

CITY OF BALDWIN, GEORGIA

**ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)**

Year Ended June 30, 2012

CITY OF BALDWIN, GEORGIA
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June 30, 2012

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INDEPENDENT AUDITORS' REPORT

December 31, 2012

City Council
CITY OF BALDWIN, GEORGIA
BALDWIN, GEORGIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF BALDWIN, GEORGIA as of, and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the CITY OF BALDWIN, GEORGIA, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2012, on our consideration of the CITY OF BALDWIN, GEORGIA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule - General Fund be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

The CITY OF BALDWIN, GEORGIA has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF BALDWIN, GEORGIA's basic financial statements. The Supplemental Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Water & Sewer Fund, Statistical Information, and Schedule of Debt Service Coverage Ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-12. The Supplemental Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Water & Sewer Fund and Schedule of Projects Constructed with Special Sales Tax Proceeds are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements taken as a whole. The Statistical Information and Schedule of Debt Service Coverage Ratios have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Baker, Carter & Co, LLP

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CITY OF BALDWIN, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2012

.....PRIMARY GOVERNMENT.....

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 578,167	\$ 964,802	\$ 1,542,969
Investments	-	120,870	120,870
Receivables (net of allowance for uncollectibles)	246,988	366,470	613,458
Internal balances	56,371	(56,371)	-
Prepaid items	106,206	568	106,774
Restricted assets:			
Cash	-	825,384	825,384
Non-current assets:			
Deferred charges	-	212,294	212,294
Capital assets:			
Capital assets not being depreciated	204,561	178,296	382,857
Capital assets being depreciated	2,979,480	17,415,703	20,395,183
Less: accumulated depreciation	<u>(1,233,717)</u>	<u>(7,271,348)</u>	<u>(8,505,065)</u>
Capital assets, net of depreciation	<u>1,950,324</u>	<u>10,322,651</u>	<u>12,272,975</u>
TOTAL ASSETS	<u>2,938,056</u>	<u>12,756,668</u>	<u>15,694,724</u>
LIABILITIES			
Accounts payable	91,556	202,999	294,555
Accrued interest payable	-	15,029	15,029
Other accrued items	16,493	13,479	29,972
Amounts held in trust	-	64,525	64,525
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	28,033	19,974	48,007
Notes payable	361,086	-	361,086
Due in more than one year			
Notes payable	95,541	-	95,541
Revenue bonds payable	<u>-</u>	<u>5,481,644</u>	<u>5,481,644</u>
TOTAL LIABILITIES	<u>592,709</u>	<u>5,797,650</u>	<u>6,390,359</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,493,697	4,481,518	5,975,215
Restricted for:			
Debt service	-	359,449	359,449
Capital outlay projects	253,684	450,906	704,590
Unrestricted	<u>597,966</u>	<u>1,667,145</u>	<u>2,265,111</u>
TOTAL NET ASSETS	<u>\$ 2,345,347</u>	<u>\$ 6,959,018</u>	<u>\$ 9,304,365</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

.....NET (EXPENSE) AND CHANGES IN NET ASSETS.....

.....PROGRAM REVENUES.....					PRIMARY GOVERNMENT.....		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 229,972	\$ 14,681	\$ -	\$ -	\$ (215,291)	\$ -	\$ (215,291)
Judicial	6,400	-	-	-	(6,400)	-	(6,400)
Public safety	1,140,724	611,815	-	42,113	(486,796)	-	(486,796)
Public works	316,338	150,253	20	226,989	60,924	-	60,924
Public health and welfare	-	-	-	-	-	-	-
Recreation and culture	6,392	-	-	-	(6,392)	-	(6,392)
Housing and development	3,186	14,119	-	-	10,933	-	10,933
Interest	22,597	-	-	-	(22,597)	-	(22,597)
Total Governmental Activities	<u>1,725,609</u>	<u>790,868</u>	<u>20</u>	<u>269,102</u>	<u>(665,619)</u>	<u>-</u>	<u>(665,619)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	<u>2,925,676</u>	<u>2,750,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,714)</u>	<u>(174,714)</u>
Total Business-Type Activities	<u>2,925,676</u>	<u>2,750,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,714)</u>	<u>(174,714)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,651,285</u>	<u>\$ 3,541,830</u>	<u>\$ 20</u>	<u>\$ 269,102</u>	<u>(665,619)</u>	<u>(174,714)</u>	<u>(840,333)</u>
GENERAL REVENUES							
Property taxes					434,466	-	434,466
Sales taxes					93,621	-	93,621
Insurance premium taxes					153,799	-	153,799
Real estate recording taxes					3,843	-	3,843
Other taxes					198,399	-	198,399
Total taxes					884,128	-	884,128
Unrestricted investment earnings					207	6,914	7,121
Grants and contributions not restricted to a specific program					1,335	-	1,335
Gain on sale of capital assets					15,609	-	15,609
TRANSFERS					18,597	(18,597)	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>919,876</u>	<u>(11,683)</u>	<u>908,193</u>
CHANGES IN NET ASSETS					<u>254,257</u>	<u>(186,397)</u>	<u>67,860</u>
NET ASSETS, Beginning					<u>2,091,090</u>	<u>7,145,415</u>	<u>9,236,505</u>
NET ASSETS, Ending					<u>\$ 2,345,347</u>	<u>\$ 6,959,018</u>	<u>\$ 9,304,365</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 349,756	\$ 228,411	\$ 578,167
Receivables (net of allowance for uncollectibles)	221,716	25,272	246,988
Due from other funds	56,371	-	56,371
Prepaid items	106,206	-	106,206
Restricted assets:			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 734,049</u></u>	<u><u>\$ 253,683</u></u>	<u><u>\$ 987,732</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 91,556	\$ -	\$ 91,556
Other accrued items	16,493	-	16,493
Deferred revenue	<u>119,180</u>	<u>-</u>	<u>119,180</u>
TOTAL LIABILITIES	<u>227,229</u>	<u>-</u>	<u>227,229</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	106,206	-	106,206
Restricted:			
Capital outlay projects	-	253,683	253,683
Unassigned:	<u>400,614</u>	<u>-</u>	<u>400,614</u>
TOTAL FUND BALANCES	<u>506,820</u>	<u>253,683</u>	<u>760,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 734,049</u></u>	<u><u>\$ 253,683</u></u>	<u><u>\$ 987,732</u></u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2012

