

Amortization Period (years)	30
-----------------------------	----

Method Used to Determine Actuarial Value of Assets	Not Applicable
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### **Note 13. Risk Management**

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report 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 claims of loss. The City is also to allow the pool's agent and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City carries commercial insurance for other risks of losses, such as general property and liability insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### **Note 14. Commitments and Contingencies**

#### **Grant Contingencies:**

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

# CITY OF BREMEN, GEORGIA

## *Notes to the Basic Financial Statements* *June 30, 2013*

### **Note 15. Related Organization**

#### **Housing Authority of the City of Bremen:**

The City Council is responsible for appointing various members of the Housing Authority Board, but the City's accountability for the Housing Authority does not extend beyond making these appointments.

### **Note 16. Restatement of Fund Balance and Net Position**

#### *Change In Accounting Principle*

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expenditure/expense when incurred (at the time of issuance) rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior periods. Therefore, in conjunction with the implementation of GASB Statement No. 65, the restatement as shown below was required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses which were incurred in prior periods.

#### *Prior Period Adjustment*

The City has determined that a restatement of the fund balance of the General Fund is required to reflect corrections to the beginning balance of accounts payable. In the prior year the City held a property tax sale, which resulted in excess funds owed to either companies or individual taxpayers. The balance of the excess funds were not recorded as a liability in the General Fund in the prior year. The restatement above resulted in an overall overstatement of the fund balance of the General Fund and the net position of the Governmental Activities of \$115,943 as of June 30, 2012.

#### *Restatements*

Fund Balance, General Fund, June 30, 2012, as previously reported	\$ 1,891,935
Adjustment for proper recognition of accounts payable	(115,943)
Beginning Fund Balance, General Fund, June 30, 2012, restated	<u>\$ 1,775,992</u>
Net position, Governmental Activities, June 30, 2012, as previously reported	\$ 5,004,438
Adjustment for proper recognition of accounts payable	(115,943)
Change in accounting principle, implementation of Statement No. 65	(23,667)
Beginning net position, Governmental Activities, June 30, 2012, restated	<u>\$ 4,864,828</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF BREMEN, GEORGIA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual General Fund For the Fiscal Year Ended June 30, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes	\$ 3,388,075	\$ 3,388,075	\$ 3,602,472	\$ 214,397
Licenses and permits	15,300	15,300	60,106	44,806
Intergovernmental	128,375	128,375	37,560	(90,815)
Charges for services	144,123	144,123	173,879	29,756
Fines and forfeitures	218,000	218,000	158,964	(59,036)
Contributions and donations	-	-	33,056	33,056
Investment income	-	-	52	52
Miscellaneous	-	-	45,664	45,664
Total revenues	3,893,873	3,893,873	4,111,753	217,880
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government				
City Council	13,605	13,605	10,963	2,642
Mayor	3,835	3,835	3,995	(160)
General administration	327,679	327,679	387,654	(59,975)
Total general government	345,119	345,119	402,612	(57,493)
Judicial				
Municipal court	16,900	16,900	17,850	(950)
Public safety				
Police	1,363,743	1,363,743	1,366,239	(2,496)
Fire	744,016	744,016	750,412	(6,396)
Total public safety	2,107,759	2,107,759	2,116,651	(8,892)
Public works				
Highways and streets	372,851	372,851	387,406	(14,555)
Health and welfare				
Senior citizens	102,144	102,144	91,919	10,225
Culture and recreation				
Parks	574,355	574,355	571,337	3,018
Libraries	293,562	293,562	278,548	15,014
Total culture and recreation	867,917	867,917	849,885	18,032
Housing and development				
Codes & inspection	91,173	91,173	87,431	3,742
Economic development	6,000	6,000	8,677	(2,677)
Total housing and development	97,173	97,173	96,108	1,065

(Continued)

