

CITY OF BREMEN, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

June 30, 2018

CITY OF BREMEN, GEORGIA

Annual Financial Report For the Fiscal Year Ended June 30, 2018

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FINANCIAL SECTION

WILL ROBINSON, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of 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 the City of Bremen, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bremen, Georgia'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, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9, budgetary comparison information on pages 45–46, and schedule of changes in the City's net pension liability and related ratios and schedule of funding progress on pages 47–50 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 fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of special purpose local option 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 fund financial statements and the schedule of special purpose local option 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 August 15, 2019, 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 the City of Bremen, Georgia's internal control over financial reporting and compliance.

Will Robinson, CPA, LLC

Carrollton, Georgia
August 15, 2019

CITY OF BREMEN, GEORGIA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

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, 2018. 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 FY2018 are as follows:

The City's total assets exceeded its total liabilities by \$13,704,095 (net position) for the fiscal year reported. In total, combined net assets decreased \$296,311 which represents a less than 3% decrease over FY2017.

1. Combined tax revenues accounted for \$4,422,450 or 78% of all revenues from governmental activities. Service specific revenues in the form of charges for services, grants, contributions, and fines and forfeitures accounted for \$1,258,180 or 22% of total revenues of \$5,679,103 from governmental activities.
2. The City had \$6,092,527 in expenses related to governmental activities; only \$1,258,180 of these expenses were offset by charges for services, grants, contributions, and fine and forfeitures. General revenues (primarily taxes) of \$4,439,373 provided for these services.
3. Total Water and Sewerage Fund revenues for fiscal year 2018 were \$3,009,164. Total expenses for fiscal year 2018 were \$3,173,637. The increase in net assets after depreciation and non-operating revenues and/or expenses, capital contributions, and transfers was \$334,404 for the fiscal year end.
4. Revenues from the General Fund were \$4,644,880 for fiscal year 2018, an increase of 2% over the prior fiscal year. General Fund expenditures totaled \$5,189,361 for the fiscal year ending June 30, 2018, an increase of 12% 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, 2018

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, 2018

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 \$13,704,095. This is a \$296,311 decrease from last fiscal year's net position of \$14,000,406, restated. The following table provides a summary of the City's net position.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Assets:						
Current and other assets	\$ 2,465,107	\$ 2,771,011	\$ (298,106)	\$ 1,142,339	\$ 2,167,001	\$ 3,913,350
Capital assets	6,110,303	6,190,469	10,846,150	10,672,367	16,956,453	16,862,836
Total assets	<u>8,575,410</u>	<u>8,961,480</u>	<u>10,548,044</u>	<u>11,814,706</u>	<u>19,123,454</u>	<u>20,776,186</u>
Deferred Outflows	<u>419,388</u>	<u>147,042</u>	<u>114,325</u>	<u>41,470</u>	<u>533,713</u>	<u>188,512</u>
Liabilities:						
Current liabilities	2,508,448	185,948	594,127	1,261,218	3,102,575	1,447,166
Long-term liabilities	<u>1,270,137</u>	<u>3,647,630</u>	<u>850,967</u>	<u>1,852,718</u>	<u>2,121,104</u>	<u>5,500,348</u>
Total liabilities	<u>3,778,585</u>	<u>3,833,578</u>	<u>1,445,094</u>	<u>3,113,936</u>	<u>5,223,679</u>	<u>6,947,514</u>
Deferred Inflows	<u>585,967</u>	<u>13,983</u>	<u>143,426</u>	<u>2,795</u>	<u>729,393</u>	<u>16,778</u>
Net position:						
Net investment in capital assets	4,703,475	4,712,754	9,334,927	9,130,384	14,038,402	13,843,138
Restricted	226,286	110,718	-	-	226,286	110,718
Unrestricted	<u>(299,515)</u>	<u>437,489</u>	<u>(261,078)</u>	<u>(390,939)</u>	<u>(560,593)</u>	<u>46,550</u>
Total net position	<u>\$ 4,630,246</u>	<u>\$ 5,260,961</u>	<u>\$ 9,073,849</u>	<u>\$ 8,739,445</u>	<u>\$ 13,704,095</u>	<u>\$ 14,000,406</u>

CITY OF BREMEN, GEORGIA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Revenues:						
Program:						
Charges for services	\$ 436,850	\$ 507,777	\$ 3,009,155	\$ 3,019,780	\$ 3,446,005	\$ 3,527,557
Operating grants	58,272	113,186	-	-	58,272	113,186
Capital grants	763,058	756,469	263,136	142,632	1,026,194	899,101
General:						
Property taxes	1,443,522	1,377,910	-	-	1,443,522	1,377,910
Alcoholic beverage taxes	151,129	146,916	-	-	151,129	146,916
Vehicle taxes	251,181	205,545	-	-	251,181	205,545
Sales taxes	978,013	908,929	-	-	978,013	908,929
Franchise taxes	510,460	502,954	-	-	510,460	502,954
Insurance premium taxes	414,118	388,902	-	-	414,118	388,902
Other taxes	674,027	530,639	-	-	674,027	530,639
Unrestricted investment earnings	-	-	9	15	9	15
Gain on sale of capital asset:	5,865	6,521	-	-	5,865	6,521
Miscellaneous revenue	11,058	19,758	-	-	11,058	19,758
Total revenues	<u>5,697,553</u>	<u>5,465,506</u>	<u>3,272,300</u>	<u>3,162,427</u>	<u>8,969,853</u>	<u>8,627,933</u>
Program expenses:						
General government	748,081	547,195	-	-	748,081	547,195
Judicial	13,013	19,962	-	-	13,013	19,962
Public safety	2,791,405	2,791,170	-	-	2,791,405	2,791,170
Public works	552,347	955,603	-	-	552,347	955,603
Health and welfare	149,520	138,976	-	-	149,520	138,976
Culture and recreation	1,510,466	1,378,581	-	-	1,510,466	1,378,581
Housing and development	288,038	118,725	-	-	288,038	118,725
Interest on long-term debt	39,657	67,442	-	-	39,657	67,442
Water and sewerage	-	-	3,173,637	2,630,260	3,173,637	2,630,260
Total expenses	<u>6,092,527</u>	<u>6,017,654</u>	<u>3,173,637</u>	<u>2,630,260</u>	<u>9,266,164</u>	<u>8,647,914</u>
Excess (deficiency) before transfers	(394,974)	(552,148)	98,663	532,167	(296,311)	(19,981)
Transfers	<u>(235,741)</u>	<u>(257,769)</u>	<u>235,741</u>	<u>257,769</u>	<u>-</u>	<u>-</u>
Changes in net position	(630,715)	(809,917)	334,404	789,936	(296,311)	(19,981)
Beginning net position, restated	<u>5,260,961</u>	<u>6,070,878</u>	<u>8,739,445</u>	<u>7,949,509</u>	<u>14,000,406</u>	<u>14,020,387</u>
Ending net position	<u>\$ 4,630,246</u>	<u>\$ 5,260,961</u>	<u>\$ 9,073,849</u>	<u>\$ 8,739,445</u>	<u>\$ 13,704,095</u>	<u>\$ 14,000,406</u>

CITY OF BREMEN, GEORGIA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Governmental Activities

Please note that the most significant expense is public safety expenses of \$2,791,405 representing 46% of the total governmental expenses. The next most significant program expenses are culture and recreation which totals \$1,510,466 and 25%, general government which totals \$748,081 and 12% and public works which totals \$528,047 and 9% of the total governmental expenses.