Total Fund Balances for Governmental Funds (page 3)		\$ 760,503
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		1,950,324
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		
Property Taxes	70,149	
Fines	49,031	
		119,180
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(28,033)	
Notes payable	(456,627)	
		(484,660)
Total net assets of governmental activities (page 1)		\$ 2,345,347

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 951,021	\$ -	\$ 951,021
Licenses and permits	11,800	-	11,800
Intergovernmental	22,113	226,896	249,009
Fines and forfeitures	218,351	-	218,351
Charges for services	487,039	-	487,039
Contributions and donations	1,355	-	1,355
Interest income	209	92	301
Miscellaneous	10,881	-	10,881
	<u>1,702,769</u>	<u>226,988</u>	<u>1,929,757</u>
TOTAL REVENUES			
	<u>1,702,769</u>	<u>226,988</u>	<u>1,929,757</u>
EXPENDITURES			
Current Expenditures			
General government	220,318	3,527	223,845
Judicial	6,400	-	6,400
Public safety	993,667	42,328	1,035,995
Public works	254,693	666	255,359
Recreation and culture	2,218	-	2,218
Housing and development	3,186	-	3,186
Capital outlay	56,855	31,441	88,296
Debt service			
Principal	14,606	32,345	46,951
Interest	15,394	7,203	22,597
	<u>1,567,337</u>	<u>117,510</u>	<u>1,684,847</u>
TOTAL EXPENDITURES			
	<u>1,567,337</u>	<u>117,510</u>	<u>1,684,847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	<u>135,432</u>	<u>109,478</u>	<u>244,910</u>
OTHER FINANCING SOURCES (USES)			
Sale of city property	20,109	-	20,109
Transfers in	159,500	-	159,500
Transfers out	-	(114,839)	(114,839)
	<u>179,609</u>	<u>(114,839)</u>	<u>64,770</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>179,609</u>	<u>(114,839)</u>	<u>64,770</u>
NET CHANGE IN FUND BALANCES	315,041	(5,361)	309,680
FUND BALANCES, Beginning of year	<u>191,779</u>	<u>259,044</u>	<u>450,823</u>
FUND BALANCES, End of year	<u>\$ 506,820</u>	<u>\$ 253,683</u>	<u>\$ 760,503</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Net change in fund balances (page 5) **\$ 309,680**

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

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 capital outlays exceeded depreciation in the current period.

Capital outlay	88,296		
Depreciation expense	(173,830)		
			(85,534)

In the statement of activities, only the gain/loss on the sale of various capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.

Net book value of capital assets sold	(4,500)		
Net transfer of capital assets to business-type activities	(26,063)		
			(30,563)

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

Property taxes	70,149		
Donated assets	20,000		
Fines	49,031		
			139,180

Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.

Property taxes	(66,895)		
Fines	(56,384)		
			(123,279)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.

Principal payments on long-term debt	46,951		
			46,951

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, current year	(28,033)		
Compensated absences, prior year	25,855		
			(2,178)

Changes in net assets of governmental activities (page 2) **\$ 254,257**

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND
	WATER AND SEWER FUND
ASSETS	
Current Assets	
Cash	\$ 964,802
Investments	120,870
Receivables (net of allowance for uncollectibles)	366,470
Prepaid items	568
Restricted assets:	
Cash	825,384
TOTAL CURRENT ASSETS	<u>2,278,094</u>
Noncurrent Assets	
Deferred charges	212,294
Capital assets	
Capital assets not being depreciated	178,296
Capital assets being depreciated	17,415,703
Less: accumulated depreciation	<u>(7,271,348)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>10,322,651</u>
TOTAL NONCURRENT ASSETS	<u>10,534,945</u>
TOTAL ASSETS	<u>12,813,039</u>
LIABILITIES	
Current Liabilities	
Accounts payable	202,999
Other accrued items	13,479
Accrued interest	15,029
Due to other funds	56,371
Amounts held in trust	64,525
Compensated absences payable	19,974
TOTAL CURRENT LIABILITIES	<u>372,377</u>
Noncurrent Liabilities	
Revenue bonds payable	<u>5,481,644</u>
TOTAL NONCURRENT LIABILITIES	<u>5,481,644</u>
TOTAL LIABILITIES	<u>5,854,021</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,481,518
Restricted for debt service	359,449
Restricted for capital outlay projects	450,906
Unrestricted	1,667,145
TOTAL NET ASSETS	<u>\$ 6,959,018</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Year Ended June 30, 2012