# CITY OF BREMEN, GEORGIA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual General Fund For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Debt service:</b>				
Principal	27,515	27,515	27,515	-
Interest	4,495	4,495	3,648	847
Total debt service	32,010	32,010	31,163	847
 Total expenditures	 3,941,873	 3,941,873	 3,993,594	 (51,721)
 Excess (deficiency) of revenues over (under) expenditures	 (48,000)	 (48,000)	 118,159	 166,159
 <b>OTHER FINANCING SOURCES</b>				
Transfers in	48,000	48,000	52,535	4,535
Proceeds from sale of capital assets	-	-	10,215	10,215
Total other financing sources	48,000	48,000	62,750	14,750
 Net change in fund balances	 -	 -	 180,909	 180,909
 <b>FUND BALANCE</b>				
Beginning of year, restated	1,775,992	1,775,992	1,775,992	-
 End of year	 \$ 1,775,992	 \$ 1,775,992	 \$ 1,956,901	 \$ 180,909

The accompanying notes are an integral part of these financial statements.

# CITY OF BREMEN, GEORGIA

*Required Supplementary Information*  
June 30, 2013

## SCHEDULES OF FUNDING PROGRESS

### Defined Benefit Pension Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded / (Surplus) AAL (1)-(2)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Liability as a Percentage of Covered Payroll
January 1, 2013	\$ 2,482,826	\$ 2,955,615	84.00%	\$ 472,789	\$ 1,919,519	24.63%
January 1, 2012	2,304,234	2,814,301	81.88%	510,067	2,044,692	24.95%
January 1, 2011	2,141,986	2,760,124	77.60%	618,138	1,904,938	32.45%
January 1, 2010 (A)	1,997,358	2,792,970	71.51%	795,612	2,186,255	36.39%
May 1, 2009	1,545,726	2,678,354	57.71%	1,132,628	2,154,149	52.58%
May 1, 2008	2,239,556	2,521,386	88.82%	281,830	2,167,164	13.00%

Note: See assumptions used for the schedule disclosed in the notes to the basic financial statements.

(A) During the fiscal year ended June 30, 2010, the actuarial valuation period was changed from May 1 to January 1.

### OPEB Health Care Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded / (Surplus) AAL (1)-(2)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Liability as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 1,423,729	0.00%	\$ 1,423,729	Not Available	0.00%
July 1, 2009 *	-	1,313,976	0.00%	1,313,976	Not Available	0.00%

Note: See assumptions used for the schedule disclosed in the notes to the basic financial statements.

\*First year of implementation.



**COMBINING FUND STATEMENTS**

**NONMAJOR GOVERNMENTAL FUNDS**

# CITY OF BREMEN, GEORGIA

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

ASSETS	Special Revenue Funds			Capital Project Fund	
	Downtown Development Authority	Hotel/ Motel	Confiscated Assets	General	Total
Cash	\$ -	\$ 29,486	\$ -	\$ 34,527	\$ 64,013
Taxes receivable	-	10,319	-	-	10,319
Total assets	<u>\$ -</u>	<u>\$ 39,805</u>	<u>\$ -</u>	<u>\$ 34,527</u>	<u>\$ 74,332</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ 3,033	\$ -	\$ -	\$ 3,033
Due to other funds	-	-	34	-	34
Deferred revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>3,033</u>	<u>34</u>	<u>-</u>	<u>3,067</u>
<b>FUND BALANCES</b>					
Restricted for:					
Capital projects	-	-	-	34,527	34,527
Culture and recreation	-	36,772	-	-	36,772
Unassigned	-	-	(34)	-	(34)
Total fund balances	<u>-</u>	<u>36,772</u>	<u>(34)</u>	<u>34,527</u>	<u>71,265</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 39,805</u>	<u>\$ -</u>	<u>\$ 34,527</u>	<u>\$ 74,332</u>

