CITY OF BALDWIN, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2013

CITY OF BALDWIN, GEORGIA

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June 30, 2013

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INDEPENDENT AUDITORS' REPORT

June 27, 2014

City Council
CITY OF BALDWIN, GEORGIA
BALDWIN, GEORGIA

Report on the Financial Statements

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, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement 65, "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

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.

Other Information

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 accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-12. The Supplemental Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Water & Sewer Fund and Schedule of Projects Constructed with Special Sales Tax Proceeds are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements taken as a whole.

The Statistical Information and Schedule of Debt Service Coverage Ratios have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2014, 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* in considering CITY OF BALDWIN, GEORGIA's internal control over financial reporting and compliance.

Batchelor Carter & Co, LLP

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET POSITION
June 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 426,885	$ 2,115,761	$ 2,542,646
Investments	-	121,018	121,018
Receivables (net of allowance for uncollectibles)	177,218	312,136	489,354
Internal balances	470,076	(470,076)	-
Prepaid items	79,954	568	80,522
Restricted assets:			
Cash	23,463	885,487	908,950
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	204,561	118,604	323,165
Capital assets being depreciated	3,018,052	17,575,448	20,593,500
Less: accumulated depreciation	(1,391,440)	(7,795,137)	(9,186,577)
Capital assets, net of depreciation	1,831,173	9,898,915	11,730,088
TOTAL ASSETS	3,008,769	12,863,809	15,872,578
LIABILITIES			
Accounts payable	101,153	85	101,238
Accrued interest payable	-	14,796	14,796
Other accrued items	11,963	11,514	23,477
Amounts held in trust	-	70,232	70,232
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	34,393	16,448	50,841
Notes payable	318,361	-	318,361
Revenue bonds payable	-	140,000	140,000
Due in more than one year			
Notes payable	87,719	-	87,719
Revenue bonds payable	-	5,333,709	5,333,709
TOTAL LIABILITIES	553,589	5,586,784	6,140,373
NET POSITION			
Net investment in capital assets	1,425,093	4,425,206	5,850,299
Restricted for:			
Debt service	-	419,745	419,745
Capital outlay projects	418,593	450,947	869,540
Unrestricted	611,494	1,981,127	2,592,621
TOTAL NET POSITION	$ 2,455,180	$ 7,277,025	$ 9,732,205

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	$ 244,509	$ 16,193	$ -	$ -	$ (228,316)	$ -	$ (228,316)
Judicial	6,730	-	-	-	(6,730)	-	(6,730)
Public safety	1,136,712	594,868	-	-	(541,844)	-	(541,844)
Public works	302,433	150,387	-	227,704	75,658	-	75,658
Recreation and culture	5,597	-	-	-	(5,597)	-	(5,597)
Housing and development	4,717	8,725	-	-	4,008	-	4,008
Interest	18,132	-	-	-	(18,132)	-	(18,132)
Total Governmental Activities	1,718,830	770,173	-	227,704	(720,953)	-	(720,953)
BUSINESS-TYPE ACTIVITIES							
Water and sewer	3,043,213	3,369,948	-	-	-	326,735	326,735
Total Business-Type Activities	3,043,213	3,369,948	-	-	-	326,735	326,735
TOTAL PRIMARY GOVERNMENT	$ 4,762,043	$ 4,140,121	$ -	$ 227,704	(720,953)	326,735	(394,218)
GENERAL REVENUES							
Property taxes					451,052	-	451,052
Sales taxes					94,694	-	94,694
Insurance premium taxes					163,360	-	163,360
Real estate recording taxes					13	-	13
Other taxes					169,614	-	169,614
Total taxes					878,733	-	878,733
Unrestricted investment earnings					307	566	873
Grants and contributions not restricted to a specific program					74	203,000	203,074
Gain on sale of capital assets					703	-	703
TOTAL GENERAL REVENUES AND TRANSFERS					879,817	203,566	1,083,383
CHANGES IN NET POSITION					158,864	530,301	689,165
NET POSITION, Beginning					2,345,347	6,959,018	9,304,365
CHANGE IN ACCOUNTING PRINCIPLE					(49,031)	(212,294)	(261,325)
NET POSITION, Beginning as restated					2,296,316	6,746,724	9,043,040
NET POSITION, Ending					$ 2,455,180	$ 7,277,025	$ 9,732,205