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND
	WATER AND SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Water sales	\$ 1,860,018
Water connection fees	12,089
Sewer sales	877,805
Sewer connection fees	800
Other	250
Total Operating Revenues	<u>2,750,962</u>
OPERATING EXPENSES	
Salaries and benefits	769,504
Supplies	136,337
Other services and charges	180,290
Depreciation	520,286
Professional fees	156,590
Repairs and maintenance	247,236
Utilities	296,194
Water purchases	298,855
Total Operating Expenses	<u>2,605,292</u>
OPERATING INCOME (LOSS)	<u>145,670</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	6,915
Interest expense	(315,450)
Gain (loss) on sale of capital assets	(4,934)
Total Nonoperating Revenues (Expenses)	<u>(313,469)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(167,799)
Pledged as security for revenue bonds:	
Capital contributions-in kind	26,063
Transfer in	114,839
Transfer out	(159,500)
CHANGE IN NET ASSETS	<u>(186,397)</u>
TOTAL NET ASSETS, Beginning of year	<u>7,145,415</u>
TOTAL NET ASSETS, End of year	<u>\$ 6,959,018</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND
	WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	\$ 2,687,056
Payments to suppliers	(1,362,409)
Payments to employees	<u>(765,335)</u>
Net cash provided by (used in) operating activities	<u>559,312</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(213,597)
Proceeds from sale of capital assets	2,283
Transfers in	114,839
Principal payments on debt	(5,364,348)
Proceeds from bond issuance	5,607,318
Bond issuance costs	(215,102)
Interest paid	<u>(341,156)</u>
Net cash provided (used) by capital and related financing activities	<u>(409,763)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	6,915
Proceeds from sale of investments	<u>553,189</u>
Net cash provided (used) by investing activities	<u>560,104</u>
Net increase (decrease) in cash and cash equivalents	709,653
CASH, Beginning of year	<u>1,080,533</u>
CASH, End of year	<u><u>\$ 1,790,186</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 145,670
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	520,287
(Increase) decrease in:	
Accounts receivable	(85,855)
Increase (decrease) in:	
Compensated absences	504
Customer deposits	21,949
Other accrued items	3,665
Due to other funds	<u>(46,908)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 559,312</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES	
Net book value of assets transferred from governmental activities	\$ 26,063
Amortization expense	(8,670)
Loss on refunding	(124,594)
Net book value of capital assets disposed	\$ (7,219)

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CITY OF BALDWIN, GEORGIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;
- Other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. There are no component units.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(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 the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Fines are considered available if they are collected within 60 days of the end of the current fiscal year. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, fines, charges for services, and interest 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 government.

The government reports the following major governmental funds:

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

The *SPLOST Capital Projects Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities.

CITY OF BALDWIN, GEORGIA
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The government reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for revenues and expenses related to operating and maintaining a water utility system consisting of the activities of the City's water and sewerage system.

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 the same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 for the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

(D) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury and its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; and certificates of deposits of banks insured by FDIC.

CITY OF BALDWIN, GEORGIA
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Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of interest income.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). 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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance of uncollectibles.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 1 of each year. The taxes were payable on or before December 1, 2011. Interest and penalties are assessed on taxes not paid by this date. The County’s property taxes were levied on the assessed values of all real property with utilities including mobile homes located in the City limits

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred revenue if not collected within 60 days after year end.

3. *Inventories and Prepaid Items*

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of two years.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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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. Streets, bridges and culverts acquired prior to July 1, 2003 have not been reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2012.

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

<u>Asset</u>	<u>Years</u>
Buildings	40
Machinery and equipment	5-20
Vehicles	3-10
Infrastructure	40

5. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets.

7. *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 assets."

Fund balance - Generally, fund balance represents the difference between the current assets and

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

- *Nonspendable* - Fund balances are reported as nonspendable when the 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 like inventories and prepaid items) 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 County 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 Board of Commissioners through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Board of Commissioners must adopt another resolution.
- *Assigned* - Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the County's finance director 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 County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net assets are reported as restricted as described in the fund balance section above. All other net assets are reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then committed, assigned, and unassigned (or unrestricted) resources as they are needed.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

8. *Invested in Capital Assets, Net of Related Debt*

The "invested in capital assets, net of related debt" reported on the government-wide statement of net assets as of June 30, 2012 are as follows:

Invested in capital assets, net of related debt:	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Cost of capital assets	\$ 3,184,041	\$ 17,593,999
Accumulated depreciation	<u>(1,233,717)</u>	<u>(7,271,348)</u>
Book value	1,950,324	10,322,651
Capital related debt	<u>(456,627)</u>	<u>(5,841,133)</u>
Invested in capital assets, net of related debt	<u><u>\$ 1,493,697</u></u>	<u><u>\$ 4,481,518</u></u>

9. *Management Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Prior to July 1, the department heads submit to the City Council a proposed operating budget for each department for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Council holds a public hearing on the budget.
2. The budget is then revised and adopted or amended by the City Council at a public meeting.
3. The budget may be amended during the year only by formal action of the city council at a regular meeting.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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The budget is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Budget amounts are as originally adopted, or as amended by the Council. Project length budgets are adopted for the capital projects funds. Annual operating budgets are prepared for each enterprise fund for planning, control and evaluation purposes. Budgetary amounts are not formally integrated into proprietary fund general ledgers.