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 51% 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 2018	Net Cost of Services 2018
Program expenses:		
General government	\$ 748,081	\$ (653,648)
Judicial	13,013	(13,013)
Public safety	2,791,405	(2,249,434)
Public works	552,347	(251,561)
Health and welfare	149,520	(145,092)
Culture and recreation	1,510,466	(1,193,904)
Housing and development	288,038	(288,038)
Interest on long-term debt	39,657	(39,657)
Water and sewerage	3,173,637	98,654
Total expenses	<u>\$ 9,266,164</u>	<u>\$ (4,735,693)</u>

Governmental Fund Balance

The General Fund's fund balance for the fiscal year ending June 30, 2018 is \$1,957,125. The SPLOST Fund's fund balance for the fiscal year ending June 30, 2018 was a deficit of \$14,375 and the Other Governmental Funds total fund balances are \$23,882; these funds include two special revenue funds. The total fund balance for all governmental funds is \$1,918,868.

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 \$4,644,880 were over the final budgeted amount of \$4,586,224 by \$58,656. The actual expenditures of \$5,189,361 were over the final budgeted amount of \$4,746,224 by \$443,137.

CITY OF BREMEN, GEORGIA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the City had \$16,956,453 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 670,384	\$ 641,684	\$ 182,960	\$ 182,960	\$ 853,344	\$ 824,644
Construction in progress	38,244	48,232	-	131,568	38,244	179,800
Buildings and improvements	3,800,710	3,913,080	-	-	3,800,710	3,913,080
Improvements other than buildings	1,344,303	1,332,523	-	-	1,344,303	1,332,523
Water & sewer system	-	-	10,423,437	10,067,840	10,423,437	10,067,840
Furniture and equipment	40,042	46,798	174,297	198,087	214,339	244,885
Vehicles	216,620	208,152	65,456	91,912	282,076	300,064
Total	<u>\$ 6,110,303</u>	<u>\$ 6,190,469</u>	<u>\$ 10,846,150</u>	<u>\$ 10,672,367</u>	<u>\$ 16,956,453</u>	<u>\$ 16,862,836</u>

The primary increases occurred in the governmental activities with increases to vehicles of approximately \$370,000 for public safety and public works vehicles.

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 \$5,255,027. This debt includes compensated absences, capital leases payable, 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	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Compensated absences	\$ 97,300	\$ 46,140	\$ 25,213	\$ 15,842	\$ 122,513	\$ 61,982
Capital leases payable	-	-	26,347	469,125	26,347	469,125
Notes payable	1,406,828	1,477,715	494,523	557,342	1,901,351	2,035,057
OPEB obligation (A)	1,606,282	1,544,189	-	-	1,606,282	1,544,189
Net pension liability	432,937	579,586	122,111	163,455	555,048	743,041
Other long term debt	-	-	-	20,826	-	20,826
Total	<u>\$ 3,543,347</u>	<u>\$ 3,647,630</u>	<u>\$ 668,194</u>	<u>\$ 1,226,590</u>	<u>\$ 4,211,541</u>	<u>\$ 4,874,220</u>

(A) – OPEB obligation was restated as of June 30, 2017.

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, 2018

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.

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 please contact, Perry Hicks, City Manager, City of Bremen, 232 Tallapoosa Street, Bremen, Georgia 30110, 770-537-2331, or phicks@bremenga.gov.

BASIC FINANCIAL STATEMENTS

CITY OF BREMEN, GEORGIA

Statement of Net Position June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 425,455	\$ 601,276	\$ 1,026,731
Taxes receivable, net of allowance	319,235	-	319,235
Accounts receivable, net of allowance	83,259	314,082	397,341
Internal balances	1,464,061	(1,464,061)	-
Due from other governments	173,097	-	173,097
Restricted assets:			
Cash	-	250,597	250,597
Capital assets:			
Nondepreciable capital assets	708,628	182,960	891,588
Depreciable capital assets, net	5,401,675	10,663,190	16,064,865
Total assets	<u>8,575,410</u>	<u>10,548,044</u>	<u>19,123,454</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension and OPEB	419,388	114,325	533,713
Total deferred inflows of resources	<u>419,388</u>	<u>114,325</u>	<u>533,713</u>
LIABILITIES			
Accounts payable	235,078	95,607	330,685
Accrued liabilities	160	3,709	3,869
Customer deposits	-	250,597	250,597
Net pension liability	432,937	122,111	555,048
Capital leases due within one year	-	26,347	26,347
Capital leases due in more than one year	-	-	-
Compensated absences due within one year	97,300	25,213	122,513
Notes payable due within one year	136,691	70,543	207,234
Notes payable due in more than one year	1,270,137	423,980	1,694,117
Net other post employment benefits (OPEB) obligation due in more than one year	1,606,282	426,987	2,033,269
Total liabilities	<u>3,778,585</u>	<u>1,445,094</u>	<u>5,223,679</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - intergovernmental	55,902	-	55,902
Deferred inflows related to pension and OPEB	530,065	143,426	673,491
Total deferred inflows of resources	<u>585,967</u>	<u>143,426</u>	<u>729,393</u>
NET POSITION			
Net investment in capital assets	4,703,475	9,334,927	14,038,402
Restricted for:			
Capital projects	216,368	-	216,368
Culture and recreation	4,428	-	4,428
Public safety	5,490	-	5,490
Unrestricted	(299,515)	(261,078)	(560,593)
Total net position	<u>\$ 4,630,246</u>	<u>\$ 9,073,849</u>	<u>\$ 13,704,095</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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 748,081	\$ 60,089	\$ 34,344	\$ -	\$ (653,648)	\$ -	\$ (653,648)
Judicial	13,013	-	-	-	(13,013)	-	(13,013)
Public safety	2,791,405	157,224	19,500	365,247	(2,249,434)	-	(2,249,434)
Public works	552,347	-	-	300,786	(251,561)	-	(251,561)
Health and welfare	149,520	-	4,428	-	(145,092)	-	(145,092)
Culture and recreation	1,510,466	219,537	-	97,025	(1,193,904)	-	(1,193,904)
Housing and development	288,038	-	-	-	(288,038)	-	(288,038)
Interest on long-term debt	39,657	-	-	-	(39,657)	-	(39,657)
Total governmental activities	<u>6,092,527</u>	<u>436,850</u>	<u>58,272</u>	<u>763,058</u>	<u>(4,834,347)</u>	<u>-</u>	<u>(4,834,347)</u>
Business-type activities:							
Water and sewerage	<u>3,173,637</u>	<u>3,009,155</u>	<u>-</u>	<u>263,136</u>	<u>-</u>	<u>98,654</u>	<u>98,654</u>
Total business-type activities	<u>3,173,637</u>	<u>3,009,155</u>	<u>-</u>	<u>263,136</u>	<u>-</u>	<u>98,654</u>	<u>98,654</u>
Total primary government	<u>\$ 9,266,164</u>	<u>\$ 3,446,005</u>	<u>\$ 58,272</u>	<u>\$ 1,026,194</u>	<u>(4,834,347)</u>	<u>98,654</u>	<u>(4,735,693)</u>
General revenues:							
Property taxes					1,443,522	-	1,443,522
Alcoholic beverage taxes					151,129	-	151,129
Vehicle taxes					251,181	-	251,181
Sales taxes					978,013	-	978,013
Franchise taxes					510,460	-	510,460
Insurance premium taxes					414,118	-	414,118
Other taxes					674,027	-	674,027
Unrestricted investment earnings					-	9	9
Gain on sale of capital assets					5,865	-	5,865
Miscellaneous revenue					11,058	-	11,058
Transfers					<u>(235,741)</u>	<u>235,741</u>	<u>-</u>
Total general revenues and transfers					<u>4,203,632</u>	<u>235,750</u>	<u>4,439,382</u>
Change in net position					<u>(630,715)</u>	<u>334,404</u>	<u>(296,311)</u>
Net position, beginning of year, restated					<u>5,260,961</u>	<u>8,739,445</u>	<u>14,000,406</u>
Net position, end of year					<u>\$ 4,630,246</u>	<u>\$ 9,073,849</u>	<u>\$ 13,704,095</u>

