

CITY OF BARWICK, GEORGIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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, 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 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Hotel/Motel Tax 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 November 19, 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

Simmons, Mills + Simmons P.C.

November 19, 2012

BASIC FINANCIAL STATEMENTS

CITY OF BARWICK, GEORGIA
Government-wide Statement of Net Assets
June 30, 2012

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets:			
Cash and cash investments	\$ 158,413	\$ 11,287	\$ 169,700
Time deposits	26,367	7,276	33,643
Restricted cash	-	9,270	9,270
Receivables (net of allowance for doubtful accounts):			
Taxes	7,090	-	7,090
Accounts	-	8,432	8,432
Intergovernmental receivable	22,667	-	22,667
Internal balances	1,785	(1,785)	-
Prepaid items	7,059	2,981	10,040
Capital assets:			
Land	36,165	1,000	37,165
Construction-in-process	11,232	-	11,232
Buildings	3,500	14,450	17,950
Equipment	187,746	61,182	248,928
Infrastructure	-	996,919	996,919
Accumulated depreciation	<u>(145,047)</u>	<u>(377,864)</u>	<u>(522,911)</u>
Total assets	<u>316,977</u>	<u>733,148</u>	<u>1,050,125</u>
Liabilities:			
Accounts payable	5,043	2,888	7,931
Accrued liabilities	2,030	-	2,030
Customer deposits	-	9,270	9,270
Noncurrent liabilities:			
Due within one year	6,182	4,200	10,382
Due in more than one year	<u>2,949</u>	<u>1,800</u>	<u>4,749</u>
Total liabilities	<u>16,204</u>	<u>18,158</u>	<u>34,362</u>
Net assets:			
Invested in capital assets, net of related debt	84,465	689,687	774,152
Unrestricted (deficit)	50,917	25,303	76,220
Restricted for:			
Capital projects	160,612	-	160,612
Housing and Development	<u>4,779</u>	<u>-</u>	<u>4,779</u>
Total net assets	<u>\$ 300,773</u>	<u>\$ 714,990</u>	<u>\$ 1,015,763</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Government-wide Statement of Activities
Year Ended June 30, 2012

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and changes in Net Assets</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	\$ 62,496	\$ 2,320	\$ 3,297	\$ 63,306	\$ 6,427	\$ -	\$ 6,427
Judicial	3,791	-	-	-	(3,791)	-	(3,791)
Public safety	76,671	15,960	8,500	-	(52,211)	-	(52,211)
Public works	48,060	-	-	-	(48,060)	-	(48,060)
Cultural and recreational	1,982	-	2,100	-	118	-	118
Housing and development	320	-	955	-	635	-	635
Interest on long-term debt	233	-	-	-	(233)	-	(233)
Total governmental activities	193,553	18,280	14,852	63,306	(97,115)	-	(97,115)
Business-type activities:							
Water	113,663	87,329	-	-	-	(26,334)	(26,334)
Solid waste	26,441	34,557	-	-	-	8,116	8,116
Total business-type activities	140,104	121,886	-	-	-	(18,218)	(18,218)
Total government	\$ 333,657	\$ 140,166	\$ 14,852	\$ 63,306	\$ (97,115)	\$ (18,218)	\$ (115,333)
General revenues:							
Taxes:							
Property taxes					\$ 58,633	\$ -	\$ 58,633
Sales taxes					28,081	-	28,081
Alcohol beverage excise					3,421	-	3,421
Other taxes					18,849	-	18,849
Franchise fees					20,369	-	20,369
Investment earnings					113	119	232
Gain on sale of capital assets					200	-	200
Miscellaneous					3,809	5,103	8,912
Transfers					-	-	-
Total general revenues and transfers					133,475	5,222	138,697
Change in net assets					36,360	(12,996)	23,364
Net assets - beginning					264,413	727,986	992,399
Net assets - ending					\$ 300,773	\$ 714,990	\$ 1,015,763