The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of June 30, 2012, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was \$2,489,223 and the bank balance was \$2,576,565. Of these amounts, \$120,870 are certificates of deposit presented as investments in the financial statements.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the City's individual major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST	Water and Sewer Fund
Receivables:			
Taxes	\$ 143,363	\$ -	\$ -
Fines	134,365	-	-
Other	24,953	-	276,596
Intergovernmental	<u>14,134</u>	<u>25,272</u>	<u>171,388</u>
Total Gross Receivables	316,815	25,272	447,984
Less: Allowance for Uncollectibles	<u>(95,099)</u>	<u>-</u>	<u>(81,514)</u>
Total Net Receivables	<u>\$ 221,716</u>	<u>\$ 25,272</u>	<u>\$ 366,470</u>

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments and Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	\$ 204,561	\$ -	\$ -	\$ -	\$ 204,561
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>204,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,561</u>
Depreciable Assets:					
Buildings and improvements	709,201	36,608	-	-	745,809
Machinery and equipment	558,327	21,855	-	(82,387)	497,795
Vehicles	801,349	49,833	(28,800)	11,702	834,084
Infrastructure	901,792	-	-	-	901,792
Total depreciable capital assets	<u>2,970,669</u>	<u>108,296</u>	<u>(28,800)</u>	<u>(70,685)</u>	<u>2,979,480</u>
Less Accumulated Depreciation for:					
Buildings and improvements	129,472	22,050	-	-	151,522
Machinery and equipment	367,969	39,985	-	(56,324)	351,630
Vehicles	568,822	66,705	(24,300)	11,703	622,930
Infrastructure	62,545	45,090	-	-	107,635
Total accumulated depreciation	<u>1,128,808</u>	<u>173,830</u>	<u>(24,300)</u>	<u>(44,621)</u>	<u>1,233,717</u>
Total depreciable capital assets, net	<u>1,841,861</u>	<u>(65,534)</u>	<u>(4,500)</u>	<u>(26,064)</u>	<u>1,745,763</u>
Governmental activities capital assets, net	<u>\$ 2,046,422</u>	<u>\$ (65,534)</u>	<u>\$ (4,500)</u>	<u>\$ (26,064)</u>	<u>\$ 1,950,324</u>

Additions to governmental activities capital assets for fiscal year ending June 30, 2012 consist of the following:

Capital Outlay	\$ 88,296
Donated assets	<u>20,000</u>
Total	<u>\$ 108,296</u>

Non-depreciable capital assets additions	\$ -
Depreciable capital assets additions	<u>108,296</u>
Total	<u>\$ 108,296</u>

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and improvements	\$ 118,604	\$ -	\$ -	\$ -	\$ 118,604
Construction in progress	-	59,692	-	-	59,692
Total non-depreciable capital assets	<u>118,604</u>	<u>59,692</u>	<u>-</u>	<u>-</u>	<u>178,296</u>
Depreciable Assets:					
Buildings and improvements	170,401	-	(2)	1	170,400
Machinery and equipment	1,671,632	12,707	-	82,387	1,766,726
Vehicles	59,689	74,046	(10,500)	7,000	130,235
Infrastructure	15,281,329	67,152	(139)	-	15,348,342
Total depreciable capital assets	<u>17,183,051</u>	<u>153,905</u>	<u>(10,641)</u>	<u>89,388</u>	<u>17,415,703</u>
Less Accumulated Depreciation for:					
Buildings and improvements	52,239	5,207	1	-	57,447
Machinery and equipment	884,843	123,410	(10)	56,324	1,064,567
Vehicles	48,529	11,672	(3,413)	7,000	63,788
Infrastructure	5,705,549	379,997	-	-	6,085,546
Total accumulated depreciation	<u>6,691,160</u>	<u>520,286</u>	<u>(3,422)</u>	<u>63,324</u>	<u>7,271,348</u>
Total depreciable capital assets, net	<u>10,491,891</u>	<u>(366,381)</u>	<u>(7,219)</u>	<u>26,064</u>	<u>10,144,355</u>
Business-type activities capital assets, net	<u>\$ 10,610,495</u>	<u>\$ (306,689)</u>	<u>\$ (7,219)</u>	<u>\$ 26,064</u>	<u>\$ 10,322,651</u>

CITY OF BALDWIN, GEORGIA
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 5,228
Public Safety	103,510
Public Works	60,918
Recreation and Culture	4,174
Total depreciation expense-governmental activities	<u>\$ 173,830</u>

Business-type Activities:

Water and Sewer	\$ 361,633
Water Plant	158,653
Total depreciation expense-business-type activities	<u>\$ 520,286</u>

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2012 and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Business-Type Activities:					
PRV Project	\$ 130,310	\$ 59,692	\$ -	\$ 70,618	SPLOST and Grants
	<u>\$ 130,310</u>	<u>\$ 59,692</u>	<u>\$ -</u>	<u>\$ 70,618</u>	

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Compensated absences	\$ 25,855	\$ 28,033	\$ (25,855)	\$ 28,033	\$ 28,033	\$ -
Notes payable	503,578	-	(46,951)	456,627	361,086	95,541
Governmental activities long-term liabilities	<u>\$ 529,433</u>	<u>\$ 28,033</u>	<u>\$ (72,806)</u>	<u>\$ 484,660</u>	<u>\$ 389,119</u>	<u>\$ 95,541</u>
Business-type Activities:						
Revenue bonds payable	\$ 5,364,348	\$ 5,400,000	\$ 5,435,652	\$ 5,400,000	\$ -	\$ 5,400,000
Plus: original issue premium	-	207,318	411,929	204,611	-	204,611
Less: deferred refunding cost	-	(124,594)	(247,561)	(122,967)	-	(122,967)
	5,364,348	5,482,724	5,600,020	5,481,644	-	5,481,644
Compensated absences	19,470	19,974	(19,470)	19,974	19,974	-
Business-type activities long-term liabilities	<u>\$ 5,364,348</u>	<u>\$ 5,690,042</u>	<u>\$ 6,011,949</u>	<u>\$ 5,686,255</u>	<u>\$ 19,974</u>	<u>\$ 5,481,644</u>

Compensated absences are generally liquidated by the general fund.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Notes Payable

The City issued an installment note in the amount of \$349,175 with United Community Bank with monthly principal and interest payable at 4.45% per annum in the amount of \$2,500 and a balloon payment in the amount of \$321,981 due December 31, 2012. The City issued this note payable to finance the new Public Safety Complex. The amount outstanding as of June 30, 2012 is \$327,271.

The City has an installment note with the USDA with monthly principal and interest payable at 4.625% per annum in the amount of \$27,546 maturing June 2, 2013. The City issued this note payable to finance police vehicles. The amount outstanding as of June 30, 2012 is \$26,321.

The City has an installment note with the USDA with monthly principal and interest payable at 4.375% per annum in the amount of \$12,002 maturing June 2, 2023. The City issued this note payable to finance fire vehicles. The amount outstanding as of June 30, 2012 is \$103,035.

The annual requirements to amortize notes payable outstanding as of June 30, 2012 are as follows:

<u>Year ending</u>				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2013	\$ 361,086	\$ 12,943	\$ 374,029	
2014	7,822	4,180	12,002	
2015	8,164	3,838	12,002	
2016	8,521	3,481	12,002	
2017	8,894	3,108	12,002	
2018-2022	50,660	9,350	60,010	
2023	<u>11,480</u>	<u>501</u>	<u>11,981</u>	
Total	\$ <u>456,627</u>	\$ <u>37,401</u>	\$ <u>494,028</u>	

Revenue Bonds

During 2012, the City issued \$5,400,000 of Series 2012 refunding revenue bonds to provide funds to current refund the City's remaining Series 1987 revenue bonds, Series 1997A&B revenue bonds, and Series 2001 revenue bonds. These bonds bear interest of 2%-5% and mature on June 1, 2038. The refunding reduced the aggregate debt services payments by almost \$773,801 and resulted in an economic gain (the difference between the present value of old and new debt service payments) of about \$731,076. The accounting loss on the refunding was approximately \$124,594. This loss was deferred and is being amortized over the remaining life of the new debt in accordance with GASB No. 23 using the effective interest method.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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The annual requirements to amortize the bonds outstanding as of June 30, 2012 are as follows:

June 30,	Principal	Interest	Total
2013	\$ -	\$ 180,346	\$ 180,346
2014	140,000	180,346	320,346
2015	300,000	177,546	477,546
2016	310,000	168,546	478,546
2017	325,000	156,146	481,146
2018-2022	1,840,000	605,120	2,445,120
2023-2027	1,935,000	256,560	2,191,560
2028-2032	225,000	86,421	311,421
2033-2037	265,000	42,399	307,399
2038	60,000	2,310	62,310
	<u>\$ 5,400,000</u>	<u>\$ 1,855,740</u>	<u>\$ 7,255,740</u>

NOTE 7 - CONTINGENT LIABILITIES / RISK MANAGEMENT

The City receives grants from various granting agencies, which are subject to audit and adjustment by these agencies. The City is not aware of any adjustments or expenditures, which may be disallowed and restitution, if any, is not determinable at this time.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Baldwin became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City.