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

CITY OF BREMEN, GEORGIA

Balance Sheet Governmental Funds June 30, 2018

ASSETS	General	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 341,787	\$ -	\$ 83,668	\$ 425,455
Receivables:				
Taxes	252,179	-	67,056	319,235
Accounts	83,259	-	-	83,259
Due from other funds	506,244	-	-	506,244
Advance to other funds	990,353	-	-	990,353
Due from other governments	55,902	117,195	-	173,097
	<u>2,229,724</u>	<u>117,195</u>	<u>150,724</u>	<u>2,497,643</u>
Total assets	<u>\$ 2,229,724</u>	<u>\$ 117,195</u>	<u>\$ 150,724</u>	<u>\$ 2,497,643</u>
 LIABILITIES				
Accounts payable	\$ 80,677	\$ 131,570	\$ 22,831	\$ 235,078
Accrued liabilities	160	-	-	160
Due to other funds	-	-	32,536	32,536
	<u>80,837</u>	<u>131,570</u>	<u>55,367</u>	<u>267,774</u>
Total liabilities	<u>80,837</u>	<u>131,570</u>	<u>55,367</u>	<u>267,774</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes & fines	135,860	-	-	135,860
Unearned revenue - intergovernmental	55,902	-	-	55,902
	<u>191,762</u>	<u>-</u>	<u>-</u>	<u>191,762</u>
Total deferred inflows of resources	<u>191,762</u>	<u>-</u>	<u>-</u>	<u>191,762</u>
 FUND BALANCES				
Fund balances (deficit):				
Nonspendable:				
Advances to other funds	990,353	-	-	990,353
Restricted:				
Capital projects	101,557	-	114,811	216,368
Culture and recreation	-	-	4,428	4,428
Public safety	-	-	5,490	5,490
Unassigned	865,215	(14,375)	(29,372)	821,468
	<u>1,957,125</u>	<u>(14,375)</u>	<u>95,357</u>	<u>2,038,107</u>
Total fund balances	<u>1,957,125</u>	<u>(14,375)</u>	<u>95,357</u>	<u>2,038,107</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,229,724</u>	<u>\$ 117,195</u>	<u>\$ 150,724</u>	<u>\$ 2,497,643</u>

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, 2018

Total Governmental Fund Balances		\$ 2,038,107
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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	\$ 12,879,204	
Less accumulated depreciation	<u>(6,768,901)</u>	6,110,303

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

Property taxes and fines	135,860
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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. (1,606,282)

The deferred outflows are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows related to pension and OPEB	419,388	
Deferred inflows related to pension and OPEB	<u>(530,065)</u>	<u>(110,677)</u>

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

Note payable	(1,406,828)	
Net pension liability	(432,937)	
Compensated absences	<u>(97,300)</u>	<u>(1,937,065)</u>

Net position of governmental activities	<u>\$ 4,630,246</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, 2018

	General	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,078,073	\$ -	\$ 381,163	\$ 4,459,236
Licenses and permits	55,109	-	-	55,109
Intergovernmental	138,040	661,501	-	799,541
Charges for services	224,517	-	-	224,517
Fines and forfeitures	120,722	-	12,968	133,690
Contributions and donations	17,361	-	4,428	21,789
Miscellaneous revenue	11,058	-	-	11,058
Total revenues	<u>4,644,880</u>	<u>661,501</u>	<u>398,559</u>	<u>5,704,940</u>
EXPENDITURES				
Current:				
General government	616,916	-	-	616,916
Judicial	13,013	-	-	13,013
Public safety	2,474,608	-	5,500	2,480,108
Public works	566,333	-	24,300	590,633
Health and welfare	138,476	-	-	138,476
Culture and recreation	1,091,977	-	191,322	1,283,299
Housing and development	288,038	-	-	288,038
Capital outlay	-	283,952	-	283,952
Debt service:				
Principal	-	140,099	-	140,099
Interest	-	39,657	-	39,657
Total expenditures	<u>5,189,361</u>	<u>463,708</u>	<u>221,122</u>	<u>5,874,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(544,481)</u>	<u>197,793</u>	<u>177,437</u>	<u>(169,251)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,148	-	-	7,148
Transfers in	96,821	-	-	96,821
Transfers out	-	(235,741)	(96,821)	(332,562)
Total other financing sources (uses)	<u>103,969</u>	<u>(235,741)</u>	<u>(96,821)</u>	<u>(228,593)</u>
Net change in fund balances	(440,512)	(37,948)	80,616	(397,844)
FUND BALANCE, beginning of year, restated	<u>2,397,637</u>	<u>23,573</u>	<u>14,741</u>	<u>2,435,951</u>
FUND BALANCE (deficit), end of year	<u>\$ 1,957,125</u>	<u>\$ (14,375)</u>	<u>\$ 95,357</u>	<u>\$ 2,038,107</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, 2018

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

Net change in fund balances - total governmental funds	\$	(397,844)
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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	\$ 431,614		
Depreciation expense	<u>(492,047)</u>		(60,433)

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

Disposal of capital assets	<u>(19,733)</u>		(19,733)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(36,786)		
Police fines	<u>23,534</u>		(13,252)

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.

Proceeds from refinancing note payable	1,530,971		
Refinancing note payable	(1,600,183)		
Principal repayments:			
Notes payable	<u>140,099</u>		70,887

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.	(192,939)
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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.

Compensated absences	(51,160)		
Pension expense	<u>33,759</u>		<u>(17,401)</u>

Change in net position of governmental activities	\$	<u><u>(630,715)</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, 2018

	Business-type Activities
	Enterprise Fund
	Water and Sewerage Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 601,276
Accounts receivable, net of allowances	314,082
Restricted assets, cash	
Customer deposits	250,597
Total current assets	<u>1,165,955</u>
NON CURRENT ASSETS	
Capital assets:	
Non depreciable	182,960
Depreciable, net of accumulated depreciation	10,663,190
Total capital assets (net of accumulated depreciation)	<u>10,846,150</u>
Total non current assets	<u>10,846,150</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension and OPEB	<u>114,325</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	95,607
Due to other funds	473,708
Accrued liabilities	3,709
Compensated absences	25,213
Customer deposits, payable with restricted assets	250,597
Capital lease payable, current portion	26,347
Notes payable, current portion	70,543
Total current liabilities	<u>945,724</u>
LONG-TERM LIABILITIES	
Notes payable	423,980
Advance from other funds	990,353
Net pension liability	122,111
Other post-employment benefits and OPEB	426,987
Total long-term liabilities	<u>1,963,431</u>
Total liabilities	<u>2,909,155</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>143,426</u>
NET POSITION	
Net investment in capital assets	9,334,927
Unrestricted	(261,078)
Total net position	<u>\$ 9,073,849</u>

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, 2018*

	Business-type Activities
	Enterprise Fund
	Water and Sewerage Fund
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 1,340,018
Sewer sales	1,110,005
Other charges	101,288
Sanitation charges	457,844
Total operating revenues	<u>3,009,155</u>
OPERATING EXPENSES	
Personnel costs	895,851
Contracted services	223,386
Supplies	1,684,432
Depreciation	343,766
Total operating expenses	<u>3,147,435</u>
Operating loss	<u>(138,280)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	9
Interest expense	(26,202)
Total nonoperating revenues (expenses)	<u>(26,193)</u>
Income before capital contributions and transfers	<u>(164,473)</u>
Capital contributions	263,136
Transfer in	<u>235,741</u>
Change in net position	334,404
NET POSITION, beginning of year, restated	<u>8,739,445</u>
NET POSITION, end of year	<u><u>\$ 9,073,849</u></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, 2018

