CITY OF BALDWIN, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2014

CITY OF BALDWIN, GEORGIA

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June 30, 2014

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INDEPENDENT AUDITORS' REPORT

February 23, 2015

Mayor and 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, 2014 and the related notes to the financial statements, 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, 2014, 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.

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 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 omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

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 February 23, 2015, 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.

Bates, Carter & Co., LLP

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET POSITION
June 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 929,801	$ 2,483,079	$ 3,412,880
Investments	-	121,099	121,099
Receivables (net of allowance for uncollectibles)	175,905	329,561	505,466
Internal balances	16,978	(16,978)	-
Prepaid items	85,491	568	86,059
Restricted assets:			
Cash	63,728	839,745	903,473
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	226,920	118,604	345,524
Capital assets being depreciated	3,097,442	17,575,448	20,672,890
Less: accumulated depreciation	(1,552,197)	(8,314,655)	(9,866,852)
Capital assets, net of depreciation	1,772,165	9,379,397	11,151,562
TOTAL ASSETS	3,044,068	13,136,471	16,180,539
LIABILITIES			
Accounts payable	100,122	3,334	103,456
Accrued interest payable	-	15,712	15,712
Other accrued items	17,142	17,767	34,909
Amounts held in trust	-	74,232	74,232
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	19,720	16,265	35,985
Notes payable	377,399	-	377,399
Revenue bonds payable	-	300,000	300,000
Due in more than one year			
Revenue bonds payable	-	5,025,774	5,025,774
TOTAL LIABILITIES	514,383	5,453,084	5,967,467
NET POSITION			
Net investment in capital assets	1,394,766	4,053,623	5,448,389
Restricted for:			
Debt service	-	373,050	373,050
Capital outlay projects	509,392	450,993	960,385
Unrestricted	625,527	2,805,721	3,431,248
TOTAL NET POSITION	$ 2,529,685	$ 7,683,387	$ 10,213,072

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

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 POSITION.... .....PRIMARY GOVERNMENT.....		
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	$ 283,947	$ 18,190	$ -	$ -	$ (265,757)	$ -	$ (265,757)
Judicial	8,202	-	-	-	(8,202)	-	(8,202)
Public safety	1,093,853	642,428	-	9,410	(442,015)	-	(442,015)
Public works	482,974	152,620	68,622	193,901	(67,831)	-	(67,831)
Recreation and culture	12,256	-	-	-	(12,256)	-	(12,256)
Housing and development	4,715	9,718	-	-	5,003	-	5,003
Interest	15,821	-	-	-	(15,821)	-	(15,821)
Total Governmental Activities	1,901,768	822,956	68,622	203,311	(806,879)	-	(806,879)
BUSINESS-TYPE ACTIVITIES							
Water and sewer	2,933,870	3,318,445	-	20,000	-	404,575	404,575
Total Business-Type Activities	2,933,870	3,318,445	-	20,000	-	404,575	404,575
TOTAL PRIMARY GOVERNMENT	$ 4,835,638	$ 4,141,401	$ 68,622	$ 223,311	(806,879)	404,575	(402,304)
GENERAL REVENUES							
Property taxes					427,639	-	427,639
Sales taxes					100,636	-	100,636
Insurance premium taxes					169,144	-	169,144
Other taxes					182,138	-	182,138
Total taxes					879,557	-	879,557
Unrestricted investment earnings					324	587	911
Grants and contributions not restricted to a specific program					-	1,200	1,200
Gain on sale of capital assets					1,503	-	1,503
TOTAL GENERAL REVENUES AND TRANSFERS					881,384	1,787	883,171
CHANGES IN NET POSITION					74,505	406,362	480,867
NET POSITION, Beginning					2,455,180	7,277,025	9,732,205
NET POSITION, Ending					$ 2,529,685	$ 7,683,387	$ 10,213,072