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 59,972	$ 366,913	$ 426,885
Receivables (net of allowance for uncollectibles)	149,001	28,217	177,218
Due from other funds	470,076	-	470,076
Prepaid items	79,954	-	79,954
Restricted assets:			
Cash	-	23,463	23,463
TOTAL ASSETS	$ 759,003	$ 418,593	$ 1,177,596
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 101,154	$ -	$ 101,154
Other accrued items	11,963	-	11,963
TOTAL LIABILITIES	113,117	-	113,117
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	42,474	-	42,474
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	155,591	-	155,591
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	79,954	-	79,954
Restricted:			
Capital outlay projects	-	418,593	418,593
Unassigned:	523,458	-	523,458
TOTAL FUND BALANCES	603,412	418,593	1,022,005
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 759,003	$ 418,593	$ 1,177,596

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 POSITION
For the Year Ended June 30, 2013

Total Fund Balances for Governmental Funds (page 3)		$	1,022,005
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.			1,831,173
Revenues in the statement of activities that do not provide current financial resources are reported as unearned revenue in the funds.			
Property Taxes	42,474		
			42,474
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(34,393)		
Notes payable	(406,080)		
			(440,473)
Rounding			1
Total net position of governmental activities (page 1)		$	2,455,180

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, 2013

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 906,407	$ -	$ 906,407
Licenses and permits	14,700	-	14,700
Intergovernmental	-	227,384	227,384
Fines and forfeitures	262,221	-	262,221
Charges for services	491,277	-	491,277
Contributions and donations	74	-	74
Interest income	307	321	628
Miscellaneous	1,975	-	1,975
TOTAL REVENUES	1,676,961	227,705	1,904,666
EXPENDITURES			
Current Expenditures			
General government	237,751	1,802	239,553
Judicial	6,730	-	6,730
Public safety	1,028,921	-	1,028,921
Public works	248,909	-	248,909
Recreation and culture	1,791	-	1,791
Housing and development	4,717	-	4,717
Capital outlay	23,122	21,445	44,567
Debt service			
Principal	16,732	33,815	50,547
Interest	12,399	5,733	18,132
TOTAL EXPENDITURES	1,581,072	62,795	1,643,867
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	95,889	164,910	260,799
OTHER FINANCING SOURCES (USES)			
Sale of city property	703	-	703
TOTAL OTHER FINANCING SOURCES (USES)	703	-	703
NET CHANGE IN FUND BALANCES	96,592	164,910	261,502
FUND BALANCES, Beginning of year	506,820	253,683	760,503
FUND BALANCES, End of year	$ 603,412	$ 418,593	$ 1,022,005

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, 2013

Net change in fund balances (page 5)		$ 261,502
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	44,567	
Depreciation expense	(163,719)	
		(119,152)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	42,474	
		42,474
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(70,149)	
		(70,149)
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	50,547	
		50,547
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	(34,393)	
Compensated absences, prior year	28,033	
		(6,360)
Changes in net position of governmental activities (page 2)		$ 158,864

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
ASSETS	
Current Assets	
Cash	$ 2,115,761
Investments	121,018
Receivables (net of allowance for uncollectibles)	312,136
Prepaid items	568
Restricted assets:	
Cash	885,487
TOTAL CURRENT ASSETS	3,434,970
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	118,604
Capital assets being depreciated	17,575,448
Less: accumulated depreciation	(7,795,137)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	9,898,915
TOTAL NONCURRENT ASSETS	9,898,915
TOTAL ASSETS	13,333,885
LIABILITIES	
Current Liabilities	
Accounts payable	85
Other accrued items	11,514
Accrued interest	14,796
Due to other funds	470,076
Amounts held in trust	70,232
Compensated absences payable	16,448
Revenue bonds payable	140,000
TOTAL CURRENT LIABILITIES	723,151
Noncurrent Liabilities	
Revenue bonds payable	5,333,709
TOTAL NONCURRENT LIABILITIES	5,333,709
TOTAL LIABILITIES	6,056,860
NET POSITION	
Net investment in capital assets	4,425,206
Restricted for debt service	419,745
Restricted for capital outlay projects	450,947
Unrestricted	1,981,127
TOTAL NET POSITION	$ 7,277,025