	Business-type Activities Enterprise Funds Water and Sewerage Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,990,917
Payments to employees	(885,718)
Payments to suppliers for goods and services provided	(2,245,132)
Net cash provided by operating activities	(139,933)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in	235,741
Interest paid on capital debt	(22,492)
Purchase of property and equipment	(254,414)
Principal payments on long-term borrowings	(526,422)
Net cash used in capital and related financing activities	(567,587)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	9
Net cash provided by investing activities	9
Net decrease in cash and cash equivalents	(707,511)
Cash and cash equivalents, beginning of year (including restricted cash of \$377,694)	1,559,384
Cash and cash equivalents, end of year (including restricted cash of \$393,040)	\$ 851,873
Reconciliation of operating loss to net cash used in operating activities:	
Net operating loss	\$ (138,280)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Depreciation	343,766
Increase in accounts receivable	(28,993)
Decrease in prepaid expenses	14,165
Increase in deferred outflows	(72,855)
Decrease in accounts payable	(9,914)
Decrease in due to other funds	(341,565)
Decrease in accrued liabilities	(4,182)
Decrease in other postemployment benefits	(21,488)
Decrease in net pension liability	(41,344)
Increase in customer deposits	10,755
Increase in compensated absences	9,371
Increase in deferred inflows	140,631
Net cash provided by operating activities	\$ (139,933)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Capital Contributions from SPLOST Fund - Capital Assets	\$ 263,136

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, 2018

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 73,555</u>
Total assets	<u><u>\$ 73,555</u></u>
LIABILITIES	
Due to other governments	<u>\$ 73,555</u>
Total liabilities	<u><u>\$ 73,555</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, 2018*

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, 2018*

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 2014 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, 2018*

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, 2018*

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, 2018*

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, 2018*

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 items that qualify for reporting in this category are related to the City's pension plan and OPEB plan. These items are amortized in a systematic and rational method and recognized in pension or health care expenses in future periods.

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 two types of items that qualifies for reporting in this category. The first 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. The second items that qualify for reporting in this category are related to the City's pension plan and OPEB plan. These items are amortized in a systematic and rational method and recognized in pension or health care expenses in future periods.

M. Pensions

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

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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.

Excess of Expenditures Over Appropriations

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2018.

General government	
General administration	\$ 214,480
Public safety	
Police	17,294
Public works	
Highways and streets	126,661
Culture and recreation	
Parks	13,953
Housing and development	
Economic development	175,207

Deficit Fund Balance

The SPLOST Fund has a deficit of \$14,375 as of the June 30, 2018. This will be funded when future sales tax revenue is received. The Hotel/Motel Fund has a deficit of \$29,372 as of the June 30, 2018. This will be funded when future sales tax revenue is received.

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

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, 2018, all of the deposits of the City were fully collateralized in accordance with the state statutes.

Note 4. Receivables

Receivables at June 30, 2018, 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	\$ 255,870	\$ -	\$ 67,056	\$ 322,926
Accounts	153,927	390,330	-	544,257
Gross receivables	409,797	390,330	67,056	867,183
Less allowance for uncollectibles	(74,359)	(76,248)	-	(150,607)
Net total receivables	<u>\$ 335,438</u>	<u>\$ 314,082</u>	<u>\$ 67,056</u>	<u>\$ 716,576</u>

Property taxes attach as an enforceable lien on property as of January 3, 2017. Taxes are levied on August 15, 2017 and payable on or before December 1, 2017. The City bills and collects its own property taxes. Property taxes levied for the year ending June 30, 2018 and not collected are recorded as receivables, net of estimated uncollectibles.

Amounts due from other governments at June 30, 2018, are broken down as follows:

SPLOST 6 Fund:

Sales tax collections

Haralson County Board of Commissioners	\$ 116,585
Carroll County Board of Commissioners	610
	<u>\$ 117,195</u>

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

Note 5. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 641,684	\$ 28,700	\$ -	\$ -	\$ 670,384
Construction in progress	48,232	146,509	-	(156,497)	38,244
Total	<u>689,916</u>	<u>175,209</u>	<u>-</u>	<u>(156,497)</u>	<u>708,628</u>
Capital assets, being depreciated:					
Buildings and improvements	7,273,611	-	-	156,497	7,430,108
Improvements other than buildings	3,329,274	159,000	-	-	3,488,274
Furniture and equipment	254,094	-	-	-	254,094
Vehicles	1,003,365	97,405	(102,670)	-	998,100
Total	<u>11,860,344</u>	<u>256,405</u>	<u>(102,670)</u>	<u>156,497</u>	<u>12,170,576</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,360,531)	(268,867)	-	-	(3,629,398)
Improvements other than buildings	(1,996,751)	(147,220)	-	-	(2,143,971)
Furniture and equipment	(207,296)	(6,756)	-	-	(214,052)
Vehicles	(795,213)	(69,204)	82,937	-	(781,480)
Total	<u>(6,359,791)</u>	<u>(492,047)</u>	<u>82,937</u>	<u>-</u>	<u>(6,768,901)</u>
Total capital assets, being depreciated, net	<u>5,500,553</u>	<u>(235,642)</u>	<u>(19,733)</u>	<u>156,497</u>	<u>5,401,675</u>
Governmental activities capital assets, net	<u>\$ 6,190,469</u>	<u>\$ (60,433)</u>	<u>\$ (19,733)</u>	<u>\$ -</u>	<u>\$ 6,110,303</u>
Business Type activities:					
Capital assets, not being depreciated:					
Land	\$ 182,960	\$ -	\$ -	\$ -	\$ 182,960
Construction in progress	131,568	263,136	-	(394,704)	-
Total	<u>314,528</u>	<u>263,136</u>	<u>-</u>	<u>-</u>	<u>182,960</u>
Capital assets, being depreciated:					
Water & sewer system	17,812,150	254,413	-	394,704	18,461,267
Furniture and equipment	300,917	-	-	-	300,917
Vehicles	208,620	-	-	-	208,620
Total	<u>18,321,687</u>	<u>254,413</u>	<u>-</u>	<u>394,704</u>	<u>18,970,804</u>
Less accumulated depreciation for:					
Water & sewer system	(7,744,310)	(293,520)	-	-	(8,037,830)
Furniture and equipment	(102,830)	(23,790)	-	-	(126,620)
Vehicles	(116,708)	(26,456)	-	-	(143,164)
Total	<u>(7,963,848)</u>	<u>(343,766)</u>	<u>-</u>	<u>-</u>	<u>(8,307,614)</u>
Total capital assets, being depreciated, net	<u>10,357,839</u>	<u>(89,353)</u>	<u>-</u>	<u>394,704</u>	<u>10,663,190</u>
Business type activities capital assets, net	<u>\$ 10,672,367</u>	<u>\$ 173,783</u>	<u>\$ -</u>	<u>\$ 394,704</u>	<u>\$ 10,846,150</u>

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

Note 5. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 17,294
Public safety	196,378
Public works	109,376
Health and welfare	11,044
Culture and recreation	<u>157,955</u>
Total depreciation expense - governmental activities	<u>\$ 492,047</u>
Business-type activities:	
Water and sewerage	<u>\$ 343,766</u>
Total depreciation expense - business-type activities	<u>\$ 343,766</u>