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

ASSETS	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
Cash	$ 487,144	$ 442,657	$ 929,801
Receivables (net of allowance for uncollectibles)	170,667	5,238	175,905
Due from other funds	19,210	-	19,210
Prepaid items	85,491	-	85,491
Restricted assets:			
Cash	-	63,728	63,728
TOTAL ASSETS	$ 762,512	$ 511,623	$ 1,274,135
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 100,124	$ (1)	$ 100,123
Other accrued items	17,142	-	17,142
Due to other funds	-	2,232	2,232
TOTAL LIABILITIES	117,266	2,231	119,497
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	22,952	-	22,952
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	140,218	2,231	142,449
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	85,490	-	85,490
Restricted:			
Capital outlay projects	-	509,392	509,392
Unassigned:	536,804	-	536,804
TOTAL FUND BALANCES	622,294	509,392	1,131,686
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 762,512	$ 511,623	$ 1,274,135

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, 2014

Total Fund Balances for Governmental Funds (page 3)		$ 1,131,686
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.		1,772,165
Revenues in the statement of activities that do not provide current financial resources are reported as unearned revenue in the funds.		
Property Taxes	22,952	22,952
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(19,720)	
Notes payable	(377,399)	
		(397,119)
Rounding		1
Total net position of governmental activities (page 1)		$ 2,529,685

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, 2014

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 899,079	$ -	$ 899,079
Licenses and permits	11,364	-	11,364
Intergovernmental	77,620	193,467	271,087
Fines and forfeitures	284,577	-	284,577
Charges for services	516,970	-	516,970
Contributions and donations	412	-	412
Interest income	324	434	758
Miscellaneous	10,046	-	10,046
TOTAL REVENUES	1,800,392	193,901	1,994,293
EXPENDITURES			
Current Expenditures			
General government	265,430	5,939	271,369
Judicial	8,202	-	8,202
Public safety	1,017,501	-	1,017,501
Public works	430,458	2,610	433,068
Recreation and culture	5,008	-	5,008
Housing and development	4,715	-	4,715
Capital outlay	19,199	82,551	101,750
Debt service			
Principal	20,859	7,822	28,681
Interest	11,641	4,180	15,821
TOTAL EXPENDITURES	1,783,013	103,102	1,886,115
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	17,379	90,799	108,178
OTHER FINANCING SOURCES (USES)			
Sale of city property	1,503	-	1,503
TOTAL OTHER FINANCING SOURCES (USES)	1,503	-	1,503
NET CHANGE IN FUND BALANCES	18,882	90,799	109,681
FUND BALANCES, Beginning of year	603,412	418,593	1,022,005
FUND BALANCES, End of year	$ 622,294	$ 509,392	$ 1,131,686

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, 2014

Net change in fund balances (page 5)		$ 109,681
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	101,750	
Depreciation expense	(160,757)	
		(59,007)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	22,952	
		22,952
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(42,474)	
		(42,474)
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 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	28,681	
		28,681
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	(19,720)	
Compensated absences, prior year	34,393	
		14,673
Changes in net position of governmental activities (page 2)		$ 74,505

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
ASSETS	
Current Assets	
Cash	$ 2,483,079
Investments	121,099
Receivables (net of allowance for uncollectibles)	329,561
Prepaid items	568
Restricted assets:	
Cash	839,745
TOTAL CURRENT ASSETS	3,774,052
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	118,604
Capital assets being depreciated	17,575,448
Less: accumulated depreciation	(8,314,655)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	9,379,397
TOTAL NONCURRENT ASSETS	9,379,397
TOTAL ASSETS	13,153,449
LIABILITIES	
Current Liabilities	
Accounts payable	3,334
Other accrued items	17,767
Accrued interest	15,712
Due to other funds	16,978
Amounts held in trust	74,232
Compensated absences payable	16,265
Revenue bonds payable	300,000
TOTAL CURRENT LIABILITIES	444,288
Noncurrent Liabilities	
Revenue bonds payable	5,025,774
TOTAL NONCURRENT LIABILITIES	5,025,774
TOTAL LIABILITIES	5,470,062
NET POSITION	
Net investment in capital assets	4,053,623
Restricted for debt service	373,050
Restricted for capital outlay projects	450,993
Unrestricted	2,805,721
TOTAL NET POSITION	$ 7,683,387

