CITY OF BALDWIN, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2011

CITY OF BALDWIN, GEORGIA

TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED
June 30, 2011

INDEPENDENT AUDITORS' REPORT	i - ii
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets -Proprietary Fund	7
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	8
Statement of Cash Flows - Proprietary Fund	9
NOTES TO FINANCIAL STATEMENTS	10 - 25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	26
ENTERPRISE FUNDS	
Supplemental Schedule of Revenues, Expenses and Changes in Fund Net Assets - Water and Sewer Fund	27
SUPPLEMENTAL INFORMATION	
Schedule of Projects Constructed with Special Purpose Local Option Sales Taxes	28
OTHER INFORMATION	
Water and Sewer Fund	29 - 30
Schedule of Debt Service Coverage Ratios	31
OTHER REPORTS	
Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	32 - 36

BatesCarter
Exceeding expectations. Always.

PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

INDEPENDENT AUDITORS' REPORT

December 28, 2011

Board of Trustees
CITY OF BALDWIN, GEORGIA
BALDWIN, GEORGIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF BALDWIN, GEORGIA as of, and for the year ended June 30, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the CITY OF BALDWIN, GEORGIA, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2011, on our consideration of the CITY OF BALDWIN, GEORGIA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule - General Fund be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

The accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Baker, Carter & Co, LLP

This page intentionally left blank.

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 408,387	$ 782,872	$ 1,191,259
Investments	-	80,123	80,123
Receivables (net of allowance for uncollectibles)	229,591	280,615	510,206
Internal balances	(56,221)	56,221	-
Prepaid items	102,360	568	102,928
Restricted assets:			
Cash	29,879	297,661	327,540
Investments	-	593,936	593,936
Non-current assets:			
Deferred charges	-	131,536	131,536
Capital assets:			
Capital assets not being depreciated	204,561	118,604	323,165
Capital assets being depreciated	2,970,669	17,183,051	20,153,720
Less: accumulated depreciation	(1,128,808)	(6,691,160)	(7,819,968)
Capital assets, net of depreciation	2,046,422	10,610,495	12,656,917
TOTAL ASSETS	2,760,418	12,834,027	15,594,445
LIABILITIES			
Accounts payable	116,717	203,000	319,717
Accrued interest payable	-	49,405	49,405
Other accrued items	23,178	9,813	32,991
Amounts held in trust	-	42,576	42,576
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	25,855	19,470	45,325
Notes payable	374,222	-	374,222
Revenue bonds payable	-	236,338	236,338
Due in more than one year			
Notes payable	129,356	-	129,356
Revenue bonds payable	-	5,128,010	5,128,010
TOTAL LIABILITIES	669,328	5,688,612	6,357,940
NET ASSETS			
Invested in capital assets, net of related debt	1,542,844	5,246,147	6,788,991
Restricted for:			
Debt service		836,774	836,774
Capital outlay projects	259,044	-	259,044
Unrestricted	289,202	1,062,494	1,351,696
TOTAL NET ASSETS	$ 2,091,090	$ 7,145,415	$ 9,236,505

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET ASSETS.... .....PRIMARY GOVERNMENT.....		
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	$ 200,250	$ 18,574	$ -	$ -	$ (181,676)	$ -	$ (181,676)
Judicial	4,200	-	-	-	(4,200)	-	(4,200)
Public safety	1,064,833	555,793	-	-	(509,040)	-	(509,040)
Public works	299,292	150,723	50	256,483	107,964	-	107,964
Public health and welfare	-	-	-	-	-	-	-
Recreation and culture	7,556	-	-	1,733	(5,823)	-	(5,823)
Housing and development	7,625	3,925	-	-	(3,700)	-	(3,700)
Interest	26,746	-	-	-	(26,746)	-	(26,746)
Total Governmental Activities	1,610,502	729,015	50	258,216	(623,221)	-	(623,221)
BUSINESS-TYPE ACTIVITIES							
Water and sewer	2,645,285	2,665,306	-	60,000	-	80,021	80,021
Total Business-Type Activities	2,645,285	2,665,306	-	60,000	-	80,021	80,021
TOTAL PRIMARY GOVERNMENT	$ 4,255,787	$ 3,394,321	$ 50	$ 318,216	(623,221)	80,021	(543,200)
GENERAL REVENUES							
Property taxes					486,363	-	486,363
Sales taxes					86,037	-	86,037
Insurance premium taxes					130,542	-	130,542
Real estate recording taxes					4,102	-	4,102
Other taxes					197,419	-	197,419
Total taxes					904,463	-	904,463
Unrestricted investment earnings					735	11,460	12,195
Grants and contributions not restricted to a specific program					-	-	-
Gain on sale of capital assets					(2,842)	(208,742)	(211,584)
TRANSFERS					(14,192)	14,192	-
TOTAL GENERAL REVENUES AND TRANSFERS					888,164	(183,090)	705,074
CHANGES IN NET ASSETS					264,943	(103,069)	161,874
NET ASSETS, Beginning					1,826,147	7,248,484	9,074,631
NET ASSETS, Ending					$ 2,091,090	$ 7,145,415	$ 9,236,505