Note 6. Long-Term Debt

Long-term liability activity for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
Governmental activities:						
Compensated absences	\$ 46,140	\$ 87,419	\$ 36,259	\$ 97,300	\$ 97,300	\$ -
Notes payable	1,477,715	1,530,971	1,601,858	1,406,828	136,691	1,270,137
OPEB obligation	1,544,189	439,300	377,207	1,606,282	-	1,606,282
Net pension liability	<u>579,586</u>	<u>341,244</u>	<u>487,893</u>	<u>432,937</u>	<u>-</u>	<u>432,937</u>
Governmental activities long-term liabilities	<u>\$ 3,647,630</u>	<u>\$ 2,398,934</u>	<u>\$ 2,503,217</u>	<u>\$ 3,543,347</u>	<u>\$ 233,991</u>	<u>\$ 3,309,356</u>
Business-type activities:						
Compensated absences	\$ 15,842	\$ 16,382	\$ 7,011	\$ 25,213	\$ 25,213	\$ -
Capital leases payable	469,125	-	442,778	26,347	26,347	-
Other long term debt	20,826	-	20,826	-	-	-
Notes payable	557,342	-	62,819	494,523	70,543	423,980
Net pension liability	<u>163,455</u>	<u>96,248</u>	<u>137,592</u>	<u>122,111</u>	<u>-</u>	<u>122,111</u>
Business-type activities long-term liabilities	<u>\$ 1,226,590</u>	<u>\$ 112,630</u>	<u>\$ 671,026</u>	<u>\$ 668,194</u>	<u>\$ 122,103</u>	<u>\$ 546,091</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, 2018

Note 6. Long-Term Debt (Continued)

Governmental Activities:

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	\$ 1,406,828

Fiscal Year	Principal	Interest	Total
2019	\$ 136,691	\$ 26,629	\$ 163,320
2020	152,234	25,934	178,168
2021	155,555	22,613	178,168
2022	158,948	19,219	178,167
2023	162,416	15,752	178,168
2024-2027	640,984	26,877	667,861
	<u>\$ 1,406,828</u>	<u>\$ 137,024</u>	<u>\$ 1,543,852</u>

Business-type Activities:

Capital Lease Payable. The following is an analysis of leased assets under capital leases as of June 30, 2018:

Water and Sewerage Fund: Various Equipment	Cost	Amortization Expense	
		Current	Accumulated
	<u>\$ 370,177</u>	<u>\$ 50,246</u>	<u>\$ 130,421</u>

During the fiscal year ended June 30, 2017, the City incurred debt for various equipment.

Interest Rate	Term (yrs)	Due Date	Monthly Payment	Original Balance	Balance
2.530%	5	2020	\$7,104	\$ 400,000	\$ 26,347

Business-type Activities

Fiscal year ending June 30,	
2019	\$ 27,776
Total minimum lease payments	27,776
Less amount representing interest	1,429
Present value of minimum lease payments	<u>\$ 26,347</u>

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

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. The remaining balance was paid off during the year ended June 30, 2018.

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>
3.00%	20	2025	34,831	1,245,500	494,523
					<u>\$ 494,523</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 70,543	\$ 14,047	\$ 84,590
2020	72,684	11,907	84,591
2021	74,889	9,702	84,591
2022	77,161	7,430	84,591
2023	79,502	5,089	84,591
2024-2025	119,744	2,961	122,705
	<u>\$ 494,523</u>	<u>\$ 51,136</u>	<u>\$ 545,659</u>

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

Note 7. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2018, is as follows:

<u>Advance From</u>		<u>Advance To</u>	
		<u>Water and Sewerage Fund</u>	
<u>General Fund</u>		\$	990,353
Total		\$	990,353

<u>Due To</u>		<u>Due From</u>		<u>Totals</u>
		<u>Water and Sewerage Fund</u>	<u>Other Governmental Funds</u>	
<u>General Fund</u>		\$ 473,708	\$ 32,536	\$ 506,244
Total		\$ 473,708	\$ 32,536	\$ 506,244

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 Water and Sewerage Fund represents payroll expenses of the Water and Sewerage Fund paid by the General Fund. The balance above between the General Fund and Other Governmental Funds represents various expenditures of the Other Governmental Funds paid by the General Fund.

The composition of interfund transfers for the fiscal year ended June 30, 2018, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 96,821
Water and Sewerage Fund	SPLOST Fund	235,741
		\$ 332,562

These transfers to the General Fund from the Other 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.

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

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, 2018, the City purchased water from the Haralson County Water Authority at a cost of \$506,943. 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, 2018, the City paid \$6,290 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, 2018 follows:

	2018	Percentage of Total Available Receipts
Beginning balance for tourism expenditures	\$ 16,719	
Lodging tax receipts collected during current fiscal year	242,053	
Total lodging tax receipts available for current fiscal year	258,772	
Disbursements:		
General Fund	96,821	37%
Tourism expenditures:		
Bremen Textile and Railroad Museum	168,545	65%
Haralson County Chamber of Commerce	22,778	9%
Total expenditures during current fiscal year	288,144	
Ending balance for future tourism expenditures	\$ (29,372)	

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, 2018*

Note 10. Defined Benefit Pension Plan

A. Plan Description

The City's contributes to the City of Bremen Retirement Plan (the "Plan"), which is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan defined benefit pension plan. O.C.G.A. Section 47-5-1 et Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities. For the City of Bremen Retirement Plan, that authority rests with the City of Bremen, Georgia. The benefit provisions and all other requirements are established and maybe amended by City ordinance. It is the responsibility of the GMEBS to function as the investment and administrative agent for the City of Bremen, Georgia with respect to the pension plan. The City of Bremen Retirement Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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.

B. Benefits Provided

The City of Bremen Retirement Plan provides retirement, disability, and death benefits. Retirement benefits are determined as 1.25 percent of the employee's final 3-year average compensation times the employee's years of service. Effective January 1, 2016, the Plan was amended to provide for immediate participation for employees. The change has no impact on service credited under the Plan and no impact on benefits. As a result of this change, all employees are now include in the valuation. This change has minimal impact on the Plan's liability. Elected officials are not covered. The employees are vested after five years. The normal retirement age is sixty five plus five years with the early retirement age being fifty five plus ten years. As of January 1, 2018, the date of the most recent actuarial valuation, the plan membership included the following categories of participants.

Benefits for retired participants and beneficiaries	22
Terminated vested participants	22
Active vested participants	32
Total present value of vested benefits	<u>76</u>
Nonvested benefits	19
Total present value of accrued plan benefits	<u><u>95</u></u>

C. Contributions

Recommended Contribution: The GMEBS Board of Trustees has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

State Funding Standards: The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$128,725. The minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial liability of the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

Note 10. Defined Benefit Pension Plan

C. Contributions (Continued):

valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet the applicable state funding standards.

The City makes 100% of the contributions to the Plan. The contractually required contributions, which are actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at an actuarially determined rate; the current rate is 6.38% of annual covered payroll.

D. Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

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

Inflation	2.75%
Salary increases	3.25% to 8.25%, include an inflation assumption of 2.75%
Investment rate of return	7.75%, based on long-term expected rate of return on pension plan investments
Mortality Rates:	
<i>Healthy:</i>	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
<i>Disabled:</i>	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates
<i>Plan Determination Basis:</i>	1994 Group Annuity Reserving Unisex Table
RP-2000 Mortality Tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.	