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, 2014

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Water sales	$ 2,308,441
Water connection fees	5,700
Sewer sales	1,003,804
Other	500
Total Operating Revenues	3,318,445
OPERATING EXPENSES	
Salaries and benefits	672,757
Supplies	155,027
Other services and charges	176,135
Depreciation	519,518
Professional fees	202,795
Repairs and maintenance	151,291
Utilities	329,961
Water purchases	553,058
Total Operating Expenses	2,760,542
OPERATING INCOME (LOSS)	557,903
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	587
Interest expense	(173,328)
Total Nonoperating Revenues (Expenses)	(172,741)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	385,162
Capital grants	20,000
Pledged as security for revenue bonds:	
System development fees	1,200
CHANGE IN NET POSITION	406,362
TOTAL NET POSITION, Beginning of year	7,277,025
TOTAL NET POSITION, End of year	$ 7,683,387

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, 2014

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 3,551,020
Payments to suppliers	(2,264,116)
Payments to employees	(666,685)
Net cash provided by (used in) operating activities	620,219
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
System development fees	1,200
Principal payments on debt	(147,935)
Capital grant	20,000
Interest paid	(172,412)
Net cash provided (used) by capital and related financing activities	(299,147)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	587
Purchase of investments	(83)
Net cash provided (used) by investing activities	504
Net increase (decrease) in cash and cash equivalents	321,576
CASH, Beginning of year	3,001,248
CASH, End of year	$ 3,322,824
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 570,152
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	519,518
(Increase) decrease in:	
Accounts receivable	(29,624)
Increase (decrease) in:	
Accounts payable	3,199
Compensated absences	(183)
Customer deposits	4,000
Other accrued items	6,255
Due to other funds	(453,098)
Net cash provided by (used in) operating activities	$ 620,219

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 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 City 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 City'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 City'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 City 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, 2013. 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

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 2014 was $(147,935). None of these costs were capitalized in 2014.

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 2014.

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. The City has has no items that qualify for reporting in this category.

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 City 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 City's policy to permit employees to accumulate earned but unused personal leave. 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 personal leave 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/Net Position

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."

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 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:

- *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 City 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 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.

- *Assigned* - 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.

- *Unassigned* - 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 City's policy to use restricted resources first, then committed, assigned, and unassigned (or unrestricted) resources as they are needed.

Net Investment in Capital Assets

The "Net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2014 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Cost of capital assets	$ 3,324,362	$ 17,694,052
Accumulated depreciation	(1,552,197)	(8,314,655)
Book value	1,772,165	9,379,397
Capital related debt	(377,399)	(5,325,774)
Invested in capital assets, net of related debt	$ 1,394,766	$ 4,053,623

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 City'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 City'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, 2014, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $4,437,452 and the bank balance was $4,495,892. Of these amounts, $121,099 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	$ 91,026	$ -	$ -
Fines	20,237	-	-
Other	46,903	-	322,589
Intergovernmental	12,501	5,238	108,462
Total Gross Receivables	170,667	5,238	431,051
Less: Allowance for Uncollectibles	-	-	(101,490)
Total Net Receivables	$ 170,667	$ 5,238	$ 329,561

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments and Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 204,561	$ 22,359	$ -	$ -	$ 226,920
Total non-depreciable capital assets	204,561	22,359	-	-	226,920
Depreciable Assets:					
Buildings and improvements	756,409	14,371	-	-	770,780
Machinery and equipment	508,640	65,019	-	-	573,659
Vehicles	851,211	-	-	-	851,211
Infrastructure	901,792	-	-	-	901,792
Total depreciable capital assets	3,018,052	79,390	-	-	3,097,442
Less Accumulated Depreciation for:					
Buildings and improvements	173,803	25,724	-	-	199,527
Machinery and equipment	387,355	43,559	-	-	430,914
Vehicles	677,558	46,385	-	-	723,943
Infrastructure	152,724	45,089	-	-	197,813
Total accumulated depreciation	1,391,440	160,757	-	-	1,552,197
Total depreciable capital assets, net	1,626,612	(81,367)	-	-	1,545,245
Governmental activities capital assets, net	$ 1,831,173	$ (59,008)	$ -	$ -	$ 1,772,165

Additions to governmental activities capital assets for fiscal year ending June 30, 2014 consist of the following:

Capital Outlay	$ 101,750
Rounding	(1)
Total	$ 101,749

Non-depreciable capital assets additions	$ 22,359
Depreciable capital assets additions	79,390
Total	$ 101,749

