

CITY OF BARWICK, GEORGIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

CITY OF BARWICK, GEORGIA
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Barwick, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Barwick, Georgia, as of and for the year ended June 30, 2011, 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 of Barwick, Georgia'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 Barwick, Georgia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Barwick, 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 part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012 on our consideration of the City of Barwick, 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 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.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia

A handwritten signature in cursive script that reads "Simmons, Mills & Simmons P.C.".

February 15, 2012

BASIC FINANCIAL STATEMENTS

CITY OF BARWICK, GEORGIA
Government-wide Statement of Net Assets
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash investments	\$ 130,983	\$ 11,148	\$ 142,131
Time deposits	26,065	7,189	33,254
Receivables (net of allowance for doubtful accounts):			
Taxes	3,235	-	3,235
Accounts	-	8,168	8,168
Intergovernmental receivable	14,256	-	14,256
Internal balances	-	-	-
Prepaid items	3,154	1,147	4,301
Capital assets:			
Land	36,165	1,000	37,165
Construction-in-process	11,232	-	11,232
Buildings	3,500	14,450	17,950
Equipment	185,416	61,182	246,598
Infrastructure	-	996,919	996,919
Accumulated depreciation	<u>(137,011)</u>	<u>(347,527)</u>	<u>(484,538)</u>
Total assets	<u>276,995</u>	<u>753,676</u>	<u>1,030,671</u>
Liabilities:			
Accounts payable	4,086	6,083	10,169
Accrued liabilities	3,180	1,342	4,522
Customer deposits	-	8,065	8,065
Noncurrent liabilities:			
Due within one year	1,697	4,200	5,897
Due in more than one year	<u>3,619</u>	<u>6,000</u>	<u>9,619</u>
Total liabilities	<u>12,582</u>	<u>25,690</u>	<u>38,272</u>
Net assets:			
Invested in capital assets, net of related debt	93,986	715,824	809,810
Unrestricted (deficit)	67,047	12,162	79,209
Restricted for:			
Capital projects	99,236	-	-
Housing and Development	<u>4,144</u>	<u>-</u>	<u>4,144</u>
Total net assets	<u>\$ 264,413</u>	<u>\$ 727,986</u>	<u>\$ 992,399</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Government-wide Statement of Activities
Year Ended June 30, 2011

<u>Program Activities</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and changes in Net Assets</u>		
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 66,851	\$ 3,383	\$ -	\$ 43,048	\$ (20,420)	\$ -	\$ (20,420)
Judicial	7,876	-	-	-	(7,876)	-	(7,876)
Public safety	58,668	21,734	8,500	-	(28,434)	-	(28,434)
Public works	46,983	-	-	-	(46,983)	-	(46,983)
Cultural and recreational	7,045	-	2,040	-	(5,005)	-	(5,005)
Housing and development	498	-	952	-	454	-	454
Interest on long-term debt	304	-	-	-	(304)	-	(304)
Total governmental activities	188,225	25,117	11,492	43,048	(108,568)	-	(108,568)
Business-type activities:							
Water	113,454	67,858	-	-	-	(45,596)	(45,596)
Solid waste	26,861	32,751	-	-	-	5,890	5,890
Total business-type activities	140,315	100,609	-	-	-	(39,706)	(39,706)
Total government	\$ 328,540	\$ 125,726	\$ 11,492	\$ 43,048	\$ (108,568)	\$ (39,706)	\$ (148,274)
General revenues:							
Taxes:							
Property taxes					\$ 63,118	\$ -	\$ 63,118
Sales taxes					27,957	-	27,957
Alcohol beverage excise					4,767	-	4,767
Other taxes					24,785	-	24,785
Franchise fees					20,151	-	20,151
Investment earnings					220	145	365
Miscellaneous					541	6,397	6,938
Transfers					-	-	-
Total general revenues and transfers					141,539	6,542	148,081
Change in net assets					32,971	(33,164)	(193)
Net assets - beginning					231,442	761,150	992,592
Net assets - ending					\$ 264,413	\$ 727,986	\$ 992,399

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 59,579	\$ 67,523	\$ 3,881	\$ 130,983
Time deposits	3,594	22,471	-	26,065
Receivables (net of allowance for doubtful accounts):				
Taxes	3,235	-	-	3,235
Interfund receivables	-	-	-	-
Intergovernmental receivables	4,751	9,242	263	14,256
Prepaid items	3,154	-	-	3,154
Total assets	<u>\$ 74,313</u>	<u>\$ 99,236</u>	<u>\$ 4,144</u>	<u>\$ 177,693</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 4,086	\$ -	\$ -	4,086
Accrued liabilities	3,180	-	-	3,180
Deferred revenues	2,785	-	-	2,785
Interfund payables	-	-	-	-
Total liabilities	<u>10,051</u>	<u>-</u>	<u>-</u>	<u>10,051</u>
Fund balances:				
Reserved for:				-
Prepaid items	3,154	-	-	3,154
Unreserved reported in:				
General fund	61,108	-	-	61,108
Special revenue funds	-	-	4,144	4,144
Capital projects funds	-	99,236	-	99,236
Total fund balances	<u>64,262</u>	<u>99,236</u>	<u>4,144</u>	<u>167,642</u>
Total liabilities and fund balances	<u>\$ 74,313</u>	<u>\$ 99,236</u>	<u>\$ 4,144</u>	<u>\$ 177,693</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide
Statement of Net Assets
For Fiscal Year Ended June 30, 2011