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 178,940	$ 229,447	$ 408,387
Receivables (net of allowance for uncollectibles)	203,993	25,598	229,591
Due from other funds	132,438	-	132,438
Prepaid items	102,360	-	102,360
Restricted assets:			
Cash	-	29,879	29,879
TOTAL ASSETS	$ 617,731	$ 284,924	$ 902,655
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 110,996	$ 5,721	$ 116,717
Other accrued items	23,178	-	23,178
Due to other funds	168,500	20,159	188,659
Deferred revenue	123,278	-	123,278
TOTAL LIABILITIES	425,952	25,880	451,832
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	102,360	-	102,360
Restricted:			
Capital outlay projects	-	259,044	259,044
Unassigned:	89,419	-	89,419
TOTAL FUND BALANCES	191,779	259,044	450,823
TOTAL LIABILITIES AND FUND BALANCES	$ 617,731	$ 284,924	$ 902,655

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2011

Total Fund Balances for Governmental Funds (page 3)		$ 450,823
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		2,046,422
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		
Property Taxes	66,895	
Fines	56,384	
		123,279
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(25,855)	
Notes payable	(503,578)	
		(529,433)
Rounding		(1)
Total net assets of governmental activities (page 1)		$ 2,091,090

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	GENERAL	SPLOST	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 958,354	$ -	$ -	$ 958,354
Licenses and permits	16,318	-	-	16,318
Intergovernmental	-	221,530	34,953	256,483
Fines and forfeitures	210,513	-	-	210,513
Charges for services	427,193	-	-	427,193
Contributions and donations	1,783	-	-	1,783
Interest income	267	470	-	737
Miscellaneous	4,672	-	-	4,672
TOTAL REVENUES	1,619,100	222,000	34,953	1,876,053
EXPENDITURES				
Current Expenditures				
General government	195,222	-	-	195,222
Judicial	4,200	-	-	4,200
Public safety	975,526	-	-	975,526
Public works	248,968	790	-	249,758
Recreation and culture	2,445	-	-	2,445
Housing and development	2,747	-	-	2,747
Capital outlay	-	163,597	56,511	220,108
Debt service				
Principal	11,871	30,931	-	42,802
Interest	18,129	8,617	-	26,746
TOTAL EXPENDITURES	1,459,108	203,935	56,511	1,719,554
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	159,992	18,065	(21,558)	156,499
OTHER FINANCING SOURCES (USES)				
Transfers in	-	38,152	-	38,152
Transfers out	-	(52,344)	-	(52,344)
TOTAL OTHER FINANCING SOURCES (USES)	-	(14,192)	-	(14,192)
NET CHANGE IN FUND BALANCES	159,992	3,873	(21,558)	142,307
FUND BALANCES, Beginning of year	31,787	255,171	21,558	308,516
FUND BALANCES, End of year	$ 191,779	$ 259,044	$ -	$ 450,823

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Net change in fund balances (page 5)		$ 142,307
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	220,108	
Depreciation expense	(163,910)	
		56,198
In the statement of activities, only the gain/loss on the sale of various capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		
Net book value of capital assets sold	(2,842)	
		(2,842)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	66,895	
Fines	56,384	
		123,279
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(53,891)	
Fines	(52,961)	
		(106,852)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Principal payments on long-term debt	42,802	
		42,802
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(25,855)	
Compensated absences, prior year	35,907	
		10,052
Changes in net assets of governmental activities (page 2)		$ 264,943

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
ASSETS	
Current Assets	
Cash	$ 782,872
Investments	80,123
Receivables (net of allowance for uncollectibles)	280,615
Due from other funds	188,659
Prepaid items	568
Restricted assets:	
Cash	297,661
Investments	593,936
TOTAL CURRENT ASSETS	2,224,434
Noncurrent Assets	
Deferred charges	131,536
Capital assets	
Capital assets not being depreciated	118,604
Capital assets being depreciated	17,183,051
Less: accumulated depreciation	(6,691,160)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	10,610,495
TOTAL NONCURRENT ASSETS	10,742,031
TOTAL ASSETS	12,966,465
LIABILITIES	
Current Liabilities	
Accounts payable	203,000
Other accrued items	9,813
Accrued interest	49,405
Due to other funds	132,438
Amounts held in trust	42,576
Compensated absences payable	19,470
Revenue bonds payable	236,338
TOTAL CURRENT LIABILITIES	693,040
Noncurrent Liabilities	
Revenue bonds payable	5,128,010
TOTAL NONCURRENT LIABILITIES	5,128,010
TOTAL LIABILITIES	5,821,050
NET ASSETS	
Invested in capital assets, net of related debt	5,246,147
Restricted for debt service	836,774
Unrestricted	1,062,494
TOTAL NET ASSETS	$ 7,145,415

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For the Year Ended June 30, 2011