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 118,604	$ -	$ -	$ -	$ 118,604
Total non-depreciable capital assets	118,604	-	-	-	118,604
Depreciable Assets:					
Buildings and improvements	170,400	-	-	-	170,400
Machinery and equipment	1,768,794	-	-	-	1,768,794
Vehicles	130,235	-	-	-	130,235
Infrastructure	15,506,019	-	-	-	15,506,019
Total depreciable capital assets	17,575,448	-	-	-	17,575,448
Less Accumulated Depreciation for:					
Buildings and improvements	62,656	5,208	-	-	67,864
Machinery and equipment	1,186,543	115,426	-	-	1,301,969
Vehicles	79,597	14,809	-	-	94,406
Infrastructure	6,466,341	384,075	-	-	6,850,416
Total accumulated depreciation	7,795,137	519,518	-	-	8,314,655
Total depreciable capital assets, net	9,780,311	(519,518)	-	-	9,260,793
Business-type activities capital assets, net	$ 9,898,915	$ (519,518)	$ -	$ -	$ 9,379,397

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

Governmental Activities:	
General Government	$ 9,647
Public Safety	91,012
Public Works	52,849
Recreation and Culture	7,249
Total depreciation expense-governmental activities	$ 160,757
Business-type Activities:	
Water and Sewer	$ 362,650
Water Plant	156,868
Total depreciation expense-business-type activities	$ 519,518

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Compensated absences	$ 34,393	$ 11,148	$ (25,821)	$ 19,720	$ 19,720	$ -
Notes payable	406,080	-	(28,681)	377,399	377,399	-
Governmental activities long-term liabilities	$ 440,473	$ 11,148	$ (54,502)	$ 397,119	$ 397,119	$ -
Business-type Activities:						
Revenue bonds payable	$5,400,000	$ -	$ (140,000)	$ 5,260,000	$ 300,000	$4,960,000
Plus: original issue premium	184,726	-	(19,885)	164,841	-	164,841
Less: deferred refunding cost	(111,017)	-	11,950	(99,067)	-	(99,067)
	5,473,709	-	(147,935)	5,325,774	300,000	5,025,774
Compensated absences	16,448	-	(183)	16,265	16,265	-
Business-type activities long-term liabilities	$5,658,435	$ -	$ (167,820)	$ 5,490,615	$ 316,265	$5,025,774

Compensated absences are generally liquidated by the general fund.

Notes Payable

The City issued an installment note in the amount of $300,517 with United Community Bank with monthly principal and interest payable at 3.250% per annum in the amount of $2,500 and a balloon payment in the amount of $280,718 due December 31, 2014. The City issued this note payable to finance the new Public Safety Complex. The amount outstanding as of June 30, 2014 is $289,679.

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, 2014 is $87,720.

The annual requirements to amortize notes payable outstanding as of June 30, 2014 are as follows:

June 30,	Principal	Interest	Total
2015	$ 297,845	$ 3,838	$ 301,683
2016	8,521	3,481	12,002
2017	8,894	3,108	12,002
2018	9,283	2,719	12,002
2019	9,690	2,312	12,002
2020-2023	43,166	4,821	47,987
Total	$ 377,399	$ 20,279	$ 397,678

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, 2014 are as follows:

June 30,	Principal	Interest	Total
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	355,000	129,546	484,546
2020-2024	2,005,000	472,570	2,477,570
2025-2029	1,160,000	155,646	1,315,646
2030-2034	240,000	69,956	309,956
2035-2038	225,000	21,946	246,946
Total	$ 5,260,000	$ 1,495,048	$ 6,755,048

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
$2,000,000	Employee Benefits Liability Aggregate
$1,000,000	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, 2014, consist of the following:

$ 16,978	Due to the General Fund from Water and Sewer Fund for year-end accruals.
2,232	Due to the General Fund from SPLOST fund to reimburse construction costs.
$ 19,210	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 2014 was $- and employee contributions were $520.