Total fund balances - total governmental funds		\$ 167,642
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Cost	\$ 236,313	
Less accumulated depreciation	<u>(137,011)</u>	99,302
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the City's year end.		
		2,785
Long-term liabilities are not due and payable in current period and therefore they are not reported in the Governmental Funds Balance Sheet.		
		<u>(5,316)</u>
Net assets of governmental activities		<u>\$ 264,413</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 82,505	\$ -	\$ -	\$ 82,505
Sales and use taxes	27,957	-	-	27,957
Alcoholic beverage excise	4,767	-	-	4,767
Other taxes	24,785	-	-	24,785
Licenses and permits	3,383	-	-	3,383
Intergovernmental revenues	10,540	42,544	943	54,027
Other charges for services	-	-	-	-
Fines and forfeitures	21,734	-	-	21,734
Interest income	220	504	9	733
Miscellaneous revenues	541	-	-	541
Total revenues	<u>176,432</u>	<u>43,048</u>	<u>952</u>	<u>220,432</u>
Expenditures:				
Current:				
General government	66,851	-	-	66,851
Judicial	7,876	-	-	7,876
Public safety	50,628	-	-	50,628
Public works	41,761	-	-	41,761
Culture and recreation	7,044	-	-	7,044
Housing and development	-	-	499	499
Debt service				
Principal	-	1,626	-	1,626
Interest	-	304	-	304
Capital projects	6,000	11,232	-	17,232
Total expenditures	<u>180,160</u>	<u>13,162</u>	<u>499</u>	<u>193,821</u>
Excess (deficiency) of revenues over expenditures	<u>(3,728)</u>	<u>29,886</u>	<u>453</u>	<u>26,158</u>
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,728)	29,886	453	26,611
Fund balances - beginning	<u>67,990</u>	<u>69,350</u>	<u>3,691</u>	<u>141,031</u>
Fund balances - ending	<u>\$ 64,262</u>	<u>\$ 99,236</u>	<u>\$ 4,144</u>	<u>\$ 167,642</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-wide Statement of Activities and Changes in Net Assets
For Fiscal Year Ended June 30, 2011

Net change in fund balances - total government funds	\$	26,611
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		17,232
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(13,263)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds.		
Deferred taxes 6/30/11	\$	2,785
Deferred taxes 6/30/10		765
		2,020
Repayment of long-term debt is a use of current financial resources in Governmental Funds, but the repayment of debt decreases liabilities in the Statement of Activities		1,626
Change in net assets of governmental activities	\$	32,971