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2013

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Water sales	$ 2,388,311
Water connection fees	10,000
Sewer sales	967,897
Sewer connection fees	800
Other	2,940
Total Operating Revenues	3,369,948
OPERATING EXPENSES	
Salaries and benefits	703,737
Supplies	165,587
Other services and charges	153,510
Depreciation	523,788
Professional fees	189,966
Repairs and maintenance	246,963
Utilities	333,803
Water purchases	553,681
Total Operating Expenses	2,871,035
OPERATING INCOME (LOSS)	498,913
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	566
Interest expense	(172,178)
Legal settlement costs	203,000
Total Nonoperating Revenues (Expenses)	31,388
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	530,301
CHANGE IN NET POSITION	530,301
TOTAL NET POSITION, Beginning of year	6,959,018
CHANGE IN ACCOUNTING PRINCIPLE	(212,294)
TOTAL NET POSITION, Beginning as restated	6,746,724
TOTAL NET POSITION, End of year	$ 7,277,025

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, 2013

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 3,429,989
Payments to suppliers	(1,229,719)
Payments to employees	(709,229)
Net cash provided by (used in) operating activities	1,491,041
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(100,051)
Principal payments on debt	(7,935)
Interest paid	(172,411)
Net cash provided (used) by capital and related financing activities	(280,397)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	566
Purchase of investments	(148)
Net cash provided (used) by investing activities	418
Net increase (decrease) in cash and cash equivalents	1,211,062
CASH, Beginning of year	1,790,186
CASH, End of year	$ 3,001,248
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 498,913
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	523,788
(Increase) decrease in:	
Accounts receivable	54,334
Increase (decrease) in:	
Accounts payable	86
Compensated absences	(3,526)
Customer deposits	5,707
Other accrued items	(1,966)
Due to other funds	413,705
Net cash provided by (used in) operating activities	$ 1,491,041
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES	
Write-Off Settlement Cost	$ 203,000

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.

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.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position 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.

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 fund:

> 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.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

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.

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, 2012. Interest and penalties are assessed on taxes not paid by this date. The City'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.

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.

Bond Premiums and Discounts

Cumulative effect of a change in accounting principle

Bond and loan issuance costs are expensed as incurred. These previously had been deferred and amortized. During 2013, the County implemented GASB Statement 65 *"Items Previously Reported As Assets and Liabilities"*. $212,294 was written off as the cumulative effect of a change in accounting principle for the business type activities.

Premiums and discount are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Amortization costs for premiums, discounts, and amounts deferred for refunding (see Note 6) for the year 2013 was $(7,935). None of these costs were capitalized in 2013.

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 2013.

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. This item only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.

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.

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 position.

Fund Equity

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

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 City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

> 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.

Fund balances are reported as *restricted* when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund balances are reported as *committed* when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.

Fund balances are reported as *assigned* when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's financial manager to assign fund balances.

Fund balances are reported as *unassigned* as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted as described in the fund balance section above. All other net position is 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.

Net Investment in Capital Assetst

The "Net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2013 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Cost of capital assets	$ 3,222,613	$ 17,694,052
Accumulated depreciation	(1,391,440)	(7,795,137)
Book value	1,831,173	9,898,915
Capital related debt	(406,080)	(5,473,709)
Invested in capital assets, net of related debt	$ 1,425,093	$ 4,425,206

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

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:

The City Council holds a public hearing on the budget.

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

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 fund general ledgers.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of June 30, 2013, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $3,572,614 and the bank balance was $3,647,713. Of these amounts, $121,018 are certificates of deposit presented as investments in the financial statements.