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, 2014, the City paid $2,808 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, 2014, City of Baldwin had the following Water and Sewer Customers:

	WATER	SEWER
Residential	1,718	877
Commercial	154	102
Total Customers	1,872	979

During 2014, 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	$ 543,852
City of Demorest	842,403
Total sales	$ 1,386,255

CITY OF BALDWIN, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2014
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 603,412	$ 603,412	$ 603,412	$ -
RESOURCES (INFLOWS)				
Taxes	846,050	897,067	899,079	2,012
Licenses and permits	14,900	11,364	11,364	-
Intergovernmental	-	60,901	77,620	16,719
Fines and forfeitures	255,000	284,323	284,577	254
Charges for services	462,425	510,388	516,970	6,582
Contributions and donations	-	412	412	-
Interest income	-	322	323	1
Miscellaneous	122,490	11,749	10,046	(1,703)
Sale of county property	1,500	1,503	1,503	-
Total Resources (Inflows)	1,702,365	1,778,029	1,801,894	23,865
AMOUNTS AVAILABLE FOR APPROPRIATION	2,305,777	2,381,441	2,405,306	23,865
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Legislative	41,484	36,014	35,936	78
Elections	1,658	2,878	2,878	-
Financial administration	94,245	133,124	133,082	42
Law	65,000	80,160	80,160	-
Buildings	13,000	13,432	13,373	59
Total General Government	215,387	265,608	265,429	179
Judicial				
Municipal court	8,970	8,202	8,202	-
Total Judicial	8,970	8,202	8,202	-
Public Safety				
Police	680,151	617,301	617,300	1
Custody of prisoners	8,500	14,744	14,744	-
Fire	508,221	429,224	429,217	7
Animal control	9,600	7,939	7,939	-
Total Public Safety	1,206,472	1,069,208	1,069,200	8
Public Works				
Highways and streets	148,580	307,709	307,615	94
Solid waste and recycling	100,344	122,843	122,843	-
Total Public Works	248,924	430,552	430,458	94
Recreation and Culture				
Parks	2,000	5,008	5,008	-
Total Recreation and Culture	2,000	5,008	5,008	-
Housing and development				
Code enforcement	5,500	4,715	4,715	-
Total Housing and Development	5,500	4,715	4,715	-
TOTAL CHARGES TO APPROPRIATIONS	1,687,253	1,783,293	1,783,012	281
CHANGE IN FUND BALANCE	15,112	(5,264)	18,882	24,146
FUND BALANCE, End of year	$ 618,524	$ 598,148	$ 622,294	$ 24,146

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, 2014

	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	$ 922,186	$ 1,386,255	$ 2,308,441
Water connection fees	5,700	-	5,700
Sewer sales	1,003,804	-	1,003,804
Other	-	500	500
Total Operating Revenues	1,931,690	1,386,755	3,318,445
OPERATING EXPENSES			
Salaries and benefits	440,195	232,562	672,757
Supplies	84,688	70,339	155,027
Other services and charges	135,281	40,854	176,135
Depreciation	362,650	156,868	519,518
Professional fees	195,282	7,513	202,795
Repairs and maintenance	95,333	55,958	151,291
Utilities	116,938	213,023	329,961
Water purchases	549,521	3,537	553,058
Total Operating Expenses	1,979,888	780,654	2,760,542
OPERATING INCOME (LOSS)	(48,198)	606,101	557,903
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	320	267	587
Interest expense	(111,474)	(61,854)	(173,328)
Total Nonoperating Revenues (Expenses)	(111,154)	(61,587)	(172,741)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(159,352)	544,514	385,162
Capital grants	20,000	-	20,000
Pledged as security for revenue bonds:			
System development fees	1,200	-	1,200
Transfer in	544,352	-	544,352
Transfer out	-	(544,352)	(544,352)
CHANGE IN NET POSITION	406,200	162	406,362
TOTAL NET POSITION, Beginning of year	6,081,665	1,195,360	7,277,025
TOTAL NET POSITION, End of year	$ 6,487,865	$ 1,195,522	$ 7,683,387

CITY OF BALDWIN, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended June 30, 2014

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	$ 6,871
Sewer Development	400,000	400,000	92,398	6,871
Roads / Bridges	350,000	350,000	59,784	4,596
Recreation	29,540	59,000	44,257	14,372
Police Equipment	137,730	160,482	151,746	8,736
Fire Equipment	193,190	193,190	123,823	20,738
Public Facilities	475,000	422,788	91,191	40,918
Totals	$ 2,010,460	$ 2,010,460	$ 637,513	$ 103,102

Total of all SPLOSTS above	**$ 103,102**

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

Expenditures	$ 103,102
Transfers in and out	-
Expenditures paid with other sources	-
Total	**$ 103,102**