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual -
GAAP Basis
Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
General property taxes	\$ 89,620	\$ 82,389	\$ 82,505	\$ 116
Sales and use taxes	5,000	4,750	27,957	23,207
Alcoholic beverage excise	-	-	4,767	4,767
Other taxes	25,150	29,526	24,785	(4,741)
Licenses and permits	4,010	3,400	3,383	(17)
Intergovernmental revenues	27,000	39,540	10,540	(29,000)
Other charges for services	-	-	-	-
Interest income	130	150	220	70
Fines and forfeitures	15,000	21,750	21,734	(16)
Miscellaneous revenues	-	575	541	(34)
Carryover of funds	3,400	22,920	-	(22,920)
Total revenues	<u>169,310</u>	<u>205,000</u>	<u>176,432</u>	<u>(28,568)</u>
Expenditures:				
Current:				
General government	69,975	77,000	66,851	(10,149)
Judicial	8,000	11,000	7,876	(3,124)
Public safety	58,320	54,000	50,628	(3,372)
Public works	31,640	49,000	41,761	(7,239)
Culture and recreation	1,375	8,000	7,044	(956)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects	-	6,000	6,000	-
Total expenditures	<u>169,310</u>	<u>205,000</u>	<u>180,160</u>	<u>(24,840)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(3,728)</u>	<u>(3,728)</u>
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing and other uses	<u>-</u>	<u>-</u>	<u>(3,728)</u>	<u>(3,728)</u>
Fund balances - beginning	<u>67,990</u>	<u>67,990</u>	<u>67,990</u>	<u>-</u>
Fund balances - ending	<u>\$ 67,990</u>	<u>\$ 67,990</u>	<u>\$ 64,262</u>	<u>\$ (3,728)</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Hotel/Motel Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
GAAP Basis
Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Over (Under)
Revenues:				
Intergovernmental revenues	\$ 880	\$ 925	\$ 943	\$ 18
Interest income	6	9	9	-
Carryover of funds	3,227	(435)	-	435
Total revenues	<u>4,113</u>	<u>499</u>	<u>952</u>	<u>453</u>
Expenditures:				
Current:				
Housing and development	<u>4,113</u>	<u>499</u>	<u>499</u>	<u>-</u>
Total expenditures	<u>4,113</u>	<u>499</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>453</u>	<u>453</u>
Fund balances - beginning	<u>3,691</u>	<u>3,691</u>	<u>3,691</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,691</u>	<u>\$ 3,691</u>	<u>\$ 4,144</u>	<u>\$ 453</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Assets:		
Current assets:		
Cash and cash investments	\$ 11,148	\$ 11,148
Time deposits	7,189	7,189
Receivables (net where applicable of allowance for doubtful accounts):		
Accounts	8,168	8,168
Prepaid items	1,147	1,147
Total current assets	27,652	27,652
Noncurrent assets:		
Capital assets:		
Land	1,000	1,000
Buildings	14,450	14,450
Equipment	61,182	61,182
Infrastructure	996,919	996,919
Accumulated depreciation	(347,527)	(347,527)
Total capital assets, net of accumulated depreciation	726,024	726,024
Total assets	\$ 753,676	\$ 753,676
Liabilities:		
Current liabilities:		
Accounts payable	\$ 6,083	\$ 6,083
Accrued liabilities	1,342	1,342
Notes payable	4,200	4,200
Customer deposits	8,065	8,065
Total current liabilities	19,690	19,690
Noncurrent liabilities:		
Notes payable	6,000	6,000
Total liabilities	\$ 25,690	\$ 25,690
Net Assets:		
Invested in capital assets, net of related debt	715,824	715,824
Unrestricted	12,162	12,162
Total net assets	\$ 727,986	\$ 727,986

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Business Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Operating revenues:		
Charges for services - water	\$ 67,858	\$ 67,858
Charges for services - solid waste	32,751	32,751
Miscellaneous	6,397	6,397
Total operating revenues	107,006	107,006
Operating expenses:		
Water:		
Personal services	36,523	36,523
Purchased/contracted services	23,179	23,179
Supplies	23,416	23,416
Depreciation	30,336	30,336
Solid waste:		
Purchased/contracted services	26,861	26,861
Total operating expenses	140,315	140,315
Income (loss) from operations	(33,309)	(33,309)
Non-operating revenues (expenses):		
Interest income	145	145
Total non-operating revenues (expenses)	145	145
Transfers from other funds	-	-
Change in net assets	(33,164)	(33,164)
Net assets - beginning	761,150	761,150
Net assets - ending	\$ 727,986	\$ 727,986

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Cash flows from operating activities:		
Cash received from customers	\$ 102,967	\$ 102,967
Other operating cash receipts	6,397	6,397
Cash payments to suppliers for goods and services	(139,130)	(139,130)
Cash payments to employees for services	29,463	29,463
Net cash provided (used) by operating activities	(303)	(303)
Cash flows from noncapital financing activities:		
Transfers to other funds	-	-
Cash flows from capital financing activities:		
Transfers from other funds	-	-
Principal paid on long-term debt	(4,200)	(4,200)
Acquisition and construction of capital assets	-	-
Net cash provided (used) by capital financing activities	(4,200)	(4,200)
Cash flow from investing activities:		
Interest on cash and investments	145	145
Net increase (decrease) in cash and cash investments	(4,358)	(4,358)
Cash and cash investments, July 1	22,695	22,695
Cash and cash investments, June 30	\$ 18,337	\$ 18,337

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ (33,309)	\$ (33,309)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	30,336	30,336
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,855)	(1,855)
(Increase) decrease in prepaid items	63	63
Increase (decrease) in accounts payable	(203)	(203)
Increase (decrease) in other payables	452	452
Increase (decrease) in customer deposits payable	4,213	4,213
Net cash provided (used) by operating activities	\$ (303)	\$ (303)
 Reconciliation of total cash and cash investments:		
Current assets - cash and cash investments	\$ 11,148	\$ 11,148
Time deposits	7,189	7,189
Total cash and cash investments	\$ 18,337	\$ 18,337

See accompanying notes to basic financial statements

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Barwick (the “City”) was incorporated in 1903. The City operates under a council/mayor form of government and provides the following services: public safety (police and volunteer fire department), highways and streets, sanitation, recreation, public improvements and general and administrative services. In addition, the City operates a public utility (water system) for the incorporated and immediate surrounding areas.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the City has elected to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

B. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Barwick has no component units.