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 33,704	\$ 120,181	\$ 4,528	\$ 158,413
Time deposits	3,638	22,729	-	26,367
Receivables (net of allowance for doubtful accounts):				
Taxes	7,090	-	-	7,090
Interfund receivables	1,785	-	-	1,785
Intergovernmental receivables	4,714	17,702	251	22,667
Prepaid items	7,059	-	-	7,059
Total assets	<u>\$ 57,990</u>	<u>\$ 160,612</u>	<u>\$ 4,779</u>	<u>\$ 223,381</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 5,043	\$ -	\$ -	5,043
Accrued liabilities	2,030	-	-	2,030
Deferred revenues	6,579	-	-	6,579
Interfund payables	-	-	-	-
Total liabilities	<u>13,652</u>	<u>-</u>	<u>-</u>	<u>13,652</u>
Fund balances:				
Nonspendable:				-
Prepaid items	7,059	-	-	7,059
Restricted for:				
Special revenue funds	-	-	4,779	4,779
Capital projects funds	-	160,612	-	160,612
Unassigned	<u>37,279</u>	<u>-</u>	<u>-</u>	<u>37,279</u>
Total fund balances	<u>44,338</u>	<u>160,612</u>	<u>4,779</u>	<u>209,729</u>
Total liabilities and fund balances	<u>\$ 57,990</u>	<u>\$ 160,612</u>	<u>\$ 4,779</u>	<u>\$ 223,381</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, 2012

Total fund balances - total governmental funds		\$ 209,729
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	\$ 238,643	
Less accumulated depreciation	<u>(145,047)</u>	93,596
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.		
		6,579
Long-term liabilities are not due and payable in current period and therefore they are not reported in the Governmental Funds Balance Sheet.		
		<u>(9,131)</u>
Net assets of governmental activities		<u>\$ 300,773</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, 2012

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 75,208	\$ -	\$ -	\$ 75,208
Sales and use taxes	28,081	-	-	28,081
Alcoholic beverage excise	3,421	-	-	3,421
Other taxes	18,849	-	-	18,849
Licenses and permits	2,185	-	-	2,185
Intergovernmental revenues	13,897	62,881	948	77,726
Other charges for services	135	-	-	135
Fines and forfeitures	15,960	-	-	15,960
Interest income	113	425	7	545
Miscellaneous revenues	3,809	-	-	3,809
Total revenues	<u>161,658</u>	<u>63,306</u>	<u>955</u>	<u>225,919</u>
Expenditures:				
Current:				
General government	62,496	-	-	62,496
Judicial	3,791	-	-	3,791
Public safety	64,358	-	-	64,358
Public works	45,847	-	-	45,847
Culture and recreation	1,982	-	-	1,982
Housing and development	-	-	320	320
Debt service				
Principal	3,308	1,697	-	5,005
Interest	-	233	-	233
Capital projects	8,820	-	-	8,820
Total expenditures	<u>190,602</u>	<u>1,930</u>	<u>320</u>	<u>192,852</u>
Excess (deficiency) of revenues over expenditures	<u>(28,944)</u>	<u>61,376</u>	<u>635</u>	<u>32,432</u>
Other financing sources (uses):				
Proceeds from capital asset disposition	200	-	-	200
Proceeds of long-term debt	8,820	-	-	8,820
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>9,020</u>	<u>-</u>	<u>-</u>	<u>9,020</u>
Net change in fund balances	(19,924)	61,376	635	42,087
Fund balances - beginning	<u>64,262</u>	<u>99,236</u>	<u>4,144</u>	<u>167,642</u>
Fund balances - ending	<u>\$ 44,338</u>	<u>\$ 160,612</u>	<u>\$ 4,779</u>	<u>\$ 209,729</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, 2012

Net change in fund balances - total government funds	\$	42,087
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.		8,820
The book value of capital assets disposed of are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement.		-
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.		(14,526)
Governmental Funds report the issuance of long-term debt for the purchase of capital assets as a revenue. However, in the Government-wide Statement of Activities and Changes in Net Assets, the proceeds from the long-term debt is recorded as an increase to liabilities on the statement of activities.		(8,820)
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 6/30/12	\$	6,579
Deferred taxes 6/30/11		2,785
		3,794
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		5,005
Change in net assets of governmental activities	\$	36,360