The fund is 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 workers' compensation law of Georgia. The fund is to pay all cost taxed against the members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

CITY OF BALDWIN, GEORGIA
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The City maintains an insurance policy, which covers General Liability, Law Enforcement Liability, and Errors and Omissions with the following coverage amounts:

\$3,000,000	General Aggregate Limit
\$3,000,000	Law Enforcement Liability Aggregate
\$3,000,000	Public Officials Liability Aggregate
\$3,000,000	Employee Benefits Liability Aggregate
\$3,000,000	Employee Wrongful Act Liability Aggregate
\$ 500,000	Fidelity Bonds

City management feels the above coverage is adequate. There has not been any significant reduction in coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Balances due to/from other funds at June 30, 2012 , consist of the following:

56,371	Due to the General Fund from Water and Sewer Fund for year-end accruals.
<u>\$ 56,371</u>	Total Due from Other Funds

NOTE 9 - TRANSFERS OUT

Transfers to/from other funds at June 30, 2012, consists of the following:

\$ 159,500	From Water and Sewer Fund to General Fund for construction costs.
114,839	From SPLOST Fund to Water and Sewer Fund for construction costs.
<u>\$ 274,339</u>	Total

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The City, by resolution, adopted the GMA 401(a), a defined contribution retirement plan, administered by the Georgia Municipal Association. The plan provisions and contribution rates may also be amended by resolution. Only full-time employees participating in the section 457(b) plan can participate after one year of employment. The City shall make a matching contribution on behalf of each Participant to the Plan equal to 25% of the amount the Participant is contributing to the section 457(b) deferred compensation plan up to 6% of compensation. The City's contribution for 2012 was \$69 and employee contributions were \$1,626.

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. 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

CITY OF BALDWIN, GEORGIA
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June 30, 2012

termination, retirement, death, or unforeseeable emergency.

As of June 30, 1998, all assets were transferred into a trust for the exclusive benefit of employees and beneficiaries; and are no longer solely the property of the City, subject only to claims of the City's general creditors. Due to this transfer, these assets are no longer on the City's books.

NOTE 12- GEORGIA MOUNTAINS REGIONAL COMMISSION

Under Georgia law, the City in conjunction with other cities and counties in the area are members of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues there to. During the year ended June 30, 2012, the City paid \$2,660 in such dues. Membership in the GMRC is required by the official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the GMRC in Georgia. The GMRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an GMRC. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, Georgia 30503-1720

NOTE 13- WATER AND SEWER CUSTOMERS

As of June 30, 2012, City of Baldwin had the following Water and Sewer Customers:

	<u>WATER</u>	<u>SEWER</u>
Residential	1,458	696
Commercial	<u>137</u>	<u>96</u>
Total Customers	<u><u>1,595</u></u>	<u><u>792</u></u>

During 2012, both the City of Baldwin and City of Demorest purchased water from the Baldwin Processing Plant. Sales to each city are as follows:

City of Baldwin	\$ 287,090
Demorest	<u>701,426</u>
Total sales	<u><u>\$ 988,516</u></u>

CITY OF BALDWIN, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2012
(Required Supplementary Information)

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 191,779	\$ 191,779	\$ 191,779	\$ -
RESOURCES (INFLOWS)				
Taxes	844,590	862,065	951,021	88,956
Licenses and permits	16,000	16,000	11,800	(4,200)
Intergovernmental	22,113	22,113	22,113	-
Fines and forfeitures	226,981	226,981	218,351	(8,630)
Charges for services	427,784	433,784	487,039	53,255
Contributions and donations	1,000	1,000	1,355	355
Interest income	250	250	210	(40)
Miscellaneous	1,600	1,600	10,881	9,281
Sale of county property	7,916	27,916	20,109	(7,807)
Transfers in	-	-	159,500	159,500
Total Resources (Inflows)	1,548,234	1,591,709	1,882,379	290,670
AMOUNTS AVAILABLE FOR APPROPRIATION	1,740,013	1,783,488	2,074,158	290,670
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Legislative	38,306	33,356	33,334	22
Elections	1,658	3,658	3,374	284
Financial administration	124,539	120,543	119,405	1,138
Law	35,310	57,810	56,900	910
Buildings	6,300	7,800	7,305	495
Total General Government	206,113	223,167	220,318	2,849
Judicial				
Municipal court	6,840	6,840	6,400	440
Total Judicial	6,840	6,840	6,400	440
Public Safety				
Police	655,889	694,889	693,799	1,090
Custody of prisoners	11,000	7,000	6,401	599
Fire	371,311	375,311	374,369	942
Animal control	2,800	6,025	5,954	71
Total Public Safety	1,041,000	1,083,225	1,080,523	2,702
Public Works				
Highways and streets	150,042	158,242	158,063	179
Solid waste and recycling	99,530	99,530	96,630	2,900
Cemetery	500	500	-	500
Total Public Works	250,072	258,272	254,693	3,579
Recreation and Culture				
Parks	2,600	2,600	2,218	382
Total Recreation and Culture	2,600	2,600	2,218	382
Housing and development				
Code enforcement	2,300	3,300	3,186	114
Total Housing and Development	2,300	3,300	3,186	114
TOTAL CHARGES TO APPROPRIATIONS	1,508,925	1,577,404	1,567,338	10,066
CHANGE IN FUND BALANCE	39,309	14,305	315,041	300,736
FUND BALANCE, End of year	\$ 231,088	\$ 206,084	\$ 506,820	\$ 300,736

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF BALDWIN, GEORGIA
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER AND SEWER FUND
For the Year Ended June 30, 2012