NOTE 4 - RECEIVABLES

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

	General Fund	SPLOST	Water and Sewer Fund
Receivables:			
Taxes	$ 109,733	$ -	$ -
Other	27,458	-	286,662
Intergovernmental	11,811	28,217	112,241
Total Gross Receivables	149,002	28,217	398,903
Less: Allowance for Uncollectibles	-	-	(86,767)
Total Net Receivables	$ 149,002	$ 28,217	$ 312,136

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments and Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 204,561	$ -	$ -	$ -	$ 204,561
Total non-depreciable capital assets	204,561	-	-	-	204,561
Depreciable Assets:					
Buildings and improvements	745,809	10,600	-	-	756,409
Machinery and equipment	497,795	10,845	-	-	508,640
Vehicles	834,084	23,122	(5,995)	-	851,211
Infrastructure	901,792	-	-	-	901,792
Total depreciable capital assets	2,979,480	44,567	(5,995)	-	3,018,052
Less Accumulated Depreciation for:					
Buildings and improvements	151,522	22,281	-	-	173,803
Machinery and equipment	351,630	35,725	-	-	387,355
Vehicles	622,930	60,622	(5,995)	-	677,557
Infrastructure	107,635	45,090	-	-	152,725
Total accumulated depreciation	1,233,717	163,718	(5,995)	-	1,391,440
Total depreciable capital assets, net	1,745,763	(119,151)	-	-	1,626,612
Governmental activities capital assets, net	$ 1,950,324	$ (119,151)	$ -	$ -	$ 1,831,173

Additions to governmental activities capital assets for fiscal year ending June 30, 2013 consist of the following:

Capital Outlay	$ 44,567
Donated assets	-
Total	$ 44,567
Non-depreciable capital assets additions	$ -
Depreciable capital assets additions	44,567
Total	$ 44,567

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 118,604	$ -	$ -	$ -	$ 118,604
Construction in progress	59,692	97,984	-	(157,676)	-
Total non-depreciable capital assets	178,296	97,984	-	(157,676)	118,604
Depreciable Assets:					
Buildings and improvements	170,400	-	-	-	170,400
Machinery and equipment	1,766,726	2,069	-	-	1,768,795
Vehicles	130,235	-	-	-	130,235
Infrastructure	15,348,342	-	-	157,676	15,506,018
Total depreciable capital assets	17,415,703	2,069	-	157,676	17,575,448
Less Accumulated Depreciation for:					
Buildings and improvements	57,448	5,208	-	-	62,656
Machinery and equipment	1,064,565	121,978	-	-	1,186,543
Vehicles	63,789	15,808	-	-	79,597
Infrastructure	6,085,546	380,795	-	-	6,466,341
Total accumulated depreciation	7,271,348	523,789	-	-	7,795,137
Total depreciable capital assets, net	10,144,355	(521,720)	-	157,676	9,780,311
Business-type activities capital assets, net	$ 10,322,651	$ (423,736)	$ -	$ -	$ 9,898,915

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

Governmental Activities:	
General Government	$ 5,950
Public Safety	101,804
Public Works	52,158
Recreation and Culture	3,806
Total depreciation expense-governmental activities	$ 163,718
Business-type Activities:	
Water and Sewer	$ 366,920
Water Plant	156,868
Total depreciation expense-business-type activities	$ 523,788

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Compensated absences	$ 28,033	$ 6,360	$ -	$ 34,393	$ 34,393	$ -
Notes payable	456,628	-	(50,548)	406,080	318,361	87,719
Governmental activities long-term liabilities	$ 484,661	$ 6,360	$ (50,548)	$ 440,473	$ 352,754	$ 87,719
Business-type Activities:						
Revenue bonds payable	$ 5,400,000	$ -	$ -	$ 5,400,000	$ 140,000	$ 5,260,000
Plus: original issue premium	204,611	-	(19,885)	184,726	-	184,726
Less: deferred refunding cost	(122,967)	-	11,950	(111,017)	-	(111,017)
	5,481,644	-	(7,935)	5,473,709	140,000	5,333,709
Compensated absences	19,974	-	(3,526)	16,448	16,448	-
Business-type activities long-term liabilities	$ 5,686,255	$ -	$ (27,820)	$ 5,658,435	$ 156,448	$ 5,333,709

Compensated absences are generally liquidated by the general fund.

Notes Payable

The City issued an installment note in the amount of $320,349 with United Community Bank with monthly principal and interest payable at 3.289% per annum in the amount of $2,500 and a balloon payment in the amount of $303,078 due December 31, 2013. The City issued this note payable to finance the new Public Safety Complex. The amount outstanding as of June 30, 2013 is $310,538.

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, 2013 is $95,541.