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Water sales	$ 1,834,508
Water connection fees	7,539
Sewer sales	813,584
Other	9,675
Total Operating Revenues	2,665,306
OPERATING EXPENSES	
Salaries and benefits	666,322
Supplies	21,409
Other services and charges	809,768
Depreciation	503,799
Repairs and maintenance	96,287
Water purchases	253,488
Total Operating Expenses	2,351,073
OPERATING INCOME (LOSS)	314,233
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	11,460
Interest expense	(294,212)
Gain (loss) on sale of capital assets	(208,742)
Total Nonoperating Revenues (Expenses)	(491,494)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(177,261)
Pledged as security for revenue bonds:	
Capital contributions-in kind	60,000
Transfer in	52,344
Transfer out	(38,152)
CHANGE IN NET ASSETS	(103,069)
TOTAL NET ASSETS, Beginning of year	7,248,484
TOTAL NET ASSETS, End of year	$ 7,145,415

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 2,625,132
Payments to suppliers	(1,231,036)
Payments to employees	(643,804)
Net cash provided by (used in) operating activities	750,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(28,639)
Proceeds from sale of capital assets	2,000
Transfers in	52,344
Transfers out	(38,152)
Principal payments on debt	(227,445)
Interest paid	(287,765)
Net cash provided (used) by capital and related financing activities	(527,657)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	11,460
Purchase of investments	(6,084)
Net cash provided (used) by investing activities	5,376
Net increase (decrease) in cash and cash equivalents	228,011
CASH, Beginning of year	852,522
CASH, End of year	$ 1,080,533
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 314,233
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	503,799
(Increase) decrease in:	
Accounts receivable	(21,724)
Increase (decrease) in:	
Compensated absences	12,705
Customer deposits	(18,450)
Other accrued items	9,813
Due to other funds	(50,084)
Net cash provided by (used in) operating activities	$ 750,292
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES	
Donated Capital Assets	$ 60,000
Net book value of capital assets disposed	$ (210,742)

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

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

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

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Fines are considered available if they are collected within 60 days of the end of the current fiscal year. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, fines, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(D) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 1 of each year. The taxes were payable on or before December 1, 2010. Interest and penalties are assessed on taxes not paid by this date. The County's property taxes were levied on the assessed values of all real property with utilities including mobile homes located in the City limits

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Streets, bridges and culverts acquired prior to July 1, 2003 have not been reported.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2011.

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

Asset	Years
Buildings	40
Machinery and equipment	5-20
Vehicles	3-10
Infrastructure	40

5. Compensated Absences

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

6. Long-term Obligations

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

7. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

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

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

- *Nonspendable* - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.
- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Committed* - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Board of Commissioners must adopt another resolution.
- *Assigned* - Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the County's finance director to assign fund balances.
- *Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

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

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

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

The "invested in capital assets, net of related debt" reported on the government-wide statement of net assets as of June 30, 2011 are as follows:

Invested in capital assets, net of related debt:	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 3,175,230	$ 17,301,655
Accumulated depreciation	(1,128,808)	(6,691,160)
Book value	2,046,422	10,610,495
Capital related debt	(503,578)	(5,364,348)
Invested in capital assets, net of related debt	$ 1,542,844	$ 5,246,147

9. *Management Estimates*

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

1. The City Council holds a public hearing on the budget.

2. The budget is then revised and adopted or amended by the City Council at a public meeting.

3. The budget may be amended during the year only by formal action of the city council at a regular meeting.

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

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

The excess has been funded by additional revenue and short-term debt. The City will make announcements when necessary in the future.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of June 30, 2011, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $2,192,858 and the bank balance was $2,301,184. Of these amounts, $674,059 are certificates of deposit presented in investments in the financial statements.

NOTE 4 - RECEIVABLES

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

	General Fund	SPLOST	Water and Sewer Fund
Receivables:			
Taxes	$ 131,827	$ -	$ -
Fines	135,104	-	-
Other	16,579	-	246,109
Intergovernmental	10,787	25,598	106,574
Total Gross Receivables	294,297	25,598	352,683
Less: Allowance for Uncollectibles	(90,304)	-	(72,068)
Total Net Receivables	$ 203,993	$ 25,598	$ 280,615

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Adjustments and Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 204,561	$ -	$ -	$ -	$ 204,561
Construction in progress	211,564	214,107	-	(425,671)	-
Total non-depreciable capital assets	416,125	214,107	-	(425,671)	204,561
Depreciable Assets:					
Buildings and improvements	709,201	-	-	-	709,201
Machinery and equipment	589,539	-	(31,212)	-	558,327
Vehicles	795,349	6,000	-	-	801,349
Infrastructure	478,689	-	(2,568)	425,671	901,792
Total depreciable capital assets	2,572,778	6,000	(33,780)	425,671	2,970,669
Less Accumulated Depreciation for:					
Buildings and improvements	109,378	20,094	-	-	129,472
Machinery and equipment	352,791	46,115	(30,939)	2	367,969
Vehicles	507,344	61,479	-	(1)	568,822
Infrastructure	26,324	36,222	-	(1)	62,545
Total accumulated depreciation	995,837	163,910	(30,939)	-	1,128,808
Total depreciable capital assets, net	1,576,941	(157,910)	(2,841)	425,671	1,841,861
Governmental activities capital assets, net	$ 1,993,066	$ 56,197	$ (2,841)	$ -	$ 2,046,422

Additions to governmental activities capital assets for fiscal year ending June 30, 2011 consist of the following:

Capital Outlay	$ 220,108
Donated assets	-
Rounding	(1)
Total	$ 220,107

Non-depreciable capital assets additions	$ 214,107
Depreciable capital assets additions	6,000
Total	$ 220,107

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 118,604	$ -	$ -	$ -	$ 118,604
Construction in progress	5,338	203,000	(208,338)	-	-
Total non-depreciable capital assets	123,942	203,000	(208,338)	-	118,604
Depreciable Assets:					
Buildings and improvements	170,401	-	-	-	170,401
Machinery and equipment	1,615,477	60,000	(3,845)	-	1,671,632
Vehicles	64,707	-	(5,018)	-	59,689
Infrastructure	15,252,690	28,639	-	-	15,281,329
Total depreciable capital assets	17,103,275	88,639	(8,863)	-	17,183,051
Less Accumulated Depreciation for:					
Buildings and improvements	47,031	5,208	-	-	52,239
Machinery and equipment	769,786	116,498	(1,441)	-	884,843
Vehicles	48,963	4,584	(5,018)	-	48,529
Infrastructure	5,328,040	377,509	-	-	5,705,549
Total accumulated depreciation	6,193,820	503,799	(6,459)	-	6,691,160
Total depreciable capital assets, net	10,909,455	(415,160)	(2,404)	-	10,491,891
Business-type activities capital assets, net	$ 11,033,397	$ (212,160)	$ (210,742)	$ -	$ 10,610,495

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

Governmental Activities:	
General Government	$ 5,361
Public Safety	98,454
Public Works	50,105
Recreation and Culture	5,111
Housing and Development	4,879
Total depreciation expense-governmental activities	$ 163,910
Business-type Activities:	
Water and Sewer	$ 346,069
Water Plant	157,730
Total depreciation expense-business-type activities	$ 503,799

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Compensated absences	35,907	35,907	(45,959)	25,855	25,855	-
Notes payable	546,381	-	(42,803)	503,578	374,222	129,356
Governmental activities long-term liabilities	$ 582,288	$ 35,907	$ (88,762)	$ 529,433	$ 400,077	$ 129,356
Business-type Activities:						
Compensated absences	6,765	6,765	5,940	19,470	19,470	-
Revenue bonds	5,591,793	-	(227,445)	5,364,348	236,338	5,128,010
Business-type activities long-term liabilities	$ 5,598,558	$ 6,765	$ (221,505)	$ 5,383,818	$ 255,808	$ 5,128,010

Compensated absences are generally liquidated by the general fund.

Notes Payable

The City issued an installment note in the amount of $349,175 with United Community Bank with monthly principal and interest payable at 4.45% per annum in the amount of $2,500 and a balloon payment in the amount of $335,671 due December 31, 2011. The City issued this note payable to finance the new Public Safety Complex. The amount outstanding as of June 30, 2011 is $341,877.

The City has an installment note with the USDA with monthly principal and interest payable at 4.625% per annum in the amount of $27,546 maturing June 2, 2013. The City issued this note payable to finance police vehicles. The amount outstanding as of June 30, 2011 is $51,485.

The City has an installment note with the USDA with monthly principal and interest payable at 4.375% per annum in the amount of $12,002 maturing June 2, 2023. The City issued this note payable to finance fire vehicles. The amount outstanding as of June 30, 2011 is $110,216.

The annual requirements to amortize notes payable outstanding as of June 30, 2011 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	$ 374,222	$ 7,203	$ 381,425
2013	33,815	5,733	39,548
2014	7,822	4,180	12,002
2015	8,164	3,838	12,002
2016	8,521	3,107	11,628
2017-2021	48,537	11,473	60,010
2022-2023	22,497	1,486	23,983
Total	$ 503,578	$ 37,020	$ 540,598

Revenue Bonds

The Water and Sewer Revenue Bonds ($600,000 - Series 1972) are dated April 6, 1972 and bear interest at 5% per annum, payable January 1 of each year. These bonds have been authorized in the name of the United States Department of Agriculture, Farmers' Home Administration. These bonds were used to construct a wastewater plant and collection system. The annual requirements to amortize the bonds outstanding as of June 30, 2011 are as follows:

June 30,	Principal	Interest	Total
2012	$ 35,000	$ 1,750	$ 36,750
	$ 35,000	$ 1,750	$ 36,750

The Water Revenue Bonds ($1,350,000 - Series 1987) are dated January, 1987 and bear interest at 6.625% per annum payable January 1 each year. These bonds have been authorized in the name of the United State Department of Agriculture, Farmers' Home administration. These bonds were used to construct the Baldwin Water Plant. The annual requirements to amortize the bonds outstanding as of June 30, 2011 are as follows:

June 30,	Principal	Interest	Total
2012	$ 31,000	$ 70,358	$ 101,358
2013	34,000	68,304	102,304
2014	37,000	66,051	103,051
2015	40,000	63,600	103,600
2016	44,000	60,960	104,960
2017-2021	295,000	254,666	549,666
2022-2026	463,000	136,409	599,409
2027	118,000	7,818	125,818
	$ 1,062,000	$ 728,166	$ 1,790,166