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	WATER PLANT	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Pledged as security for revenue bonds:			
Water sales	\$ 871,502	\$ 988,516	\$ 1,860,018
Water connection fees	12,089	-	12,089
Sewer sales	877,805	-	877,805
Sewer connection fees	800	-	800
Other	-	250	250
Total Operating Revenues	<u>1,762,196</u>	<u>988,766</u>	<u>2,750,962</u>
OPERATING EXPENSES			
Salaries and benefits	498,969	270,535	769,504
Supplies	67,718	68,619	136,337
Other services and charges	140,668	39,622	180,290
Depreciation	361,633	158,653	520,286
Professional fees	126,568	30,022	156,590
Repairs and maintenance	200,365	46,871	247,236
Utilities	114,438	181,756	296,194
Water purchases	296,626	2,229	298,855
Total Operating Expenses	<u>1,806,985</u>	<u>798,307</u>	<u>2,605,292</u>
OPERATING INCOME (LOSS)	<u>(44,789)</u>	<u>190,459</u>	<u>145,670</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	4,923	1,992	6,915
Interest expense	(211,970)	(103,480)	(315,450)
Gain (loss) on sale of capital assets	(4,795)	(139)	(4,934)
Total Nonoperating Revenues (Expenses)	<u>(211,842)</u>	<u>(101,627)</u>	<u>(313,469)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(256,631)	88,832	(167,799)
Pledged as security for revenue bonds:			
Capital contributions-in kind	22,037	4,026	26,063
Transfer in	401,930	-	401,930
Transfer out	-	(446,591)	(446,591)
CHANGE IN NET ASSETS	<u>167,336</u>	<u>(353,733)</u>	<u>(186,397)</u>
TOTAL NET ASSETS, Beginning of year	5,478,567	1,666,848	7,145,415
TOTAL NET ASSETS, End of year	<u>\$ 5,645,903</u>	<u>\$ 1,313,115</u>	<u>\$ 6,959,018</u>

CITY OF BALDWIN, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended June 30, 2012

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	PRIOR YEARS	EXPENDITURES CURRENT YEAR
Habersham County, Georgia SPLOST V - Commenced May 1, 2008				
Water Development	\$ 425,000	\$ 425,000	\$ 74,314	\$ 5,611
Sewer Development	400,000	400,000	-	92,398
Roads / Bridges	350,000	350,000	27,677	32,107
Recreation	29,540	41,991	33,657	-
Police Equipment	137,730	137,730	82,638	41,562
Fire Equipment	193,190	193,190	71,506	40,315
Public Facilities	475,000	475,000	75,017	3,527
Totals	<u>\$ 2,010,460</u>	<u>\$ 2,022,911</u>	<u>\$ 364,809</u>	<u>\$ 215,520</u>

Total of all SPLOSTs above \$ 215,520

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	\$ 117,510
Transfers in and out	114,839
Expenditures paid with other sources	(16,831)
Rounding	2
Total	\$ 215,520

**CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION**

June 30, 2012

WATER OPERATIONS

FISCAL YEAR	VOLUME OF WATER PURCHASE	COST OF WATER PURCHASED FROM PLANT	VOLUME OF WATER BILLED TO CUSTOMERS	REVENUE FROM WATER BILLED TO CUSTOMERS	PERCENT WATER LOSS
2003	189,803,000	\$ 186,007	110,897,921	\$ 512,973	41.57
2004	198,202,000	232,381	111,604,096	527,006	43.69
2005	198,637,000	252,338	129,289,512	573,359	34.91
2006	201,814,000	257,637	141,456,850	623,225	29.91
2007	205,617,000	261,134	143,032,125	653,455	30.44
2008	198,246,000	251,772	133,539,603	659,305	32.64
2009	174,346,000	263,262	116,575,533	866,113	33.14
2010	155,388,000	234,636	117,782,400	843,949	24.20
2011	159,814,000	241,319	117,162,209	857,614	26.69
2012	156,880,000	\$ 287,090	111,774,787	\$ 843,593	28.75

TOTAL WATER AND SEWER SYSTEM CONNECTIONS

FISCAL YEAR	WATER CONNECTIONS		SEWER CONNECTIONS	
	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
2003	1,394	88	654	51
2004	1,399	102	623	56
2005	1,400	135	679	86
2006	1,386	147	656	95
2007	1,485	146	716	94
2008	1,491	148	721	97
2009	1,442	142	676	91
2010	1,442	142	676	91
2011	1,479	137	712	88
2012	1,458	137	696	96

LARGEST WATER AND SEWER USERS

USER NAME	WATER GALLONS PER YEAR	SEWER GALLONS PER YEAR	COMBINED REVENUE FISCAL 2012	PERCENT OF WATER AND SEWER REVENUE
Department of Corrections	-	73,546,400	\$ 492,981	28.18
Fieldale Corporation	13,866,300	5,467,800	136,772	7.82
Oak Heritage Healthcare, Inc	5,711,600	4,857,500	77,770	4.45
Heritage Gardens	3,260,900	3,260,900	59,279	3.39
Windstream	2,708,600	2,708,600	47,969	2.74
Baldwin Court Apartments	1,915,810	1,915,810	34,947	2.00
Magnolia Window & Door	1,022,620	1,022,620	15,274	0.87
Habersham Metal	917,700	917,700	13,601	0.78
Habersham Retreat	871,900	871,900	8,941	0.51
A.K. Chan	503,710	503,710	6,997	0.40
All Others	80,995,647	32,977,592	854,776	48.86
TOTALS	<u>111,774,787</u>	<u>128,050,532</u>	<u>\$ 1,749,307</u>	<u>100.00</u>