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, 2012

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 88,315	\$ 75,000	\$ 75,208	\$ 208
Sales and use taxes	5,000	30,000	28,081	(1,919)
Alcoholic beverage excise	-	4,000	3,421	(579)
Other taxes	25,000	18,800	18,849	49
Licenses and permits	3,375	3,000	2,185	(815)
Intergovernmental revenues	38,000	10,600	13,897	3,297
Other charges for services	135	350	135	(215)
Interest income	150	100	113	13
Fines and forfeitures	19,500	18,000	15,960	(2,040)
Miscellaneous revenues	-	-	3,809	3,809
Carryover of funds	20,000	20,000	-	(20,000)
Total revenues	<u>199,475</u>	<u>179,850</u>	<u>161,658</u>	<u>(18,192)</u>
Expenditures:				
Current:				
General government	74,127	64,000	62,496	(1,504)
Judicial	11,000	3,975	3,791	(184)
Public safety	64,365	67,000	64,358	(2,642)
Public works	51,434	50,692	45,847	(4,845)
Culture and recreation	4,728	2,850	1,982	(868)
Debt service				
Principal	1,697	3,308	3,308	-
Interest	233	-	-	-
Capital projects	-	-	8,820	8,820
Total expenditures	<u>207,584</u>	<u>191,825</u>	<u>190,602</u>	<u>(10,043)</u>
Excess (deficiency) of revenues over expenditures	<u>(8,109)</u>	<u>(11,975)</u>	<u>(28,944)</u>	<u>(16,969)</u>
Other financing sources (uses):				
Proceeds from capital asset disposition	-	-	200	200
Proceeds of long-term debt	-	-	8,820	8,820
Transfers in (out)	8,109	11,975	-	(11,975)
Total other financing sources (uses)	<u>8,109</u>	<u>11,975</u>	<u>9,020</u>	<u>(2,955)</u>
Excess (deficiency) of revenues and other financing and other uses	-	-	(19,924)	(19,924)
Fund balances - beginning	<u>64,262</u>	<u>64,262</u>	<u>64,262</u>	<u>-</u>
Fund balances - ending	<u>\$ 64,262</u>	<u>\$ 64,262</u>	<u>\$ 44,338</u>	<u>\$ (19,924)</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, 2012

	<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:				
Intergovernmental revenues	\$ 1,000	\$ 950	\$ 948	\$ 2
Interest income	10	8	7	1
Carryover of funds	1,190	(638)	-	(638)
Total revenues	<u>2,200</u>	<u>320</u>	<u>955</u>	<u>(635)</u>
Expenditures:				
Current:				
Housing and development	<u>2,200</u>	<u>320</u>	<u>320</u>	<u>-</u>
Total expenditures	<u>2,200</u>	<u>320</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>635</u>	<u>(635)</u>
Fund balances - beginning	<u>4,144</u>	<u>4,144</u>	<u>4,144</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,144</u>	<u>\$ 4,144</u>	<u>\$ 4,779</u>	<u>\$ 635</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Assets:		
Current assets:		
Cash and cash investments	\$ 11,287	\$ 11,287
Time deposits	7,276	7,276
Restricted cash	9,270	9,270
Receivables (net where applicable of allowance for doubtful accounts):		
Accounts	8,432	8,432
Prepaid items	2,981	2,981
Total current assets	39,246	39,246
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	(377,864)	(377,864)
Total capital assets, net of accumulated depreciation	695,687	695,687
Total assets	\$ 734,933	\$ 734,933
Liabilities:		
Current liabilities:		
Accounts payable	\$ 2,888	\$ 2,888
Customer deposits	9,270	9,270
Due to general fund	1,785	1,785
Current portion of long-term debt	4,200	4,200
Total current liabilities	18,143	18,143
Noncurrent liabilities:		
Long term debt, net	1,800	1,800
Total liabilities	\$ 19,943	\$ 19,943
Net Assets:		
Invested in capital assets, net of related debt	\$ 695,687	\$ 695,687
Unrestricted	19,303	19,303
Total net assets	\$ 714,990	\$ 714,990