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

10. Defined Benefit Pension Plan

D. Net Pension Liability (Continued):

allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.71%
International Equity	20%	7.71%
Real Estate	10%	5.21%
Global Fixed Income	5%	3.36%
Domestic Fixed Income	20%	2.11%
Cash	0%	
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes In Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 3,870,841	\$ 3,127,800	\$ 743,041
Changes for the year:			
Service cost	75,374	-	75,374
Interest	291,809	-	291,809
Differences between expected and actual experience	(9,064)	-	(9,064)
Contributions—employer	-	150,919	(150,919)
Net investment income	-	465,502	(465,502)
Benefit payments, including refunds of employee contributions	(211,121)	(211,121)	-
Administrative expense	-	(12,478)	12,478
Other changes	57,831	-	57,831
Net changes	204,829	392,822	(187,993)
Balances at September 30, 2017	\$ 4,075,670	\$ 3,520,622	\$ 555,048

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

10. Defined Benefit Pension Plan

D. Net Pension Liability (Continued):

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Net Pension Liability	\$ 1,093,775	\$ 555,048	\$ 109,067

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

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

For the year ended June 30, 2018, the City recognized pension expense of \$151,696. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,423	\$ 7,252
Changes of assumptions	46,264	8,432
Net difference between projected and actual earnings on pension plan investments	-	183,470
City contributions subsequent to the measurement date	119,320	-
	<u>\$ 225,007</u>	<u>\$ 199,154</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows(Inflows) Recognized in Future Years					
		Year Ended June 30			
2019	2020	2021	2022	2023	Thereafter
\$ (23,095)	\$ (3,372)	\$ (39,383)	\$ (27,617)	\$ -	\$ -

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

10. Defined Benefit Pension Plan

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):

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, 2018.

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 the Variable Annuity Life Insurance Company (VALIC). The assets are held by 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, 2018, employees contributed \$15,359 to the VALIC 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, 2018.

No assets are accumulated in a trust fund that meets the criteria in paragraph four of GASB Statement No. 75 and a separate report was not issued for the OPEB Health Care Plan.

Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of June 30, 2018.

Participants	
Active Employees	65
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Inactive Employees Currently Receiving Benefits	-
Total	<u>65</u>

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

Note 12. Other Post Employment Benefits (Continued):

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. For the year ended June 30, 2018, the City contributed \$158,170 for the pay as you go benefits for the OPEB Health Care Plan.

Total OPEB Liability of the City

Effective July 1, 2017, the city implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which changed the City's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017, with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	2.98%
Salary Rate Increase	4.00%
Expected Rate of Return on Assets	Not Applicable
Health Care Trend	Initial rate of 7.20% declining to 5.00% by June 30, 2028 The FY18-FY19 trend rate is based on the 2019 Segal Health Plan Cost Trend Survey. The grading period and ultimate trend rates within a generally accepted range.
Retiree Contribution Trend	Same as Health care Trend
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females. The Mortality Table reflects recent rates developed by the Society of Actuaries.
Disability Rates	None

Actuarial Assumptions (Continued)

Average Retirement Age	Public Safety Employee: Age 60 All Other Employees: Age 62
Termination/Turnover Rate	Table T-5 from the Pension Actuary's Handbook
Starting Per Capita Costs	The costs below are for pre-Medicare retirees. \$3,000 Deductible PP Plan Retiree & Spouse: \$23,319 each

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

Note 12. Other Post Employment Benefits (Continued)

Retiree Contributions	\$3,000 Deductible PP Plan Retiree \$0 Spouse: \$9,461
Election at Retirement	100% of eligible active employees are assumed to elect retiree medical coverage at retirement.
Marital Status	40% of active employees are assumed to be married and elect spousal coverage upon retirement. Males are assumed to be three years older than females.

Discount Rate

The City does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB Statement No. 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

The rate of 2.98% was used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of Jun 29, 2018.

Changes in the Total OPEB Liability of the City

The changes in the total OPEB liability of the City for the year ended June 30, 2018, were as follows:

Changes In Net OPEB Liability	
	Net OPEB Liability
Balances at June 30, 2017	\$ 1,954,670
Changes for the year:	
Service cost	225,198
Interest	63,190
Differences between expected and actual experience	267,689
Assumption Changes and Other Inputs	(356,469)
Benefit payments	(28,862)
Other changes	(92,147)
Net changes	78,599
Balances at June 30, 2018	\$ 2,033,269

The required schedule of changes in the City's total OPEEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements June 30, 2018

Note 12. Other Post Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the city, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.78%) or 1% point higher (3.78%) than the current discount rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB Liability	\$ 1,834,331	\$ 2,033,269	\$ 2,252,389

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the city, as well as what the City's total OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1% point lower or 1% point higher than the current discount rate:

	1% Decrease (4.00% - 6.20%)	Current Healthcare Cost Trend Assumption Rate (5.00% - 7.20%)	1% Increase (6.00% - 8.20%)
Total OPEB Liability	\$ 1,762,363	\$ 2,033,269	\$ 2,359,149

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 245,058	\$ -
Changes of assumptions	63,648	474,337
	<u>\$ 308,706</u>	<u>\$ 474,337</u>

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

Note 12. Other Post Employment Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
2019	\$ 28,508	\$ (43,803)	\$ (15,295)
2020	28,508	(43,803)	(15,295)
2021	28,508	(43,803)	(15,295)
2022	28,508	(43,803)	(15,295)
2023	28,508	(43,803)	(15,295)
Thereafter	166,166	(255,322)	(89,156)
	<u>\$ 308,706</u>	<u>\$ (474,337)</u>	<u>\$ (165,631)</u>

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, 2018*

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. Change in Accounting Principle and Prior Period Adjustments

Change in Accounting Principle

The City implemented the following GASB Statements during the fiscal year ended June 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The cumulative effect of applying this statement is required to be reported as a restatement of beginning net position.

Prior Period Adjustments

The City has determined that a restatement of the fund balance of the General Fund, SPLOST Fund and the net position of the Water and Sewerage Fund is required to reflect corrections to the beginning balance of prepaid items and interfund transactions.

In the prior year the City did not record prepaid insurance in the General Fund and the Water and Sewerage Fund. The balance of the prepaid items was not recorded as an asset in the General Fund and the Water and Sewerage Fund in the prior year. The restatement above resulted in an overall understatement of the fund balance of the General Fund and the net position of the Governmental Activities of \$50,212 as of June 30, 2017. The restatement above resulted in an overall understatement of the net position of the Water and Sewerage Fund and the net position of the Business Type Activities of \$14,162 as of June 30, 2017.

In the prior year the City did not properly record interfund transactions and expenditures/expenses of the SPLOST Fund in the General Fund and the Water and Sewerage Fund. The City determined certain expenditures of the SPLOST Fund needed to be restated to properly allocate to the General Fund and Water and Sewerage Fund. The restatement above resulted in an overall understatement of the fund balance of the General Fund of \$515,516 as of June 30, 2017. The restatement above resulted in an overall understatement of the fund balance of the SPLOST Fund of \$573,809 as of June 30, 2017. The restatement above resulted in an overall understatement of the fund balance of the Governmental Activities of \$1,089,325 as of June 30, 2017. The restatement above resulted in an overall overstatement of the net position of the Water and Sewerage Fund and the net position of the Business Type Activities of \$1,089,325 as of June 30, 2017.