Related organizations

The following is a list of related organizations for which the City of Barwick appoints one or more of the Board of Directors:

- South Georgia Regional Commission

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Joint ventures and jointly governed organizations

The City of Barwick, in conjunction with thirty-three cities or counties in the South Georgia area are members of the South Georgia Regional Commission (SGRC). Membership in an SGRC is automatic of each municipality and county in the state. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the SGRCs. Each county and municipality in the state are required by law to pay minimum annual dues to the SGRC. The SGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines SGRCs as “public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of an SGRC beyond its resources (O.C.G.A. 50-8-39.1).

Separately issued financial statements of the South Georgia Regional Commission are available at their administrative offices located at 327 W. Savannah Ave., Valdosta, Ga. or by telephone at 229-333-5277.

C. Basis of Presentation

The government-wide financial statements (the statement of net asset and the statement of changes in net assets) report information on all of the activities of the City. The effect of Interfund activity, within the governmental and business-type activities columns, 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 support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Governmental funds are those funds through which most governmental funds typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

SPLOST Fund –

The SPLOST Fund is a capital projects fund used to account for Special Purpose Local Option Sales Tax collected for Brooks and Thomas Counties. This sales tax is to be used for capital outlay as allowed by the Official Code of Georgia Annotated Section 48-8-111.

Hotel/Motel Tax Fund –

The Hotel/Motel Tax Fund is a special revenue fund used to account for Hotel/Motel tax received from Thomas County. This tax is to be used for the promotion of tourism in the City.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Water and Garbage Fund –

Water and Garbage Fund is used to account for the provision of water and garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sanitation system and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

E. Budgets

All budgets, except for the Enterprise Funds, are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund and the Enterprise Funds. Amounts presented for the General Fund are as amended by the City Council. All annual appropriations lapse at fiscal year end. A project-length budget was adopted for the Capital Projects Fund. An annualized budget was adopted for the Hotel/Motel Tax Fund.

F. Cash and Investments

Cash includes amounts in demand deposits, passbook savings as well as certificates of deposits with a maturity date of three months or less. All cash is separately held and reflected in its respective fund. Cash equivalents are short term, highly liquid investments that can be converted to known amounts of cash.

The City's investing is limited to investments complying with state statutes. These investments are limited to obligations of states, obligations issued by the U.S. government, obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States, obligations of any corporation of the U.S. government, the local government investment pool established by state law and obligations of other political subdivisions of the State of Georgia. The City's investment policy is not in writing.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Inventories

Expendable supplies are recorded as expenditures at the time items are purchased. The City does not record inventories of supplies on the books. Any inventory of supplies at June 30, 2011 is considered immaterial.

I. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

J. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

K. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003. Improvements to capital assets are capitalized. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Interest has not been capitalized during the construction period on property, plant and equipment.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Assets are capitalized and the estimated useful lives are as follows:

	<u>Life-Years</u>	<u>Threshold</u>
Buildings	15-50	\$ 15,000
Infrastructure	20-50	150,000
Machinery and Equipment	3-15	5,000

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

L. Compensated Absences

The City's policy allows employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. There were no compensated absences as of June 30, 2011.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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 deferred charges 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 the issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

N. Nature and Purpose of Reservations and Designations of Fund Equity

The fund equity reserves for prepaid items.

Designations of fund equity are not legally required segregations but are segregated for a specific purpose. The following designations of fund equity are used by management:

General Fund

Cash - Recreation projects	\$ 3,786
Cash - Capital outlay - tractor	3,594
Cash - Volunteer fire department	<u>10,429</u>
 Total General Fund	 <u>\$ 17,809</u>

Water and Garbage Fund

Cash - Water tank repairs	\$ <u>7,189</u>
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O. 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 borrowing used for the acquisition or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) – LEGAL COMPLIANCE – BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Council prepares a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City offices to obtain taxpayer comments.
3. After the public hearing, the City Council formally adopts the budget.
4. The budget is employed as a management control device during the year.
5. All budgets, except for the Enterprise Funds, are adopted on a basis substantially consistent with generally accepted accounting principles.

Budget amounts are as originally adopted or as amended by the City Council.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual budget is at the department level.

(3) – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2011, all of the City's deposits were covered by either the Federal Depository Insurance Corporation (FDIC) or collateral pledged by the financial institution or a combination of the two.

As of year end, the carrying amount of the City's bank balances totaled \$182,324 and the bank balances totaled \$175,385.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(3) – DEPOSITS AND INVESTMENTS (CONT.)