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, 2012

	Business Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Operating revenues:		
Charges for services - water	\$ 87,329	\$ 87,329
Charges for services - solid waste	34,557	34,557
Miscellaneous	5,103	5,103
Total operating revenues	126,989	126,989
Operating expenses:		
Water:		
Personal services	35,336	35,336
Purchased/contracted services	21,783	21,783
Supplies	26,208	26,208
Depreciation	30,336	30,336
Solid waste:		
Purchased/contracted services	26,441	26,441
Total operating expenses	140,104	140,104
Income (loss) from operations	(13,115)	(13,115)
Non-operating revenues (expenses):		
Interest income	119	119
Total non-operating revenues (expenses)	119	119
Transfers from other funds	-	-
Change in net assets	(12,996)	(12,996)
Net assets - beginning	727,986	727,986
Net assets - ending	\$ 714,990	\$ 714,990

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds	
	Water & Garbage	Totals
Cash flows from operating activities:		
Cash received from customers	\$ 122,827	\$ 122,827
Other operating cash receipts	5,103	5,103
Cash payments to suppliers for goods and services	(144,018)	(144,018)
Cash payments to employees for services	<u>29,665</u>	<u>29,665</u>
Net cash provided (used) by operating activities	<u>13,577</u>	<u>13,577</u>
Cash flows from noncapital financing activities:		
Due to other funds	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>
Net cash provided (used) by capital financing activities	<u>(4,200)</u>	<u>(4,200)</u>
Cash flow from investing activities:		
Interest on cash and investments	<u>119</u>	<u>119</u>
Net increase (decrease) in cash and cash investments	9,496	9,496
Cash and cash investments, July 1	<u>18,337</u>	<u>18,337</u>
Cash and cash investments, June 30	<u>\$ 27,833</u>	<u>\$ 27,833</u>

See accompanying notes to basic financial statements

CITY OF BARWICK, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	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	\$ (13,115)	\$ (13,115)
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	(264)	(264)
(Increase) decrease in prepaid items	(1,833)	(1,833)
Increase (decrease) in accounts payable	(3,195)	(3,195)
Increase (decrease) in other payables	443	443
Increase (decrease) in customer deposits payable	1,205	1,205
Net cash provided (used) by operating activities	\$ 13,577	\$ 13,577
 Reconciliation of total cash and cash investments:		
Current assets - cash and cash investments	\$ 11,287	\$ 11,287
Restricted cash	9,270	9,270
Time deposits	7,276	7,276
Total cash and cash investments	\$ 27,833	\$ 27,833

See accompanying notes to basic financial statements

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(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, 2012

(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, 2012

(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. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(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, 2012

(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, 2012 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, 2012

(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, 2012.

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	\$ 5,894
Cash - Capital outlay - tractor	3,638
Cash - Volunteer fire department	<u>14,914</u>

Total General Fund \$ 24,446

Water and Garbage Fund

Cash - Water tank repairs	\$ <u>7,276</u>
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O. Government-wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets – consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net assets are reported in this category.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

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

P. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council.

Assigned – Amounts that are designated by the City Council for a particular purpose.

Unassigned – All amounts not included in other spendable classifications.

Q. 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.

Excess of Expenditures over Appropriations

For the year ended June, 30 2012, expenditures exceed appropriations in capital projects by \$8,820.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(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, 2012, 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 \$212,613 and the bank balances totaled \$212,103.

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, 2012 the City had no investments.

(4) – RECEIVABLES

The receivables as of June 30, 2012 for the City's individual major funds are as follows:

	General Fund	SPLOST Fund	Hotel/ Motel Tax Fund	Water & Garbage Fund	Total
Receivables:					
Taxes	\$ 9,090	\$ -	\$ -	\$ -	\$ 9,090
Accounts	-	-	-	10,932	10,932
Intergovernmental	4,714	17,702	251	-	22,667
Gross receivables	13,804	17,702	251	10,932	42,689
Less: Allowances for doubtful accounts	2,000	-	-	2,500	4,500
Net total receivables	<u>\$ 11,804</u>	<u>\$ 17,702</u>	<u>\$ 251</u>	<u>\$ 8,432</u>	<u>\$ 38,189</u>

Property taxes are levied as of September 20st on property values assessed as of January 1st. The bills were mailed on October 15th 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.