The annual requirements to amortize notes payable outstanding as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	$ 318,361	$ 9,219	$ 327,580
2015	8,164	3,838	12,002
2016	8,521	3,481	12,002
2017	8,894	3,108	12,002
2018	9,283	2,719	12,002
2019-2023	52,857	7,132	59,989
Total	$ 406,080	$ 29,497	$ 435,577

Revenue Bonds

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

The annual requirements to amortize the bonds outstanding as of June 30, 2013 are as follows:

June 30,	Principal	Interest	Total
2014	140,000	180,346	320,346
2015	300,000	177,546	477,546
2016	310,000	168,546	478,546
2017	325,000	156,146	481,146
2018	340,000	143,146	483,146
2019-2023	1,920,000	537,715	2,457,715
2024-2028	1,555,000	201,053	1,756,053
2029-2033	235,000	78,475	313,475
2034-2038	275,000	32,421	307,421
	$ 5,400,000	$ 1,675,394	$ 7,075,394

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
$1,000,000	Law Enforcement Liability Aggregate
$2,000,000	Public Officials Liability Aggregate
$1,000,000	Employee Benefits Liability Aggregate
$2,000,000	Employee Wrongful Act Liability Aggregate
$ 500,000	Fidelity Bonds

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Balances due to/from other funds at June 30, 2013 , consist of the following:

$ 321,430	Due to the General Fund from Water and Sewer Fund for year-end accruals.
148,646	Due to the General Fund from Water Plant Fund for year-end accruals
$ 470,076	Total Due from Other Funds

NOTE 9 - 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 2013 was $24 and employee contributions were $1,270.

NOTE 10 - 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 11- 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, 2013, the City paid $2,792 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 12- WATER AND SEWER CUSTOMERS

As of June 30, 2013, City of Baldwin had the following Water and Sewer Customers:

	WATER	SEWER
Residential	1,754	904
Commercial	150	101
Total Customers	1,904	1,005

During 2013, 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	$ 544,213
Demorest	937,268
Total sales	$ 1,481,481

CITY OF BALDWIN, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2013
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 506,820	$ 506,820	$ 506,820	$ -
RESOURCES (INFLOWS)				
Taxes	858,260	906,260	906,407	147
Licenses and permits	11,800	11,800	14,700	2,900
Fines and forfeitures	219,500	219,500	262,221	42,721
Charges for services	447,025	447,025	491,277	44,252
Contributions and donations	50	50	74	24
Interest income	-	-	308	308
Miscellaneous	1,450	1,450	1,975	525
Sale of county property	-	-	703	703
Total Resources (Inflows)	1,538,085	1,586,085	1,677,665	91,580
AMOUNTS AVAILABLE FOR APPROPRIATION	2,044,905	2,092,905	2,184,485	91,580
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Legislative	41,331	41,331	38,553	2,778
Elections	2,837	2,837	1,334	1,503
Financial administration	93,726	107,726	106,844	882
Law	45,000	73,000	72,533	467
Buildings	12,800	18,800	18,486	314
Total General Government	195,694	243,694	237,750	5,944
Judicial				
Municipal court	7,200	7,200	6,730	470
Total Judicial	7,200	7,200	6,730	470
Public Safety				
Police	648,197	663,596	663,132	464
Custody of prisoners	6,500	8,500	8,190	310
Fire	381,854	401,615	401,609	6
Animal control	13,170	13,170	8,245	4,925
Total Public Safety	1,049,721	1,086,881	1,081,176	5,705
Public Works				
Highways and streets	156,499	158,253	152,279	5,974
Solid waste and recycling	96,630	96,630	96,630	-
Total Public Works	253,129	254,883	248,909	5,974
Recreation and Culture				
Parks	2,600	2,600	1,791	809
Total Recreation and Culture	2,600	2,600	1,791	809
Housing and development				
Code enforcement	2,300	4,800	4,717	83
Total Housing and Development	2,300	4,800	4,717	83
TOTAL CHARGES TO APPROPRIATIONS	1,510,644	1,600,058	1,581,073	18,985
CHANGE IN FUND BALANCE	27,441	(13,973)	96,592	110,565
FUND BALANCE, End of year	$ 534,261	$ 492,847	$ 603,412	$ 110,565

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 POSITION
WATER AND SEWER FUND
For the Year Ended June 30, 2013