Investments

Credit Risk – The City has no formal policy on managing credit risk; however, state law limits investments in commercial paper to the top rating issued by national recognized statistical rating organizations. As of June 30, 2011 the City had no investments.

(4) – RECEIVABLES

The receivables as of June 30, 2011 for the City's individual major funds are as follows:

	General Fund	SPLOST Fund	Hotel/ Motel Tax Fund	Water & Garbage Fund	Total
Receivables:					
Taxes	\$ 4,235	\$ -	\$ -	\$ -	\$ 4,235
Accounts	-	-	-	10,668	10,668
Intergovernmental	<u>4,751</u>	<u>9,242</u>	<u>263</u>	<u>-</u>	<u>14,256</u>
Gross receivables	8,986	9,242	263	10,668	29,159
Less: Allowances for doubtful accounts	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>3,500</u>
Net total receivables	<u>\$ 7,986</u>	<u>\$ 9,242</u>	<u>\$ 263</u>	<u>\$ 8,168</u>	<u>\$ 25,659</u>

Property taxes are levied as of September 21st on property values assessed as of January 1st. The bills were mailed on October 3rd and are considered due upon receipt by the taxpayer; however, the actual due date is December 20th. After this date, the bill becomes delinquent and penalties and interest may be assessed.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(5) – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1	Additions	Deletions	Balance June 30
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 30,165	\$ 6,000	\$ -	\$ 36,165
Construction-in-progress	<u>-</u>	<u>11,232</u>	<u>-</u>	<u>11,232</u>
Total capital assets, not being depreciated	<u>30,165</u>	<u>17,232</u>	<u>-</u>	<u>47,397</u>
Capital assets, being depreciated				
Buildings	3,500	-	-	3,500
Equipment	<u>185,416</u>	<u>-</u>	<u>-</u>	<u>185,416</u>
Total capital assets, being depreciated	<u>188,916</u>	<u>-</u>	<u>-</u>	<u>188,916</u>
Less accumulated depreciation for:				
Buildings	3,500	-	-	3,500
Equipment	<u>120,248</u>	<u>13,263</u>	<u>-</u>	<u>133,511</u>
Total accumulated depreciation	<u>123,748</u>	<u>13,263</u>	<u>-</u>	<u>137,011</u>
Total capital assets, being depreciated, net	<u>65,168</u>	<u>(13,263)</u>	<u>-</u>	<u>51,905</u>
Governmental activities capital assets, net	<u>\$ 95,333</u>	<u>\$ (7,263)</u>	<u>\$ -</u>	<u>\$ 88,070</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in-progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital assets being depreciated				
Buildings	14,450	-	-	14,450
Equipment	61,182	-	-	61,182
Infrastructure	<u>996,919</u>	<u>-</u>	<u>-</u>	<u>996,919</u>
Total capital assets, being depreciated	<u>1,072,551</u>	<u>-</u>	<u>-</u>	<u>1,072,551</u>
Less accumulated depreciation for:				
Building	14,450	-	-	14,450
Equipment	37,922	2,584	-	40,506
Infrastructure	<u>264,819</u>	<u>27,752</u>	<u>-</u>	<u>292,571</u>
Total accumulated depreciation	<u>317,191</u>	<u>30,336</u>	<u>-</u>	<u>347,527</u>
Total capital assets, being depreciated, net	<u>755,360</u>	<u>(30,336)</u>	<u>-</u>	<u>725,024</u>
Business-type activities capital assets, net	<u>\$ 756,360</u>	<u>\$ (30,336)</u>	<u>\$ -</u>	<u>\$ 726,024</u>

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

Governmental activities:	
General government	\$ -
Public safety	8,041
Public works	5,222
Culture and recreation	<u>-</u>
Total depreciation expense - Governmental activities	<u>\$ 13,263</u>
Business-type activities:	
Water	\$ 30,336
Garbage	<u>-</u>
Total depreciation expense - Business-type activities	<u>\$ 30,336</u>

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(6) – LONG-TERM DEBT

Notes Payable:

At June 30, 2011, the City had the following notes payable:

Governmental activities notes payable – the City has one note payable at June 30, 2011

United States Department of Agriculture (USDA) – This note was issued in the original amount of \$8,500 on September 12, 2008 to purchase a police vehicle, bearing an interest at 4.375%. The note is due in annual installments of \$1,930 through September 12, 2013. Annual debt service requirements to this note payable as of June 30, 2011 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,697	\$ 233	\$ 1,930
2013	1,772	158	1,930
2014	<u>1,847</u>	<u>83</u>	<u>1,930</u>
Total	<u>\$ 5,316</u>	<u>\$ 474</u>	<u>\$ 5,790</u>

Business-type activities notes payable – the City has one note payable at June 30, 2011