The Water Revenue Bonds ($1,204,000 – Series 1997-A&B) are dated September, 1998 and bear interest at 4.5% per annum payable. They are required to be paid in 480 equal monthly payments of $5,419 maturing September 28, 2038. These bonds have been authorized in the name of the United State Department of Agriculture, Farmers' Home Administration. These bonds were used for improvements to the Baldwin Water Plant. The annual requirements to amortize the bonds outstanding as of June 30, 2011 are as follows:

June 30,	Principal	Interest	Total
2012	$ 20,338	$ 44,690	$ 65,028
2013	21,273	43,755	65,028
2014	22,250	42,778	65,028
2015	23,272	41,756	65,028
2016	24,341	40,687	65,028
2017-2021	139,544	185,596	325,140
2022-2026	174,680	150,460	325,140
2027-2031	218,664	106,476	325,140
2032-2036	273,722	51,418	325,140
2037-2038	84,264	2,719	86,983
	$ 1,002,348	$ 710,335	$ 1,712,683

In July 2001, the City of Baldwin issued $4,390,000 in revenue bonds to be used for the construction of a new sewer plant. The bonds, which bear interest at rates from 3.2% to 5%, mature June 1, 2026. The annual requirements to amortize the bonds outstanding as of June 30, 2011 are as follows:

June 30,	Principal	Interest	Total
2012	$ 150,000	$ 160,210	$ 310,210
2013	160,000	153,610	313,610
2014	165,000	146,410	311,410
2015	175,000	138,820	313,820
2016	180,000	130,594	310,594
2017-2021	1,060,000	511,798	1,571,798
2022-2026	1,375,000	217,780	1,592,780
	$ 3,265,000	$ 1,459,222	$ 4,724,222

Reserve Requirements

The City of Baldwin is required by its Bond Ordinance to fund various Reserve Funds on a monthly basis to provide funds to pay principal and interest coming due each year on the 1972, 1987 and 1997 Bond issues. This debt is reported in the Water and Sewer Enterprise Fund, as it is expected to be paid with the resources of this fund. The Water and Sewer Sinking Fund for the 1987 Bonds requires monthly deposits of $7,898. The Sinking Fund Reserve Account for the 1987 bonds requires monthly deposits of $1,325 (City of Demorest provides 75%) until it accumulates $134,000. This balance was obtained during the year ended June 30, 1995. The Renewal and Extension Fund for the 1987 Bonds is to receive any excess funds from the operation of the Water and Sewer System until the fund accumulates a balance of $50,000. This balance was obtained during the year ended June 30, 2001. The Sinking Fund Account for the 1972 Bonds required a monthly deposit of $3,000 and the Reserve Fund for the 1972 Bonds has obtained the $36,000 balance it is required to maintain. The Debt Service Reserve Account for the 1997 Bonds requires a deposit equal to 10% of each monthly installment of principal and interest until it accumulates amounts equal to the Series 1997 Bonds principal and interest forth next succeeding year and the sum equal to the 1987 Reserve Account. As a requirement of the 2001 Bond Issue, the Debt Service Reserve Account for the 1997 Bonds were fully funded by using a portion of these proceeds. The Debt Service Reserve Account for the 2001 was fully funded at the time of issue in the amount of $320,555. The City is required to make monthly deposits into a sinking fund from which the City will make payments of principal and interest on the outstanding 2001 revenue bond debt.

NOTE 7 - CONTINGENT LIABILITIES / RISK MANAGEMENT

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

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

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

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

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

$3,000,000	General Aggregate Limit (other than products completed operations)
$3,000,000	Products-Completed Operations Aggregate Limit
$1,000,000	Personal and Advertising Injury Limit
$1,000,000	Each Occurrence Limit
$1,000,000	Fire Damage Limit (any one fire)
$ 500,000	Fidelity Bonds

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Balances due to/from other funds at June 30, 2011 , consist of the following:

$ 168,500	Due to the Water and Sewer Fund from General Fund for prior year operating deficit.
20,159	Due to the Water and Sewer Fund from SPLOST for construction costs.
188,659	Total due to the Water and Sewer Fund.
132,438	Due to the General Fund from Water and Sewer Fund to for year-end accruals.
$ 321,097	Total Due from Other Funds

NOTE 9 - TRANSFERS OUT

Transfers to/from other funds at June 30, 2011, consists of the following:

$	38,152	From Water and Sewer Fund to SPLOST for construction costs.
	52,344	From SPLOST Fund to Water and Sewer Fund for construction costs.
$	90,496	Total

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The City, by resolution, adopted the GMA 401(a), a defined contribution retirement plan, administered by the Georgia Municipal Association. The plan provisions and contribution rates may also be amended by resolution. Only full-time employees participating in the section 457(b) plan can participate after one year of employment. The City shall make a matching contribution on behalf of each Participant to the Plan equal to 25% of the amount the Participant is contributing to the section 457(b) deferred compensation plan up to 6% of compensation. The City's contribution for 2011 was $406 and employee contributions were $1,626.