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2012

**RATIO OF LARGEST WATER USERS
TO TOTAL WATER VOLUME**

TEN LARGEST USERS' VOLUME	30,779,140
AMOUNT OF WATER DELIVERED TO CUSTOMERS	111,774,787

TEN LARGEST USERS PERCENTAGE OF
TOTAL WATER VOLUME 27.54 %

**RATIO OF LARGEST SEWER USERS
TO TOTAL SEWER VOLUME**

TEN LARGEST USERS' VOLUME	95,072,940
AMOUNT OF WASTEWATER FLOW	128,050,532

TEN LARGEST USERS PERCENTAGE OF
TOTAL WASTEWATER VOLUME 74.25 %

**RATIO OF LARGEST WATER AND SEWER USERS
TO TOTAL WATER AND SEWER VOLUME**

COMBINED WATER AND SEWER REVENUE	\$	1,749,307
REVENUE FROM TEN LARGEST USERS	\$	894,531

TEN LARGEST USERS PERCENTAGE OF
TOTAL WATER AND SEWER REVENUE 51.14 %

WATER AND SEWER RATES

INSIDE RATES	WATER		SEWER
	per 1,000 gallons		per 1,000 gallons
<u>RESIDENTIAL</u>			
1st 2,000 gallons	\$	10.00	\$ 10.87
2,001-6,000 gallons		5.30	5.81
6,001-9,000 gallons		7.95	7.00
9,001 and up gallons		10.60	8.00
<u>COMMERCIAL</u>			
1st 2,000 gallons		10.00	10.87
2,001-18,000 gallons		5.30	5.81
18,001-226,000 gallons		7.95	7.00
226,001 and up gallons	\$	10.60	\$ 8.00
 OUTSIDE RATES			
	WATER		SEWER
	per 1,000 gallons		per 1,000 gallons
<u>RESIDENTIAL</u>			
1st 1,000 gallons	\$	19.00	\$ 20.40
1,001-6,000 gallons		6.25	6.96
6,001-9,000 gallons		9.38	8.00
9,001 and up gallons		12.50	9.00
<u>COMMERCIAL</u>			
1st 1,000 gallons		19.00	20.40
1,001-18,000 gallons		6.25	6.96
18,001-226,000 gallons		9.38	8.00
226,001 and up gallons	\$	12.50	\$ 9.00

CITY OF BALDWIN, GEORGIA
ENTERPRISE FUND
SCHEDULE OF DEBT SERVICE COVERAGE RATIOS
June 30, 2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
INCOME BEFORE DEBT SERVICE	\$ 121,671	\$ 217,167	\$ 113,859	\$ 309,874	\$ 120,218	\$ 290,983	\$ (41,312)	\$ 261,456	\$ 252,366	\$ 325,693	\$ 152,585
DEBT SERVICE EXISTING PROJECTS	230,373	228,436	218,428	213,286	214,338	213,039	202,011	201,053	199,963	203,740	191,360
DEBT SERVICE NEW SEWER PLANT	186,641	308,608	318,883	319,190	312,313	312,873	313,060	312,860	312,325	311,425	229,252
	417,014	537,044	537,311	532,476	526,651	525,912	515,071	513,913	512,288	515,165	420,612
REVENUE AVAILABLE FOR DEBT SERVICE	121,671	217,167	113,859	309,874	120,218	290,983	(41,312)	261,456	252,366	325,693	152,585
ADD BACK DEPRECIATION	219,910	268,857	401,840	417,629	440,760	454,628	462,583	462,706	493,264	503,799	520,286
TOTAL AVAILABLE FOR DEBT SERVICE	\$ 341,581	\$ 486,024	\$ 515,699	\$ 727,503	\$ 560,978	\$ 745,611	\$ 421,271	\$ 724,162	\$ 745,630	\$ 829,492	\$ 672,871
DEBT SERVICE COVERAGE	0.82	0.90	0.96	1.37	1.07	1.42	0.82	1.41	1.46	1.61	1.60



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**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**

December 31, 2012

City Council
 CITY OF BALDWIN, GEORGIA
 BALDWIN, GEORGIA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF BALDWIN, GEORGIA, as of and for the year ended June 30, 2012, which collectively comprise the CITY OF BALDWIN, GEORGIA's basic financial statements and have issued our report thereon, dated December 31, 2012. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of CITY OF BALDWIN, GEORGIA, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the CITY OF BALDWIN, GEORGIA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF BALDWIN, GEORGIA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CITY OF BALDWIN, GEORGIA's internal control over financial reporting.

A *deficiency* in internal control exists when the design and 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CITY OF BALDWIN, GEORGIA's financial statements are free of 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*.

Bates Carter : Co, LLP