Leary Construction – The City entered into a 10 year agreement for renovations and maintenance to the City water tower on March 21, 2007. The first payments totaling \$56,100 was for the renovation work completed prior to June 30, 2008. Only that portion is considered long-term debt, bearing zero percent interest through July 1, 2014. Annual debt service requirements to this note payable as of June 30, 2011 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,200	\$ -	\$ 4,200
2013	4,200	-	4,200
2014	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total	<u>\$ 10,200</u>	<u>\$ -</u>	<u>\$ 10,200</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	<u>Balance July 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30</u>	<u>Due within One year</u>
Governmental Type Activities:					
Notes payable - USDA 4.375%, 9/12/13	\$ 6,942	\$ -	\$ 1,626	\$ 5,316	\$ 1,697
Total governmental activities	<u>\$ 6,942</u>	<u>\$ -</u>	<u>\$ 1,626</u>	<u>\$ 5,316</u>	<u>\$ 1,697</u>
Business-type Activities:					
Note Payable - Leary Construction 7/1/14	\$ 14,400	\$ -	\$ 4,200	\$ 10,200	\$ 4,200
Total business-type activities	<u>\$ 14,400</u>	<u>\$ -</u>	<u>\$ 4,200</u>	<u>\$ 10,200</u>	<u>\$ 4,200</u>

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(7) – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables, payables, and transfers for the year ended June 30, 2011 consisted of the following amounts:

Fund	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	\$ -	\$ -	\$ -	\$ -
SPLOST Fund	-	-	-	-
Water & Garbage Fund	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(8) – FUND BALANCES/RETAINED EARNINGS RESERVES

Reserves are used to indicate that portion of the fund balance or retained earnings that is not appropriate for expenditure or is legally segregated for a specific future use. The following reserves are used by the City.

General Fund:	
Reserve for prepaid items	<u>\$ 3,154</u>

(9) – 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 (GIRMA) for property and liability insurance and the Worker’s Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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 pools’ 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 claim or loss. The City is also to allow the pools’ agents 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’s contracts and in accordance with the workers’ compensation laws of Georgia. The funds are to pay all cost taxed against 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 has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2011. No provisions have been made in the financial statements for the year ended June 30, 2011 for any estimate of potential unpaid claims.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(9) – RISK MANAGEMENT (CONT.)

The City carries a combined property, casualty, and crime coverage with the Georgia Interlocal Risk Management Agency (GIRMA).

Coverages are as follows:

Coverage description – property:

Building and contents	\$ 650,743
Mobile equipment	44,911
Boiler & machinery	650,743
Automobile physical damage	Per application on file with GIRMA

Coverage description – casualty:

General liability	600,000
Law enforcement liability	600,000
Automobile liability	600,000
Errors and omissions (public officials) liability	600,000
Employee benefits liability	600,000

Coverage description – crime:

Blanket Bond/Employee dishonesty	500,000
Depositors forgery	500,000
Money and securities – loss inside and outside the premises	500,000

Deductible:

General liability	5,000
Law enforcement liability	5,000
Automobile liability	5,000
Errors and omissions (public officials) liability	5,000
Employee benefits liability	5,000
Property	5,000
Boiler & machinery	5,000
Automobile physical damage	5,000
Crime	5,000

Coverage exceptions:

Public Officials Liability and Employee Benefits Liability are written on Occurrence Form. Prior Acts is included for Public Officials Liability and Employee Benefits Liability subject to retroactive date of 01/01/1998.

Coverages subject to a retroactive date:

(Unless stated otherwise in the coverage exceptions)

Public officials liability	1/1/1998
Employee benefits liability	1/1/1998
Pollution liability	N/A

Coverage is subject to all terms, conditions and internal limits as specified in the GIRMA member coverage agreement.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2011

(10) – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City's attorney has stated that the City is not involved in any lawsuit that will have a material effect on the financial condition of the City.

(11) – RELATED PARTY TRANSACTION

On April 21, 2011 the City purchased land from a council member for \$6,000.

OTHER FINANCIAL INFORMATION

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

Honorable Mayor and Members
of the City Council
City of Barwick, Georgia

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, of City of Barwick, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City of Barwick, Georgia's basic financial statements and have issued our report thereon dated February 15, 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

In planning and performing our audit, we considered City of Barwick, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Barwick, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Barwick, Georgia's internal control over financial reporting.

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.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. 2005-1, 2005-7. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Barwick, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.

City of Barwick, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Barwick, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia

Simmons, Mills & Simmons P.C.

February 15, 2012

CITY OF BARWICK, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2011

Prior year findings:

2005-01

Condition – The City does not have sufficient properly trained personnel to provide an optimum level of appropriate segregation of duties and responsibilities.

Effect – The City Clerk performs many of the accounting functions which give her the ability to control the financial records and reports.

Status –Our test determined that this condition still exists.