# CITY OF BREMEN, GEORGIA

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds			Capital Project Fund	
	Downtown Development Authority	Hotel/ Motel	Confiscated Assets	General	Total
<b>REVENUES</b>					
Taxes	\$ -	\$ 141,657	\$ -	\$ -	\$ 141,657
Fines and forfeitures	-	-	-	-	-
Contributions and donations	-	-	-	19,799	19,799
Total revenues	-	141,657	-	19,799	161,456
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	6,582	-	6,582
Culture and recreation	-	99,627	-	-	99,627
Debt Service:	-	-	-	-	-
Principal	97,636	-	-	-	97,636
Interest	11,245	-	-	-	11,245
Total expenditures	108,881	99,627	6,582	-	215,090
Excess (deficiency) of revenues over (under) expenditures	(108,881)	42,030	(6,582)	19,799	(53,634)
<b>OTHER FINANCING SOURCES(USES)</b>					
Transfers in	108,881	-	-	-	108,881
Transfers out	-	(52,535)	-	-	(52,535)
Total other financing sources(uses)	108,881	(52,535)	-	-	56,346
Net change in fund balances	-	(10,505)	(6,582)	19,799	2,712
<b>FUND BALANCE, beginning of year</b>	-	47,277	6,548	14,728	68,553
<b>FUND BALANCE, end of year</b>	\$ -	\$ 36,772	\$ (34)	\$ 34,527	\$ 71,265

**SCHEDULE**

**SPECIAL PURPOSE LOCAL  
OPTION SALES TAX PROCEEDS**

# CITY OF BREMEN, GEORGIA

*Schedule of Expenditures of  
Special Purpose Local Option Sales Tax Proceeds  
2009 Issue  
For the Fiscal Year Ended June 30, 2013*

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Debt Service	\$ 2,376,000	\$ 2,376,000	\$ 1,570,728	\$ 526,011	\$ 2,096,739
Water and Sewer Improvement Project and Various Other Capital Improvements	<u>2,142,345</u>	<u>2,142,345</u>	<u>855,704</u>	<u>253,923</u>	<u>1,109,627</u>
	<u>\$ 4,518,345</u>	<u>\$ 4,518,345</u>	<u>\$ 2,426,432</u>	<u>\$ 779,934</u>	<u>\$ 3,206,366</u>

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

SPLOST Fund

Total Expenditures	\$ 441,619
Transfers out (A)	<u>338,315</u>
	<u>\$ 779,934</u>

(A) Transfer outs were recorded in order to properly record debt service payments in the Enterprise Fund; Water & Sewerage Fund. Projects were an approved SPLOST project per the referendum above.

## **COMPLIANCE SECTION**

**WILL M. ROBINSON, CPA, P.C.***Certified Public Accountant*

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

To the Honorable Mayor and  
Members of the City Council  
City of Bremen, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bremen, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Bremen, Georgia's basic financial statements and have issued our report thereon dated December 26, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as, 13-1 through 13-3, to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Bremen, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Bremen, Georgia's Response to Findings**

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

### **Purpose of this Report**

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

*Will M. Adams, CPA, P.C.*

Carrollton, Georgia  
December 26, 2013



## CITY OF BREMEN, GEORGIA

### *Schedule Of Findings And Responses For The Fiscal Year Ended June 30, 2013*

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#### A. SUMMARY OF AUDIT RESULTS:

##### Financial Statements

The auditor's report expresses an unqualified opinion on the financial statements of the City of Bremen, Georgia.

Three reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and Internal Control over Financial Statements Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and are included in the Schedule of Findings and Questioned Costs as items 13-1 through 13-3. These reportable conditions are deemed to be material weaknesses.

No instances of noncompliance material relating to the audit of the financial statements of the City of Bremen, Georgia is reported in the Report on Compliance and Internal Control over Financial Statements Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

##### Federal Awards

There was not an audit of major federal award programs as of June 30, 2013 due to the total amount expended being less than \$500,000.