(5) – RESTRICTED ASSETS

Restricted assets reported in the Water & Garbage fund are comprised of the following:

Cash – customer deposits \$ 9,270

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(6) – CAPITAL ASSETS

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

	Balance July 1	Additions	Deletions	Balance June 30
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 36,165	\$ -	\$ -	\$ 36,165
Construction-in-progress	11,232	-	-	11,232
Total capital assets, not being depreciated	<u>47,397</u>	<u>-</u>	<u>-</u>	<u>47,397</u>
Capital assets, being depreciated				
Buildings	3,500	-	-	3,500
Equipment	185,416	8,820	6,490	187,746
Total capital assets, being depreciated	<u>188,916</u>	<u>8,820</u>	<u>6,490</u>	<u>191,246</u>
Less accumulated depreciation for:				
Buildings	3,500	-	-	3,500
Equipment	133,511	14,526	6,490	141,547
Total accumulated depreciation	<u>137,011</u>	<u>14,526</u>	<u>6,490</u>	<u>145,047</u>
Total capital assets, being depreciated, net	<u>51,905</u>	<u>(5,706)</u>	<u>-</u>	<u>46,199</u>
Governmental activities capital assets, net	<u>\$ 99,302</u>	<u>\$ (5,706)</u>	<u>\$ -</u>	<u>\$ 93,596</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in-progress	-	-	-	-
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	996,919	-	-	996,919
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	40,506	2,584	-	43,090
Infrastructure	292,572	27,752	-	320,324
Total accumulated depreciation	<u>347,528</u>	<u>30,336</u>	<u>-</u>	<u>377,864</u>
Total capital assets, being depreciated, net	<u>725,023</u>	<u>(30,336)</u>	<u>-</u>	<u>694,687</u>
Business-type activities capital assets, net	<u>\$ 726,023</u>	<u>\$ (30,336)</u>	<u>\$ -</u>	<u>\$ 695,687</u>

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

Governmental activities:	
General government	\$ -
Public safety	12,313
Public works	2,213
Culture and recreation	-
Total depreciation expense - Governmental activities	<u>\$ 14,526</u>
Business-type activities:	
Water	\$ 30,336
Garbage	-
Total depreciation expense - Business-type activities	<u>\$ 30,336</u>

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(7) – LONG-TERM DEBT

Notes Payable:

At June 30, 2012, the City had the following notes payable:

Governmental activities notes payable – the City has two notes payable at June 30, 2012

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, 2012 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,772	\$ 158	\$ 1,930
2014	<u>1,846</u>	<u>84</u>	<u>1,930</u>
Total	<u>\$ 3,618</u>	<u>\$ 242</u>	<u>\$ 3,860</u>

John Deere Credit – This note was issued in the original amount of \$8,820 on September 20, 2011 to purchase a mower for the street department, bearing a zero percent interest rate. The note is due in monthly installments of \$367.50 through September 20, 2013. Annual debt services requirement to this note payable as of June 30, 2012 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,410	-	\$ 4,410
2014	<u>1,103</u>	<u>-</u>	<u>1,103</u>
Total	<u>\$ 5,513</u>	<u>-</u>	<u>\$ 5,513</u>

Business-type activities notes payable – the City has one note payable at June 30, 2012

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, 2012 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,200	-	\$ 4,200
2014	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total	<u>\$ 6,000</u>	<u>-</u>	<u>\$ 6,000</u>

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(7) – LONG-TERM DEBT (CONT.)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1	Issues or Additions	Payments or Expenditures	Balance June 30	Due within One year
<u>Governmental Type Activities:</u>					
Notes payable - USDA 4.375%, 9/12/13	\$ 5,316	\$ -	\$ 1,697	\$ 3,618	\$ 1,772
Notes payable - John Deere Credit 0%, 9/20/13	-	8,820	3,308	5,513	4,410
Total governmental activities	\$ 5,316	\$ 8,820	\$ 5,005	\$ 9,131	\$ 6,182
<u>Business-type Activities:</u>					
Note Payable - Leary Construction 7/1/14	\$ 10,200	-	4,200	6,000	4,200
Total business-type activities	\$ 10,200	\$ -	\$ 4,200	\$ 6,000	\$ 4,200

(8) – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables, payables, and transfers for the year ended June 30, 2012 consisted of the following amounts:

Fund	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	\$ 1,785	\$ -	\$ -	\$ -
SPLOST Fund	-	-	-	-
Water & Garbage Fund	-	1,785	-	-
Total	\$ 1,785	\$ 1,785	\$ -	\$ -