CITY OF BREMEN, GEORGIA

Notes to the Basic Financial Statements *June 30, 2018*

Note 16. Change in Accounting Principle and Prior Period Adjustments (Continued)

Fund Balance, General Fund, June 30, 2017, as previously reported	\$ 1,831,908
Adjustment for proper recognition of prepaid items	50,212
Adjustment for proper recognition of interfund transactions	515,517
Beginning Fund Balance, General Fund, June 30, 2017, restated	<u>\$ 2,397,637</u>
Fund Balance, SPLOST Fund, June 30, 2017, as previously reported	\$ (550,237)
Adjustment for proper recognition of SPLOST expenditures	573,810
Beginning Fund Balance, SPLOST Fund, June 30, 2017, restated	<u>\$ 23,573</u>
Net Position, Water and Sewerage Fund, June 30, 2017 as previously reported	\$ 10,263,085
Implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	(448,475)
Adjustment for proper recognition of prepaid items	14,162
Adjustment for proper recognition of interfund transactions	(515,517)
Adjustment for proper recognition of SPLOST expenditures	(573,810)
Beginning Net Position, Water and Sewerage Fund, June 30, 2017, restated	<u>\$ 8,739,445</u>
Net position, Governmental Activities, June 30, 2017, as previously reported	\$ 3,740,614
Adjustment for proper recognition of prepaid items	50,212
Adjustment for proper recognition of interfund transactions	515,517
Adjustment for proper recognition of SPLOST expenditures	573,810
Implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	380,808
Beginning net position, Governmental Activities, June 30, 2017, restated	<u>\$ 5,260,961</u>
Net Position, Business-Type Activities, June 30, 2017, as previously reported	\$ 10,263,085
Adjustment for proper recognition of prepaid items	14,162
Adjustment for proper recognition of interfund transactions	(515,517)
Adjustment for proper recognition of SPLOST expenditures	(573,810)
Implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	(448,475)
Beginning Net Position, Business-Type Activities, June 30, 2017, restated	<u>\$ 8,739,445</u>

Note 17. Subsequent Event

Subsequent events were evaluated through August 15, 2019, which is the date the financial statements were available to be issued.

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, 2018*

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 4,037,039	\$ 4,037,039	\$ 4,078,073	\$ 41,034
Licenses and permits	80,750	80,750	55,109	(25,641)
Intergovernmental	43,900	43,900	138,040	94,140
Charges for services	233,135	233,135	224,517	(8,618)
Fines and forfeitures	166,400	166,400	120,722	(45,678)
Contributions and donations	-	-	17,361	17,361
Miscellaneous	25,000	25,000	11,058	(13,942)
Total revenues	4,586,224	4,586,224	4,644,880	58,656
EXPENDITURES				
Current:				
General government				
City Council	13,755	13,755	10,241	3,514
Mayor	3,835	3,835	3,590	245
Elections	1,200	1,200	-	1,200
General administration	388,605	388,605	603,085	(214,480)
Total general government	407,395	407,395	616,916	(209,521)
Judicial				
Municipal court	20,000	20,000	13,013	6,987
Public safety				
Police	1,599,908	1,599,908	1,617,202	(17,294)
Fire	894,921	894,921	857,406	37,515
Total public safety	2,494,829	2,494,829	2,474,608	20,221
Public works				
Highways and streets	439,672	439,672	566,333	(126,661)
Health and welfare				
Senior citizens	175,590	175,590	138,476	37,114
Culture and recreation				
Parks	737,793	737,793	751,746	(13,953)
Libraries	352,219	352,219	340,231	11,988
Total culture and recreation	1,090,012	1,090,012	1,091,977	(1,965)
Housing and development				
Codes & inspection	104,726	104,726	98,831	5,895
Economic development	14,000	14,000	189,207	(175,207)
Total housing and development	118,726	118,726	288,038	(169,312)

(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, 2018*

	Budget			Variance With
	Original	Final	Actual	Final Budget
Total expenditures	4,746,224	4,746,224	5,189,361	(443,137)
Excess (deficiency) of revenues over (under) expenditures	(160,000)	(160,000)	(544,481)	(384,481)
OTHER FINANCING SOURCES				
Transfers in	160,000	160,000	96,821	(63,179)
Proceeds from sale of capital assets	-	-	7,148	7,148
Total other financing sources	160,000	160,000	103,969	(56,031)
Net change in fund balances	-	-	(440,512)	(440,512)
FUND BALANCE				
Beginning of year	2,397,637	2,397,637	2,397,637	-
End of year	\$ 2,397,637	\$ 2,397,637	\$ 1,957,125	\$ (440,512)

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

CITY OF BREMEN, GEORGIA

Required Supplementary Information Defined Benefit Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	2018	2017	2016	2015	2014 - 2009
Total Pension Liability					(Historical Information prior to implementation of GASB 67/68 is not required)
Service cost	\$ 75,374	\$ 69,047	\$ 79,057	\$ 69,921	
Interest	291,809	278,687	265,819	257,145	
Differences between expected and actual experience	(9,064)	46,880	47,463	13,312	
Assumption Changes	-	-	-	(25,294)	
refunds of employee contributions	(211,121)	(239,458)	(213,156)	(193,154)	
Other changes	57,831	-	-	-	
Net change in total pension liability	204,829	155,156	179,183	121,930	
Total Pension Liability					
Beginning of Year	3,870,841	3,715,685	3,536,502	3,414,572	
End of Year(a)	<u>\$ 4,075,670</u>	<u>\$ 3,870,841</u>	<u>\$ 3,715,685</u>	<u>\$ 3,536,502</u>	
Plan Fiduciary Net Position					
Contributions - employer	\$ 150,919	\$ 147,886	\$ 151,770	\$ 156,978	
Net investments income	465,502	319,830	35,187	304,562	
refunds of employee contributions	(211,121)	(239,458)	(213,156)	(193,154)	
Administrative expense	(12,478)	(7,194)	(7,851)	(6,167)	
Net change in fiduciary net position	392,822	221,064	(34,050)	262,219	
Position					
Beginning of Year	3,127,800	2,906,736	2,940,786	2,678,567	
End of Year(b)	<u>\$ 3,520,622</u>	<u>\$ 3,127,800</u>	<u>\$ 2,906,736</u>	<u>\$ 2,940,786</u>	
City's Net Pension Liability(a) - (b)	<u>\$ 555,048</u>	<u>\$ 743,041</u>	<u>\$ 808,949</u>	<u>\$ 595,716</u>	
Plan's fiduciary net position as a percentage of the total pension liability	86.38%	80.80%	78.23%	83.16%	
Covered - employee payroll	\$ 2,171,937	\$ 2,343,527	\$ 2,343,527	\$ 2,343,527	
City's net pension liability as a percentage of covered employee payroll	25.56%	31.71%	34.52%	25.42%	

Schedule of Contributions

	2018	2017	2016	2015	2014 - 2009
Actuarially determined contribution	*	\$ 148,194	\$ 147,784	\$ 153,098	(Historical Information prior to implementation of GASB 67/68 is not required)
Contributions in relation to the actuarially determined contribution	*	148,194 **	147,784	153,098	
Contribution deficiency (excess)	*	-	-	-	
Covered - employee payroll	*	\$ 2,323,679 ***	\$ 2,171,624	\$ 2,343,527	
Contributions as a percentage of covered employee payroll	*	6.38%	6.81%	6.53%	

* 2018 information will be determined after fiscal year end and will be included in the 2019 valuation report.

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

*** 2017 covered payroll is based on data collected as of August 31, 2016 for the 2017 actuarial valuation.

CITY OF BREMEN, GEORGIA

Notes to the Required Supplementary Information June 30, 2017

Notes to Schedule of Contributions

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Normal Retirement Age	65 + 5
Early Retirement	55 + 10

Mortality Rates:

Healthy: RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females

Disabled: RP-2000 Disabled Retiree Mortality Table with sex-distinct rates

Plan Determination Basis: 1994 Group Annuity Reserving Unisex Table

RP-2000 Mortality Tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

Other information: See the "Actuarial Valuation History for Notes to Schedules" on following page for the history of changes to plan provisions.