Recommendation – The Mayor and City Council should closely monitor and approve the monthly financial activity.

Views of responsible officials and planned corrective actions – The City's management concurs with the finding. The Mayor and City Council will continue to closely monitor and approve the monthly financial activity. See Barwick's corrective action plan attached.

2005-03

Condition –The City has not yet adopted a project length budget for its capital projects fund.

Effect – The City is not in compliance with state laws by incurring expenditures in excess of budgeted appropriations.

Status –The condition no longer exists. The City adopted a project length budget for its capital projects fund.

2005-04

Condition – The City does not have adequate subsidiary ledgers or other records to support security deposits received from utility customer.

Effect – The City does not have the ability to timely and correctly identify the security deposits received from utility customers.

Status – The condition no longer exists. The City clerk went back and researched back records in order to determine the utility customer deposits. Once she determined the balances she set up ledgers for each account. They are currently being adjusted as needed for customer activity.

CITY OF BARWICK, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2011

Prior year findings:

2005-07

Condition – The City does not have a local budget-finance ordinance.

Effect – The City does not have policies, procedures, and administrative and fiscal responsibility controls to manage the financial affairs, safeguard assets, and report financial transactions.

Recommendation – Mayor and Council should adopt a finance-budget ordinance to control and manage the financial affairs of the City.

Status – The condition still exists. The City's management plans to remedy the condition and adopt a finance-budget ordinance.

Views of responsible officials and planned corrective actions - The City's management concurs with the finding. See Barwick's corrective action plan attached.

2010-01

Condition – The City has not adopted an annualized budget for the special revenue fund.

Criteria – Official Code of Georgia Annotated(O.C.G.A.) section 36-81-3(b)(1): that states that the City should have “an annual balanced budget for each special revenue fund. The annual balanced budget shall be adopted by ordinance.”

Effect – The City is not in compliance with state laws by not adopting an annual balanced budget for the special revenue fund.

Status – The condition no longer exists. The City has now adopted an annual budget for the special revenue fund.

2010-02

Condition –The City's expenditures exceeded appropriations at the legal level of control in capital outlays in the general fund.

Criteria – Official Code of Georgia Annotated (O.C.G.A.) Section 36-81-3: Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. Nothing contained in this code section shall preclude a local government from amending its budget so as to adapt to changing governmental needs during the budget period.

Recommendation – The City should review its financial statements in relation to the budget on a regular basis and amend the budget as needed throughout the year.

Effect – Noncompliance with above statute.

Status – The condition no longer exists.

CITY OF BARWICK, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2011

Current year findings and responses:

2011-1

Condition – The City did not implementation of the Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, policy prior to year end.

Effect – The City is not in compliance with the Government Auditing Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*.At the time of adoption, the City will not be reporting any committed or assigned fund balance, however, the adoption of these policies put in place the accounting and reporting infrastructure should this action be necessary at a later date.

Recommendation – The City should implementation of the Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* as soon as possible.

Views of responsible officials and planned corrective actions – The City's management concurs with the recommendation. They already have written this policy and plan to pass it at the next council meeting.

2011-2

Condition – In a prior year the City sold federally issued surplus weapons from the police department without seeking permission from the proper federal department.

Effect – This was a violation of the *Firearms Conditional Transfer Document* as determined by the U.S. General Services Administration (GSA). The City had to pay the GSA for the fair market value of the firearms at the time of the unauthorized transaction, as determined by GSA.

Recommendation – The City should verify how the City obtained the weapons in the police department and verify that any obligations are met prior to selling them.

Views of responsible officials and planned corrective actions – The City's management concurs with the recommendation.

City of Barwick

P.O. Box 146
Barwick, Georgia 31720

Incorporated 1903

February 15, 2012

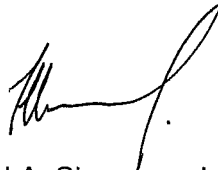
Mr. Ed Blaha
Department of Audits and Accounts
270 Washington Street, S.W., Room 1-156
Atlanta, Ga. 30334-8400

Re: City of Barwick
Year Ending June 30, 2011
Corrective Action Plan

Dear Mr. Blaha:

Enclosed is the City of Barwick's corrective action plan as required by Section 36-81-7 of the Official Code of Georgia Annotated. After reviewing this plan, I trust that you will find that it is in compliance with the above code. Please notify us of your decision.

Sincerely,



Ned A. Simmons, Jr.
Mayor

**CITY OF BARWICK, GEORGIA
CORRECTIVE ACTION PLAN
FOR YEAR ENDED JUNE 30, 2011**

2005-1

Finding/Recommendation:

The City does not have sufficient properly trained personnel to provide an optimum level of appropriate segregation of duties and responsibilities. Staffing should include a sufficient number of properly trained personnel to assign duties and responsibilities among in order to achieve a minimum level of risk that misstatements resulting from fraud or error might occur and not be detected by employees during the normal course of performing assigned duties.