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

NOTE 12 - COMPREHENSIVE MANAGEMENT AGREEMENT

Effective April 1, 2002, the City of Baldwin and City of Demorest have agreed to modify the Comprehensive Management Agreement, as modified. The purpose of this Fourth Modification Agreement is to modify the rules, obligations, privileges, duties, and legal relationships of Baldwin and Demorest concerning the Water Processing Plant. Pursuant to this Fourth Modification Agreement, Baldwin shall sell and Demorest shall purchase water from the Plant. As of the effective date of this Fourth Modification Agreement, Baldwin shall assume and shall be solely responsible for the operation, management, maintenance, and repair of the Water Processing Plant. The term of this Fourth Modification Agreement is for a five year period.

At the City of Demorest's election, they may renew the Fourth Modification Agreement to sell and purchase water for an additional term of two to five years. If Demorest elects not to renew

the agreement for another five year period, Baldwin will need to secure enough customers to utilize the capacity that Demorest is currently using. Demorest is currently using 75% of the potable water produced by the plant.

NOTE 13 - GEORGIA MOUNTAINS REGIONAL COMMISSION

Under Georgia law, the City in conjunction with other cities and counties in the area are members of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues there to. During the year ended June 30, 2011, the City paid $2,626 in such dues. Membership in the GMRC is required by the official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the GMRC in Georgia. The GMRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an GMRC. Separate financial statements may be obtained from:

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

NOTE 14 - WATER AND SEWER CUSTOMERS

As of June 30, 2011, City of Baldwin had the following Water and Sewer Customers:

	WATER	SEWER
Residential	1,479	712
Commercial	137	88
Total Customers	1,616	800

Rates to Baldwin's sewer customers did not change in the fiscal year ended June 30, 2011. However, Baldwin increased water customer rates effective July 1, 2008.

During 2011, both the City of Baldwin and City of Demorest purchased water from the Baldwin Processing Plant. Sales to each city are as follows:

City of Baldwin	$	241,319
Demorest		703,237
Total sales	$	944,556

CITY OF BALDWIN, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2011
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 31,787	$ 31,787	$ 31,787	$ -
RESOURCES (INFLOWS)				
Taxes	845,625	855,625	958,354	102,729
Licenses and permits	11,900	11,900	16,318	4,418
Fines and forfeitures	272,000	272,000	210,513	(61,487)
Charges for services	397,780	397,780	427,193	29,413
Contributions and donations	2,000	2,000	1,783	(217)
Interest income	1,500	1,500	267	(1,233)
Miscellaneous	-	-	4,672	4,672
Total Resources (Inflows)	1,530,805	1,540,805	1,619,100	78,295
AMOUNTS AVAILABLE FOR APPROPRIATION	1,562,592	1,572,592	1,650,887	78,295
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Legislative	39,635	42,835	42,768	67
Elections	1,200	200	179	21
Financial administration	100,337	102,537	102,480	57
Law	30,000	42,100	42,014	86
Buildings	9,890	7,890	7,781	109
Total General Government	181,062	195,562	195,222	340
Judicial				
Municipal court	4,200	4,200	4,200	-
Total Judicial	4,200	4,200	4,200	-
Public Safety				
Police	623,823	628,623	628,545	78
Custody of prisoners	8,000	12,200	12,174	26
Fire	352,165	360,165	360,121	44
Animal control	-	4,700	4,686	14
Total Public Safety	983,988	1,005,688	1,005,526	162
Public Works				
Highways and streets	177,404	153,404	152,338	1,066
Solid waste and recycling	97,512	97,512	96,630	882
Cemetery	800	800	-	800
Total Public Works	275,716	251,716	248,968	2,748
Recreation and Culture				
Parks	8,000	3,000	2,445	555
Total Recreation and Culture	8,000	3,000	2,445	555
Housing and development				
Code enforcement	-	2,800	2,747	53
Total Housing and Development	-	2,800	2,747	53
TOTAL CHARGES TO APPROPRIATIONS	1,452,966	1,462,966	1,459,108	3,858
CHANGE IN FUND BALANCE	77,839	77,839	159,992	82,153
FUND BALANCE, End of year	$ 109,626	$ 109,626	$ 191,779	$ 82,153

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF BALDWIN, GEORGIA
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER AND SEWER FUND
For the Year Ended June 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	WATER & SEWER FUND	WATER PLANT	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Pledged as security for revenue bonds:			
Water sales	$ 889,952	$ 944,556	$ 1,834,508
Water connection fees	7,539	-	7,539
Sewer sales	813,584	-	813,584
Other	-	9,675	9,675
Total Operating Revenues	1,711,075	954,231	2,665,306
OPERATING EXPENSES			
Salaries and benefits	437,165	229,157	666,322
Supplies	15,109	6,300	21,409
Other services and charges	381,006	428,762	809,768
Depreciation	346,069	157,730	503,799
Repairs and maintenance	96,287	-	96,287
Water purchases	253,488	-	253,488
Total Operating Expenses	1,529,124	821,949	2,351,073
OPERATING INCOME (LOSS)	181,951	132,282	314,233
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	7,095	4,365	11,460
Interest expense	(177,345)	(116,867)	(294,212)
Gain (loss) on sale of capital assets	(208,742)	-	(208,742)
Total Nonoperating Revenues (Expenses)	(378,992)	(112,502)	(491,494)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(197,041)	19,780	(177,261)
Pledged as security for revenue bonds:			
Capital contributions-in kind	60,000	-	60,000
Transfer in	241,321	52,344	293,665
Transfer out	(38,152)	(241,321)	(279,473)
CHANGE IN NET ASSETS	66,128	(169,197)	(103,069)
TOTAL NET ASSETS, Beginning of year	5,412,439	1,836,045	7,248,484
TOTAL NET ASSETS, End of year	$ 5,478,567	$ 1,666,848	$ 7,145,415