(9) – FUND BALANCES/RETAINED EARNINGS RESERVES

The following is a summary of the fund balances for the governmental funds at June 30, 2012:

Nonspendable:	
Prepaid items - This is prepaid insurance and fuel in the general fund	\$ 7,059
Restricted for construction of capital assets - This is net assets restricted by state law as follows:	
SPLOST Fund - Restricted by state law and Thomas County	77,825
SPLOST Fund - Restricted by state law and Brooks County	82,787
Restricted for promotion of tourism:	
Hotel/Motel Tax Fund - Restricted by state law	4,779
Unassigned:	
This is the amount assigned in the general fund	37,279
Total fund balance	\$ 209,729

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(10) – 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, 2012. No provisions have been made in the financial statements for the year ended June 30, 2012 for any estimate of potential unpaid claims.

CITY OF BARWICK, GEORGIA
Notes to Basic Financial Statements
June 30, 2012

(10) – 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	\$ 686,093
Mobile equipment	35,711
Boiler & machinery	686,093
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, 2012

(11) – 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.

(12) – EMPLOYEE RETIREMENT SYSTEM

The City does not provide any retirement, pension, or profit sharing plan for its employees.

(13) – HOTEL/MOTEL LODGING TAX

Pursuant to an ordinance on June 27, 2005, January 1, 2006 Thomas County began levying a 5% lodging tax in accordance with O.C.G.A. 48-13-51 and expends 50% of the hotel/motel tax collections for the purpose of promoting tourism.

Thomas County paid the City of Barwick \$948 from their Hotel/Motel Tax Fund in the current year. The City spent \$320 of this money towards promotion of tourism for the City of Barwick during the year ended June 30, 2012.

(14) – NEW GASB STANDARDS

In 2012, the City of Barwick, Georgia implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This standard is designed to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund type definitions.

OTHER FINANCIAL INFORMATION

SIMMONS, MILLS & SIMMONS P.C.

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MEMBERS AMERICAN INSTITUTE OF
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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, 2012, which collectively comprise the City of Barwick, Georgia's basic financial statements and have issued our report thereon dated November 19, 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 the City of Barwick, Georgia, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Barwick'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 the City of Barwick's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Barwick'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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, item 2005-1. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-1.

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

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

November 19, 2012

CITY OF BARWICK, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2012

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.

2005-07

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 no longer exists. The City adopted a resolution to the budget which appropriates revenues and fund balance for the budget period.

2011-1

Condition – The City did not implement 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.

Status – The condition no longer exists. The City passed a policy implementing GASB Statement No. 54.

CITY OF BARWICK, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2012

Prior year findings: (Continued)

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.

Status – The condition no longer exists.

Current year findings and responses:

2012-01

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.

Views of responsible officials and planned corrective actions – The City's management concurs with the finding. The Mayor & council will more closely monitor the City's spending as compared to the budget and amend the budget as needed. See Barwick's corrective action plan attached.

City of Barwick

P.O. Box 146
Barwick, Georgia 31720

Incorporated 1903

November 19, 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, 2012
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, 2012**

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.

2012-1

Finding/Recommendation:

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

Corrective Action Plan/ Management Response:

We concur with the recommendation. We will more closely monitor the City's spending as compared to the budget and amend the budget as needed.

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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, 2012. 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, 2012, in conformity with accounting principles generally accepted in the United States of America.

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



November 19, 2012

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County
Year Ended June 30, 2012

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Expenditures</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>\$ 11,232</u>	<u>\$ -</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, 2012 was \$18,403.

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County
Year Ended June 30, 2012

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Revised Estimated Cost</u>	<u>Expenditures</u>		
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
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	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 77,824</u>	<u>\$ -</u>	<u>\$ 77,824</u>

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomas County
Year Ended June 30, 2012

<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	4,706	1,930	6,636
Street truck	-	4,500	4,500	-	4,500
Totals	<u>\$ 44,000</u>	<u>\$ 130,500</u>	<u>\$ 126,651</u>	<u>\$ 1,930</u>	<u>\$ 128,581</u>

Note: Special Purpose Local Option Sales Tax revenue received from Thomas County, Georgia for the year ended June 30, 2012 was \$44,478.

CITY OF BARWICK, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomasville
Year Ended June 30, 2012

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