	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	$ 906,831	$ 1,481,480	$ 2,388,311
Water connection fees	10,000	-	10,000
Sewer sales	967,897	-	967,897
Sewer connection fees	800	-	800
Other	-	2,940	2,940
Total Operating Revenues	1,885,528	1,484,420	3,369,948
OPERATING EXPENSES			
Salaries and benefits	458,216	245,521	703,737
Supplies	80,509	85,078	165,587
Other services and charges	118,085	35,425	153,510
Depreciation	366,920	156,868	523,788
Professional fees	171,149	18,817	189,966
Repairs and maintenance	100,633	146,330	246,963
Utilities	109,814	223,989	333,803
Water purchases	549,808	3,873	553,681
Total Operating Expenses	1,955,134	915,901	2,871,035
OPERATING INCOME (LOSS)	(69,606)	568,519	498,913
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	290	276	566
Interest expense	(110,955)	(61,223)	(172,178)
Legal settlement	203,000	-	203,000
Total Nonoperating Revenues (Expenses)	92,335	(60,947)	31,388
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	22,729	507,572	530,301
Transfer in	544,213	-	544,213
Transfer out	-	(544,213)	(544,213)
CHANGE IN NET POSITION	566,942	(36,641)	530,301
TOTAL NET POSITION, Beginning of year	5,645,903	1,313,115	6,959,018
CHANGE IN ACCOUNTING PRINCIPLE	(131,176)	(81,118)	(212,294)
TOTAL NET POSITION, Beginning as restated	5,514,727	1,231,997	6,746,724
TOTAL NET POSITION, End of year	$ 6,081,669	$ 1,195,356	$ 7,277,025

CITY OF BALDWIN, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended June 30, 2013

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Habersham County, Georgia SPLOST V - Commenced May 1, 2008				
Water Development	$ 425,000	$ 425,000	$ 74,314	$ -
Sewer Development	400,000	400,000	92,398	-
Roads / Bridges	350,000	350,000	59,784	-
Recreation	29,540	41,991	33,657	10,600
Police Equipment	137,730	137,730	124,200	27,546
Fire Equipment	193,190	193,190	111,821	12,002
Public Facilities	475,000	475,000	78,544	12,647
Totals	$ 2,010,460	$ 2,022,911	$ 574,718	$ 62,795

Total of all SPLOSTS above	**$ 62,795**

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

Expenditures	$ 62,795
Transfers in and out	-
Expenditures paid with other sources	-
Total	**$ 62,795**

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2013

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
2004	198,202,000	232,381	111,604,096	527,006	43.69
2005	198,637,000	252,338	129,289,512	573,359	34.91
2006	201,814,000	257,637	141,456,850	623,225	29.91
2007	205,617,000	261,134	143,032,125	653,455	30.44
2008	198,246,000	251,772	133,539,603	659,305	32.64
2009	174,346,000	263,262	116,575,533	866,113	33.14
2010	155,388,000	234,636	117,782,400	843,949	24.20
2011	159,814,000	241,319	117,162,209	857,614	26.69
2012	156,880,000	-	111,774,787	-	28.75
2013	167,446,140	$ -	112,816,608	$ -	32.63

TOTAL WATER AND SEWER SYSTEM CONNECTIONS

	WATER CONNECTIONS		SEWER CONNECTIONS	
FISCAL YEAR	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
2004	1,399	102	623	56
2005	1,400	135	679	86
2006	1,386	147	656	95
2007	1,485	146	716	94
2008	1,491	148	721	97
2009	1,442	142	676	91
2010	1,442	142	676	91
2011	1,479	137	712	88
2012	1458	137	696	96
2013	1,754	150	904	101

LARGEST WATER AND SEWER USERS

USER NAME	WATER GALLONS PER YEAR	SEWER GALLONS PER YEAR	COMBINED REVENUE FISCAL 2013	PERCENT OF WATER AND SEWER REVENUE
Department of Corrections	-	71,649,000	$ 514,425	27.44
Fieldale Corporation	16,166,400	6,613,300	179,026	9.55
Heritage Gardens	4,463,900	4,463,900	82,418	4.40
Oak Heritage Healthcare, Inc	4,417,200	4,417,200	75,450	4.02
Windstream	2,673,540	2,673,540	48,027	2.56
Baldwin Court Apartments	1,432,120	1,432,120	26,179	1.40
Magnolia Window & Door	1,124,350	1,124,350	17,518	0.93
Habersham Retreat	912,700	912,700	14,076	0.75
Habersham Metal	617,500	617,500	9,290	0.50
A.K. Chan	543,070	543,070	8,103	0.43
All Others	80,465,828	33,762,071	900,216	48.02
TOTALS	112,816,608	128,208,751	$ 1,874,728	100.00