CITY OF BALDWIN, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended June 30, 2011

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR	
Banks county, Georgia, SPLOST - Commenced October 1, 2001					
Water Development	$ 225,088	$ 121,121	$ 80,819	$ 40,302	
Totals	$ 225,088	$ 121,121	$ 80,819	$ 40,302	
Banks county, Georgia, SPLOST - Commenced October 1, 2006					
Water Development	$ 100,000	$ 200,000	$ 185,857	$ (78,454)	(1)
Streets	200,000	100,000	49,273	157,597	
Totals	$ 300,000	$ 300,000	$ 235,130	$ 79,143	
Habersham County, Georgia SPLOST V - Commenced May 1, 2008					
Water Development	$ 425,000	$ 425,000	$ 21,970	$ 52,344	
Sewer Development	400,000	400,000	-	-	
Roads / Bridges	350,000	350,000	20,887	6,790	
Recreation	29,540	41,991	33,657	-	
Police Equipment	137,730	137,730	55,092	27,546	
Fire Equipment	193,190	193,190	59,504	12,002	
Public Facilities	475,000	475,000	75,017	-	
Totals	$ 2,010,460	$ 2,022,911	$ 266,127	$ 98,682	

Total of all SPLOSTS above	**$ 218,127**

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

Expenditures	$ 203,935
Transfers in and out	14,192
Total	**$ 218,127**

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2011

WATER OPERATIONS

FISCAL YEAR	VOLUME OF WATER PURCHASE	COST OF WATER PURCHASED FROM PLANT	VOLUME OF WATER BILLED TO CUSTOMERS	REVENUE FROM WATER BILLED TO CUSTOMERS	PERCENT WATER LOSS
2002	166,846,000	$ 140,334	115,243,759	$ 477,960	30.93
2003	189,803,000	186,007	110,897,921	512,973	41.57
2004	198,202,000	232,381	111,604,096	527,006	43.69
2005	198,637,000	252,338	129,289,512	573,359	34.91
2006	201,814,000	257,637	141,456,850	623,225	29.91
2007	205,617,000	261,134	143,032,125	653,455	30.44
2008	198,246,000	251,772	133,539,603	659,305	32.64
2009	174,346,000	263,262	116,575,533	866,113	33.14
2010	155,388,000	234,636	117,782,400	843,949	24.20
2011	159,814,000	$ 241,319	117,162,209	$ 857,614	26.69

TOTAL WATER AND SEWER SYSTEM CONNECTIONS

	WATER CONNECTIONS		SEWER CONNECTIONS	
FISCAL YEAR	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
2002	1,337	70	645	76
2003	1,394	88	654	51
2004	1,399	102	623	56
2005	1,400	135	679	86
2006	1,386	147	656	95
2007	1,485	146	716	94
2008	1,491	148	721	97
2009	1,442	142	676	91
2010	1,442	142	676	91
2011	1,479	137	712	88

LARGEST WATER AND SEWER USERS

USER NAME	WATER GALLONS PER YEAR	SEWER GALLONS PER YEAR	COMBINED REVENUE FISCAL 2011	PERCENT OF WATER AND SEWER REVENUE
Department of Corrections	-	81,390,300	$ 492,981	28.94
Fieldale Corporation	13,866,300	5,467,800	136,772	8.03
Oak Heritage Healthcare, Inc	5,711,600	5,711,600	72,151	4.24
Heritage Gardens	2,995,800	2,995,800	45,900	2.69
Windstream	2,945,010	2,945,010	43,556	2.56
Baldwin Court Apartments	1,581,070	1,581,070	24,252	1.42
Habersham Metal	1,349,800	1,349,800	16,452	0.97
Magnolia Window & Door	956,410	956,410	11,337	0.67
Habersham Retreat	772,100	772,100	8,941	0.52
Magnolia Place Apartments	458,600	458,600	6,685	0.39
All Others	86,525,519	33,486,395	844,509	49.57
TOTALS	117,162,209	137,114,885	$ 1,703,536	100.00

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2011

RATIO OF LARGEST WATER USERS TO TOTAL WATER VOLUME

TEN LARGEST USERS' VOLUME		30,636,690
AMOUNT OF WATER DELIVERED TO CUSTOMERS		117,162,209
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER VOLUME	26.15 %	

RATIO OF LARGEST SEWER USERS TO TOTAL SEWER VOLUME

TEN LARGEST USERS' VOLUME		103,628,490
AMOUNT OF WASTEWATER FLOW		137,114,885
TEN LARGEST USERS PERCENTAGE OF TOTAL WASTEWATER VOLUME	75.58 %	

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

COMBINED WATER AND SEWER REVENUE	$	1,703,536
REVENUE FROM TEN LARGEST USERS	$	859,027
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER AND SEWER REVENUE	50.43 %	

CITY OF BALDWIN, GEORGIA
ENTERPRISE FUND
SCHEDULE OF DEBT SERVICE COVERAGE RATIOS
June 30, 2011

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

BatesCarter
Exceeding expectations. Always.

PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

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

December 28, 2011

City Council
CITY OF BALDWIN, GEORGIA
BALDWIN, GEORGIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF BALDWIN, GEORGIA, as of and for the year ended June 30, 2011, which collectively comprise the CITY OF BALDWIN, GEORGIA's basic financial statements and have issued our report thereon, dated December 28, 2011. 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 the CITY OF BALDWIN, GEORGIA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF BALDWIN, GEORGIA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CITY OF BALDWIN, GEORGIA's internal control over financial reporting.

A *deficiency in internal control* exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

CITATIONS

Statement of Condition 1:
During the course of the audit process, we noted 80% of the citations that were tested did not contain complete information regarding disposition and sentence and signature by a City employee. Instead, the amount of the fine was written at the top corner of the ticket.

Criteria:
The City should ensure all necessary information is included on all tickets.

Effect of Condition:
Without complete information, it is difficult to determine the final outcome of the ticket and the date it was closed.

Cause of Condition:
Cause of condition unknown.

Recommendation:
We recommend the City identify a responsible person to ensure all necessary information is documented on each ticket.

Response:
We agree. As of July 2011, the city has contracted with a solicitor to process and respond to all citations, dispositions and sentences to ensure effective completion.

Statement of Condition 2:
During the course of the audit process, we noted that the police department uses a very manual process for payment of fines and fees.

Criteria:
Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. A study by the Association of Certified Fraud Examiners found that more than 80 percent of occupational fraud cases involve asset misappropriation, and cash is the targeted asset 90 percent of the time. As a general rule, the following rules over the collection of cash should be applied:

- The receipt of cash should be centralized.
- Defendants should obtain a computer generated receipt at the conclusion of the transaction.
- Cash collections should be reconciled to a daily cash report.
- A void transaction report should be review on a weekly basis to ensure any voids were properly authorized.

Effect of Condition:
When manual processes are used, the risk of fraud and misappropriation increase. Also, it is very time consuming for staff to prepare these reports manually. Based upon the testing we performed, there appeared to be a five to six day delay between cash being collected versus actually being deposited into the bank.

Cause of Condition:
Cause of condition unknown.

Recommendation:
The computer system utilized by the police department has the capabilities of handling cash receipting. We recommend management asses this system and incorporate electronic receipting into current procedures.

Response:
We agree. Beginning January 1, 2012 the Data Management System used by the police department will print out receipts to defendants and a daily cash transaction receipt list by type will be printed and sent to City Hall with all money for further processing of deposits. Deposits will be made within 3 business days of receipt of payment.

CREDIT CARDS

Statement of Condition 3:
During the course of the audit, we noted that credit cards were not posted in the general ledger on the same day of the actual transaction.

Criteria:
Credit cards transactions should be posted in the general ledger on the day the transaction originated.

Effect of Conditions:
As a result, the date posted in the general ledger is different from the date the transaction cleared on the bank statement. As a result, the bank reconciliation process becomes unnecessarily time consuming and difficult.

Cause of Condition:
Staff responsible for posting cash receipts into the general ledger may require additional training in this area.

Recommendation:
Although finance may not receive credit card payments from other departments until a couple of days after the transaction has taken place, it is important to post credit card payments on the date it originated.

Response:
We agree. As of January 1, 2012 the procedure to posting receipts of credit card payments was modified to ensure the date of the posting in the general ledger is the same as the day of the actual transaction.

WATER & SEWER BILLING

Statement of Condition 4:
During the course of the audit, we noted numerous billing errors when testing water and sewer billings. The nature of these errors are summarized as follows:

- One instance of a commercial customer's bill not calculated correctly due to improper set-up in the billing system.
- One instance of a meter reading entered incorrectly into billing system.
- Three instances of customers that are not bill for garbage due to improper set-up in the system.

These errors represented 20% of the sample size selected for testing.

Criteria:
Controls should be in place to ensure accurate information is entered into billing system. Responsible staff should have a clear understanding of their responsibility for ensuring accurate information is entered into the billing system.

Effect of Condition:
As a result, these billing errors represent a loss of revenue to the City.

Cause of Condition:
Cause of condition is unknown.

Recommendation:
We recommend management assess the procedures related to utility billings to determine what additional controls may need to be established to prevent/ minimize billing errors. It may be as simple as additional staff training.

Response:
We agree. In December 2011 a customer account audit was conducted by staff screening for all services to identify customers who may not have all services billed by utility billing. By January 31, 2012 the processing of a new utility customer will also be reviewed by a second employee to ensure correct services are established. A check-off list of services will also be implemented.

COMPLIANCE AND OTHER MATTERS

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

The Library's response to the findings identified in our audit are included with our findings above. We did not audit the Library's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board, others within the organization, 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

Bates, Cert. Co, LLP