CITY OF BREMEN, GEORGIA

Notes to the Required Supplementary Information *June 30, 2017*

Actuarial Valuation History for Notes to Schedules

Changes of Assumptions

- As a result of the plan change to provide immediate participation for Employees for the Fiscal Year end in 2018, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.
 - Amounts reported for the Fiscal Year ending in 2015 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014.
 - The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
 - The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
 - The retirement rates where normal retirement is only available on or after 65 were changed from prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 63, 45% at age 65, and 100% at age 70.
 - The inflation assumption was decreased from 3.50% to 3.25%.
 - The salary increase assumption was changed from select period rates during the first five year of services, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

- Effective January 1, 2016, the Plan was amended to provide or immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

CITY OF BREMEN, GEORGIA

Required Supplementary Information OPEB Health Care Plan

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	\$ 225,198
Interest	63,190
Differences between expected and actual experience	267,689
Assumption Changes and Other Inputs	(356,469)
Benefit payments, including refunds of employee contributions	(28,862)
Other changes	(92,147)
Net change in total OPEB liability	78,599
Total OPEB Liability	
Beginning of Year	1,954,670
End of Year	\$ 2,033,269
 Covered - employee payroll	 \$ 2,654,390
 City's net OPEB liability as a percentage of covered employee payroll	 76.60%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated. Implementation year of GASB Statement No. 75 was the year ended June 30, 2018.

The assumptions used in the preparation of the above schedule are disclosed in Note 12 in the Notes to the Financial Statements.

COMBINING FUND STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF BREMEN, GEORGIA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

ASSETS	Special Revenue Funds			Capital Project Funds	Total
	Downtown	Hotel/	Confiscated	TSPLOST	
	Development Authority	Motel	Assets		
Cash	\$ 4,428	\$ -	\$ 11,770	\$ 67,470	\$ 83,668
Taxes receivable	-	19,715	-	47,341	67,056
Total assets	<u>\$ 4,428</u>	<u>\$ 19,715</u>	<u>\$ 11,770</u>	<u>\$ 114,811</u>	<u>\$ 150,724</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ 22,831	\$ -	\$ -	\$ 22,831
Due to other funds	-	26,256	6,280	-	32,536
Total liabilities	<u>-</u>	<u>49,087</u>	<u>6,280</u>	<u>-</u>	<u>55,367</u>
FUND BALANCES					
Restricted for:					
Capital projects	-	-	-	114,811	114,811
Culture and recreation	4,428	-	-	-	4,428
Public safety	-	-	5,490	-	5,490
Unassigned	<u>-</u>	<u>(29,372)</u>	<u>-</u>	<u>-</u>	<u>(29,372)</u>
Total fund balances	<u>4,428</u>	<u>(29,372)</u>	<u>5,490</u>	<u>114,811</u>	<u>95,357</u>
Total liabilities and fund balances	<u>\$ 4,428</u>	<u>\$ 19,715</u>	<u>\$ 11,770</u>	<u>\$ 114,811</u>	<u>\$ 150,724</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, 2018

	Special Revenue Funds			Capital Project Funds	
	Downtown Development Authority	Hotel/ Motel	Confiscated Assets	TSPLOST	Total
REVENUES					
Taxes	\$ -	\$ 242,052	\$ -	\$ 139,111	\$ 381,163
Fines and forfeitures	-	-	12,968	-	12,968
Contributions and donations	4,428	-	-	-	4,428
Total revenues	4,428	242,052	12,968	139,111	398,559
EXPENDITURES					
Current:					
Public safety	-	-	5,500	-	5,500
Culture and recreation	-	191,322	-	-	191,322
Public works	-	-	-	24,300	24,300
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	191,322	5,500	24,300	221,122
Excess (deficiency) of revenues over (under) expenditures	4,428	50,730	7,468	114,811	177,437
OTHER FINANCING SOURCES(USES)					
Transfers out	-	(96,821)	-	-	(96,821)
Total other financing sources(uses)	-	(96,821)	-	-	(96,821)
Net change in fund balances	4,428	(46,091)	7,468	114,811	80,616
FUND BALANCE, beginning of year	-	16,719	(1,978)	-	14,741
FUND BALANCE, end of year	\$ 4,428	\$ (29,372)	\$ 5,490	\$ 114,811	\$ 95,357

**SPECIAL PURPOSE LOCAL
OPTION SALES TAX PROCEEDS SCHEDULES**

CITY OF BREMEN, GEORGIA

*Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
For the Fiscal Year Ended June 30, 2018*

2014 Issue - Haralson County, Georgia				
Project Description	Original Estimated Cost	Expenditures		
		Prior Years (A)	Current Year	Total
Public Safety Facilities and Equipment	\$ 425,000	\$ 177,353	\$ -	\$ 177,353
Water and Wastewater Facilities and Equipment	900,000	355,372	235,741	591,113
Recreation, Parks and Cultural Arts Facilities and Equipment	550,000	274,235	174,900	449,135
Public Safety Complex and Water Capital Improvements	1,790,000	378,624	179,756	558,380
Roads, Streets, Bridges, Sidewalks & Drainage Improvements	308,200	151,440	109,052	260,492
	<u>\$ 3,973,200</u>	<u>\$ 1,337,024</u>	<u>\$ 699,449</u>	<u>\$ 2,036,473</u>

2014 Issue - Carroll County, Georgia				
Project Description	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Water and Sewer Capital Outlay Projects, and Roads, Streets, Bridges, and Sidewalk Projects	\$ 38,400	\$ 840	\$ -	\$ 840
	<u>\$ 38,400</u>	<u>\$ 840</u>	<u>\$ -</u>	<u>\$ 840</u>

(A) - Prior years expenditures were restated to properly reflect expenditures inadvertently reported in prior year's schedule.

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

SPLOST Fund

Total Expenditures	\$ 463,708
Transfers out (A)	235,741
	<u>\$ 699,449</u>

SPLOST 2014 Issue

Haralson County	\$ 699,449
Carroll County	-
	<u>\$ 699,449</u>

COMPLIANCE SECTION

WILL ROBINSON, CPA, LLC

Certified Public Accountants

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 the City of Bremen, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bremen, Georgia's basic financial statements and have issued our report thereon dated August 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Bremen, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bremen, Georgia's internal control.

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

Our consideration of 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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We consider the deficiencies described in the accompanying schedule of findings and responses as 18-1 and 18-2, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Wideman, CPA, LLC

Carrollton, Georgia
August 15, 2019

CITY OF BREMEN, GEORGIA

Schedule of Findings and Responses For The Fiscal Year Ended June 30, 2018

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.

Two 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 18-1 and 18-2. This reportable condition is deemed to be a material weakness.

No instances of noncompliance material to the audit of the financial statements of the City of Bremen, Georgia 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*.

Federal Awards

There was not an audit of major federal award programs as of June 30, 2018 due to the total amount expended being less than \$750,000.

B. SCHEDULE OF FINDINGS AND RESPONSES

18-1 Segregation of Duties

Condition: This was a prior period finding. 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.

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.

CITY OF BREMEN, GEORGIA

Schedule of Findings and Responses For The Fiscal Year Ended June 30, 2018

18-2 Reconciliations of Cash Accounts

Condition: The City's bank accounts were not reconciled in a timely manner during the fiscal year.

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

Effect: Failure to regularly and properly reconcile bank accounts may cause errors or irregularities to not be corrected timely by employees in the normal course of performing their assigned duties. Additionally, without monthly review of the reconciliations, material misstatements and/or fraud may go undetected by management.

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 prepare our bank reconciliations and to approve accounting processes associated with our month end and financial statements. We have new procedures in place to review the prepared reconciliations monthly.

C. FEDERAL AWARDS

There was not an audit of major federal award programs as of June 30, 2018 due to the total amount expended being less than \$750,000.

D. STATUS OF PRIOR YEAR FINDINGS: FINANCIAL STATEMENT AUDIT

There was not an audit of major federal award programs as of June 30, 2017 due to the total amount expended being less than \$750,000. Therefore, no prior findings to federal awards were noted.