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2013

RATIO OF LARGEST WATER USERS TO TOTAL WATER VOLUME

TEN LARGEST USERS' VOLUME	32,350,780
AMOUNT OF WATER DELIVERED TO CUSTOMERS	112,816,608
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER VOLUME	28.68 %

RATIO OF LARGEST SEWER USERS TO TOTAL SEWER VOLUME

TEN LARGEST USERS' VOLUME	94,446,680
AMOUNT OF WASTEWATER FLOW	128,208,751
TEN LARGEST USERS PERCENTAGE OF TOTAL WASTEWATER VOLUME	73.67 %

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

COMBINED WATER AND SEWER REVENUE	$	1,874,728
REVENUE FROM TEN LARGEST USERS	$	974,512
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER AND SEWER REVENUE	51.98 %	

WATER AND SEWER RATES

INSIDE RATES	**WATER** per 1,000 gallons	**SEWER** per 1,000 gallons
RESIDENTIAL		
1st 2,000 gallons	$ 10.00	$ 15.50
2,001-6,000 gallons	5.30	7.85
6,001-9,000 gallons	7.95	8.10
9,001 and up gallons	10.60	8.45
COMMERCIAL		
1st 2,000 gallons	10.00	15.50
2,001-18,000 gallons	5.30	7.85
18,001-226,000 gallons	7.95	8.10
226,001 and up gallons	$ 10.60	$ 8.45

OUTSIDE RATES	**WATER** per 1,000 gallons	**SEWER** per 1,000 gallons
RESIDENTIAL		
1st 1,000 gallons	$ 19.00	$ 17.80
1,001-6,000 gallons	6.25	8.25
6,001-9,000 gallons	9.38	8.55
9,001 and up gallons	12.50	9.00
COMMERCIAL		
1st 1,000 gallons	19.00	17.80
1,001-18,000 gallons	6.25	8.25
18,001-226,000 gallons	9.38	8.55
226,001 and up gallons	$ 12.50	$ 9.00

CITY OF BALDWIN, GEORGIA
ENTERPRISE FUND
SCHEDULE OF DEBT SERVICE COVERAGE RATIOS
June 30, 2013

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
INCOME BEFORE DEBT SERVICE	$ 217,167	$ 113,859	$ 309,874	$ 120,218	$ 290,983	$ (41,312)	$ 261,456	$ 252,366	$ 325,693	$ 152,585	$ 499,479
DEBT SERVICE EXISTING PROJECTS	228,436	218,428	213,286	214,338	213,039	202,011	201,053	199,963	203,740	191,360	-
DEBT SERVICE NEW SEWER PLANT	308,608	318,883	319,190	312,313	312,873	313,060	312,860	312,325	311,425	229,252	180,346
	537,044	537,311	532,476	526,651	525,912	515,071	513,913	512,288	515,165	420,612	180,346
REVENUE AVAILABLE FOR DEBT SERVICE	217,167	113,859	309,874	120,218	290,983	(41,312)	261,456	252,366	325,693	152,585	499,479
ADD BACK DEPRECIATION	268,857	401,840	417,629	440,760	454,628	462,583	462,706	493,264	503,799	520,286	523,788
TOTAL AVAILABLE FOR DEBT SERVICE	$ 486,024	$ 515,699	$ 727,503	$ 560,978	$ 745,611	$ 421,271	$ 724,162	$ 745,630	$ 829,492	$ 672,871	$ 1,023,267
DEBT SERVICE COVERAGE	0.90	0.96	1.37	1.07	1.42	0.82	1.41	1.46	1.61	1.60	5.67

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INDEPENDENT AUDITORS' 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*

June 27, 2014

City Council
CITY OF BALDWIN, GEORGIA
BALDWIN, GEORGIA

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF BALDWIN, GEORGIA, as of and for the year ended June 30, 2013, which collectively comprise the CITY OF BALDWIN, GEORGIA's basic financial statements and have issued our report thereon, dated June 27, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the CITY OF BALDWIN, GEORGIA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF 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. Accordingly, we do not express an opinion on the effectiveness of CITY OF BALDWIN, GEORGIA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Howeer, material weaknesses may exist that have not been identified. We did identify significant deficiencies in internal control listed below.