Corrective Action Plan/Management Response:

We concur with this recommendation. The City cannot establish appropriate segregation of duties because it is not cost effective. The Mayor and City Council more closely monitor and approve the monthly financial activity as well as provide the current Clerk with additional training. The Mayor and a Councilmember sign all checks. We believe that this allows the City to comply with the audit recommendation.

2005-7

Finding/Recommendation:

The City does not have a local budget-finance ordinance. Mayor and Council should adopt a finance-budget ordinance to control and manage the financial affairs of the City.

Corrective Action Plan/ Management Response:

We concur with the recommendation. The City's management plans to remedy the condition and adopt a finance-budget ordinance by June 30, 2012.

2011-1

Finding/Recommendation: The City did not implementation of the Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, policy prior to year end. The City should implementation of the Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* as soon as possible.

Corrective Action Plan/ Management Response:

We concur with the recommendation. Management has already have written this policy and plan to pass it at the next council meeting.

**CITY OF BARWICK, GEORGIA
CORRECTIVE ACTION PLAN
FOR YEAR ENDED JUNE 30, 2011**

2011-2

Finding/Recommendation: In a prior year the City sold federally issued surplus weapons from the police department without seeking permission from the proper federal department. This was a violation of the *Firearms Conditional Transfer Document* as determined by the U.S. General Services Administration (GSA). The City had to pay the GSA for the fair market value of the firearms at the time of the unauthorized transaction, as determined by GSA. The City should verify how the City obtained the weapons in the police department and verify that any obligations are met prior to selling them.

Corrective Action Plan/ Management Response:

We concur with the recommendation. The City has paid the GSA the fair market value of the firearms at the time of the sale. We will make sure where the City acquired the weapons and make sure that we follow proper procedures prior to disposition.

SIMMONS, MILLS & SIMMONS P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor and Members
of the City Council
City of Barwick, Georgia

We have audited the accompanying Schedules of Special Purpose Local Option Sales Tax for the City of Barwick, Georgia for the year ended June 30, 2011. These schedules are the responsibility of the City of Barwick, Georgia's management. Our responsibility is to express an opinion on the Schedules of Special Purpose Local Option Sales Tax 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 Schedules of Special Purpose Local Option Sales Tax are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Special purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedules of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accounting Schedules of Special Purpose Local Option Sales Tax is prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of the City of Barwick's revenues and expenditures.

In our opinion, the Schedules of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project of the City of Barwick for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia



February 15, 2012

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County
Year Ended June 30, 2011

<u>Project</u>	Original	Expenditures		
	<u>Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Government buildings capital outlay	\$ 140,000	\$ -	\$ 11,232	\$ 11,232
Totals	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 11,232</u>	<u>\$ 11,232</u>

Note: Beginning 2009, Brooks County began collecting for Special Purpose Local Option Sales Tax referendum number 5. Special Purpose Local Option Sales Tax revenue received from Brooks County, Georgia for the year ended June 30, 2011 was \$17,510.

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County
Year Ended June 30, 2011

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Miscellaneous road projects	\$ 30,000	\$ 5,203	\$ 2,543	\$ -	\$ 2,543
Capital outlay:					
Road equipment	14,990	14,990	14,990	-	14,990
Police Dept building	6,300	6,300	6,300	-	6,300
Police vehicles	12,000	12,000	12,000	-	12,000
Digital copier	3,890	3,890	3,890	-	3,890
Street truck	9,623	9,623	9,623	-	9,623
Water capital projects	-	24,797	28,478	-	28,478
Other	3,197	3,197	-	-	-
Totals	\$ 80,000	\$ 80,000	\$ 77,824	\$ -	\$ 77,824

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomas County
Year Ended June 30, 2011

<u>Project</u>	Original	Revised	<u>Expenditures</u>		
	Estimated Cost	Estimated Cost	Prior Years	Current Year	Total
Miscellaneous road projects	\$ 44,000	\$ 60,000	\$ 57,346	\$ -	\$ 57,346
Capital outlay:					
Water capital projects	-	61,000	60,099	-	60,099
Police equipment	-	5,000	2,776	1,930	4,706
Street truck	-	4,500	4,500	-	4,500
Totals	<u>\$ 44,000</u>	<u>\$ 130,500</u>	<u>\$ 124,721</u>	<u>\$ 1,930</u>	<u>\$ 126,651</u>

Note: Special Purpose Local Option Sales Tax revenue received from Thomas County, Georgia for the year ended June 30, 2011 was \$25,034.

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomasville
Year Ended June 30, 2011

Project	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Recreation Projects	\$ 15,000	\$ 13,780	-	\$ 13,780