## **CITY OF BREMEN, GEORGIA**

### *Schedule Of Findings And Responses For The Fiscal Year Ended June 30, 2013*

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#### **B. SCHEDULE OF FINDINGS AND RESPONSES**

##### **13-1 Segregation of Duties**

Condition: There is not an appropriate segregation of duties between the recording, distribution, and reconciliation of cash accounts and other operational functions.

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business

Context/Cause: During our testing of the City's accounts, it was following was noted:

Clerks did not have separate physically controlled cash supplies and their daily work was not segregated from each others.

Payments on both the water and sewer and tax accounts receivable subsidiary ledgers is posted by City personnel who also maintain the subsidiary ledgers master file and input billing data.

Effect: Failure to periodically segregate duties between the recording, distribution, and reconciliation of cash accounts can lead to the misappropriation of funds without such actions being detected during the normal course of business.

Recommendation: The duties of recording, distribution, and reconciliation of cash accounts should be segregated between employees.

Auditee's Response: We concur with the finding above. We have segregated duties within limited staff to the extent possible and will continue to work toward further segregation of duties.

##### **13-2 Reconciliations of Cash Accounts**

Criteria: Internal controls should be in place to ensure that bank statements are reconciled to the general ledger on a monthly basis.

Condition: Management of the City did not reconcile the City's bank accounts in a timely manner.

Context/Cause: During our testing of the City's bank accounts, it was noted that the bank accounts were not being reconciled to the general ledger on a monthly basis. During our testing of cash, it was noted that certain a large number of closing adjustments were required to correct current year amounts after reconciliation. These closing entries were made due to the monthly cash reconciliations not being prepared in a timely manner and transactions related to cash not being recorded in the proper fund.

Effects or Possible Effects: Failure to properly reconcile bank accounts timely may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

## CITY OF BREMEN, GEORGIA

### *Schedule Of Findings And Responses For The Fiscal Year Ended June 30, 2013*

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**Recommendation:** We recommend management of the City reconcile all bank accounts after the end of each month throughout the fiscal year to ensure that items are properly and timely recorded to the general ledger. We also recommend that all reconciliations are reviewed by someone other than the preparer.

**Auditee's Response:** We concur with the finding above. We have hired a consultant to improve our accounting processes associated with our month end and year end closing process and the preparation of our financial statements.

#### **13-3 Revenue Accounts Receivable**

**Condition:** The City's revenue receivable accounts in both the general fund and the water and sewer fund are not reconciled on a timely basis.

**Criteria:** The revenue receivable accounts should be reconciled on a regular basis to insure that billing is appropriate and that customer payments, deposits, refunds and account adjustments are properly reflected on the City's subsidiary ledger in order to properly establish the City's receivable from their customer base and to ensure proper revenue recognition.

**Context/Cause:** During our testing of the City's accounts, it was noted that only daily payment activity is being reconciled on a on going basis. The subsidiary file is not being reconciled to the balances on general ledger. Master file changes affecting subsidiary records is not being captured in the reconciliation process.

**Effect:** All customer activity, both cash and noncash should be reconciled to the both the subsidiary ledger and to general ledger, in order to properly establish the customer's liability to the City, to prevent customer disputes and to prevent the misapplication or misappropriation of funds.

**Recommendation:** Customer activity should be reconciled to the subsidiary ledger and to general ledger on a regular basis. Any variances should be documented and corrected timely.

**Auditee's Response:** We concur with the finding above. We have hired a consultant to improve our accounting processes associated with our month end and year end closing process and the preparation of our financial statements.

**CITY OF BREMEN, GEORGIA**

*Schedule Of Findings And Responses  
For The Fiscal Year Ended June 30, 2013*

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**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There was not an audit of major federal award programs as of June 30, 2012 due to the total amount expended being less than \$500,000.

**D. STATUS OF PRIOR YEAR FINDINGS: FINANCIAL STATEMENT AUDIT**

There was not an audit of major federal award programs as of June 30, 2011 due to the total amount expended being less than \$500,000, therefore, no prior findings related to Federal awards were noted.