***Statement of Condition 1*:** Transfers between the General Fund bank account, Water and Sewer Fund bank account and Water Plant bank account were recorded in the accounting system, however; cash was not actually transferred between bank accounts at the bank until a much later time period.

Criteria: Transfers between fund bank accounts should be recorded in the accounting system at the same time the transfer of cash is made at the bank.

Effect of Condition: Cash was overstated by a total of $390,361 in the General Fund, Water and Sewer fund cash was understated by $197,187 and, Water Plant fund cash was understated by $133,059. As a result, audit adjustments were posted to correctly state cash a year end.

Cause of Condition: During the fiscal year, the City incurred turnover in the area of finance.

Response: The City of Baldwin has enrolled in online baking so necessary transfers can be completed in a timely manner to ensure that inter-fund activity is properly accounted for at each month end.

Statement of Condition 2: Payroll benefits were not allocated to the proper departments at the time the benefit costs were incurred by the City. As a result, $85,068 of payroll benefits were accumulated on the balance sheet in the payroll withholding liability accounts.

Criteria: Payroll benefits should be allocated to the proper department at the time they occurred to ensure monthly budget reports are reliable.

Effect of Condition: As a result, costs incurred by each department was unstated and monthly budget reports were not reliable.

Cause of Condition: During the fiscal year, the City incurred turnover in the area of finance.

Response: Staff charged with responsibility of finance review will take steps to ensure reports are reviewed on a monthly basis to ensure transactions are reported properly.

Statement of Condition 3: A Monthly close-out process was not being performed.

Criteria: Each accounting period should be closed out at least 15 days following the end of the month. This process ensures that bank accounts have been properly reconciled, transactions have been properly recorded and reliable reports are produced.

Effect of Condition: Many audit adjustments were posted to properly reflects the assets and liabilities in each fund. As a result, interim reports were not reliable.

Cause of Condition: During the fiscal year, the City incurred turnover in the area of finance.

Response: Staff charged with responsibility of financial review will take steps to ensure that a monthly close out procedure is being performed.

Statement of Condition 4: As a result of test performed on water and sewer billings, multiple instances were noted where the amounts billed to customers were less than the rate structure approved by the City.

Criteria: Controls should be in place to insure the most current rate structure is properly set-up in the utility billing software.

Effect of Condition: As a result, revenues could be lower than projected. The City's rate structures is designed to properly fund costs to provide water and sewer service.

Cause of Condition: Cause Unknown.

Response: Staff responsible for billing are periodically spot checking billing calculations performed by the billing software to ensure the current rate structure is being applied to accounts.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

Statement of Condition 5: SPLOST proceeds from Banks County were recorded in the General Fund operating bank account instead of its own bank account.

Criteria: In accordance with state law, SPLOST proceeds shall be kept in a separate account from other funds of such county and each qualified municipality receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds of such county and each qualified municipality received proceeds of the sales and use tax prior to the expenditure.

Effect of Condition: Violation of State Law.

Cause of Condition: New SPLOST referendum and City staff has not had the time to establish a new account at the bank.

Response: City of Baldwin will establish a separate bank account for each SPLOST referendum.

Statement of Condition 6: The City is not funding the debt service fund on a monthly basis as required by the Series 2012 refunding bonds compliance requirements.

Criteria: Controls should be in place to ensure all compliance requirements are met.

Effect of Condition: The risk of the bonds being called increases when compliance requirements are not properly followed. This also may impact the City's ability to issue debt in the future.

Cause of Condition: During the fiscal year, the City incurred turnover in the area of finance.

Response: Finance staff will transfer funds from the operating account to the Debt Service Fund on a monthly basis.

CITY OF BALDWIN, GEORGIA'S RESPONSE TO FINDINGS

The CITY OF BALDWIN, GEORGIA's responses to the findings identified in our audit are described above. The City's responses were not subjected to the auditing procedures applied in the in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is soley to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker, Cart & Co, LLP