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2014

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
2005	198,637,000	$ 252,338	129,289,512	$ 573,359	34.91
2006	201,814,000	257,637	141,456,850	623,225	29.91
2007	205,617,000	261,134	143,032,125	653,455	30.44
2008	198,246,000	251,772	133,539,603	659,305	32.64
2009	174,346,000	263,262	116,575,533	866,113	33.14
2010	155,388,000	234,636	117,782,400	843,949	24.20
2011	159,814,000	241,319	117,162,209	857,614	26.69
2012	156,880,000	287,090	111,774,787	843,593	28.75
2013	167,446,140	544,213	112,816,608	880,092	32.63
2014	167,493,000	$ 544,352	115,278,853	$ 891,254	31.17

TOTAL WATER AND SEWER SYSTEM CONNECTIONS

	WATER CONNECTIONS		SEWER CONNECTIONS	
FISCAL YEAR	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
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	1754	150	904	101
2014	1,718	154	877	102

LARGEST WATER AND SEWER USERS

USER NAME	WATER GALLONS PER YEAR	SEWER GALLONS PER YEAR	COMBINED REVENUE FISCAL 2014	PERCENT OF WATER AND SEWER REVENUE
Department of Corrections	-	69,658,000	$ 500,096	25.97
Fieldale Corporation	17,280,000	8,224,700	190,370	9.88
Heritage Gardens	5,575,500	5,575,500	105,049	5.45
Oak Heritage Healthcare, Inc	4,759,000	4,759,000	82,889	4.30
Windstream	2,853,630	2,853,630	51,348	2.67
Magnolia Window & Door	2,324,360	2,324,360	40,395	2.10
Baldwin Court Apartments	1,390,060	1,390,060	25,899	1.34
Habersham Retreat	945,100	945,100	14,822	0.77
Habersham Metal	689,000	689,000	10,622	0.55
A.K. Chan	526,370	526,370	7,955	0.41
All Others	78,935,833	30,720,733	896,545	47.28
TOTALS	115,278,853	127,666,453	$ 1,925,990	100.72

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2014

RATIO OF LARGEST WATER USERS TO TOTAL WATER VOLUME

TEN LARGEST USERS' VOLUME		36,343,020
AMOUNT OF WATER DELIVERED TO CUSTOMERS	$	115,278,853
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER VOLUME	31.53 %	

RATIO OF LARGEST SEWER USERS TO TOTAL SEWER VOLUME

TEN LARGEST USERS' VOLUME		96,945,720
AMOUNT OF WASTEWATER FLOW	$	127,666,453
TEN LARGEST USERS PERCENTAGE OF TOTAL WASTEWATER VOLUME	75.94 %	

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

COMBINED WATER AND SEWER REVENUE	$	1,925,990
REVENUE FROM TEN LARGEST USERS	$	1,029,445
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER AND SEWER REVENUE	53.45 %	

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, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
INCOME BEFORE DEBT SERVICE	$ 309,874	$ 120,218	$ 290,983	$ (41,312)	$ 261,456	$ 252,366	$ 325,693	$ 152,585	$ 499,479	$ 559,690
DEBT SERVICE EXISTING PROJECTS	213,286	214,338	213,039	202,011	201,053	199,963	203,740	191,360	-	-
DEBT SERVICE NEW SEWER PLANT	319,190	312,313	312,873	313,060	312,860	312,325	311,425	229,252	180,346	320,346
	532,476	526,651	525,912	515,071	513,913	512,288	515,165	420,612	180,346	320,346
REVENUE AVAILABLE FOR DEBT SERVICE	309,874	120,218	290,983	(41,312)	261,456	252,366	325,693	152,585	499,479	559,690
ADD BACK DEPRECIATION	417,629	440,760	454,628	462,583	462,706	493,264	503,799	520,286	523,788	519,518
TOTAL AVAILABLE FOR DEBT SERVICE	$ 727,503	$ 560,978	$ 745,611	$ 421,271	$ 724,162	$ 745,630	$ 829,492	$ 672,871	$ 1,023,267	$ 1,079,208
DEBT SERVICE COVERAGE	1.37	1.07	1.42	0.82	1.41	1.46	1.61	1.60	5.67	3.37

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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*

February 23, 2015

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, 2014, which collectively comprise the CITY OF BALDWIN, GEORGIA's basic financial statements and have issued our report thereon, dated February 23, 2015.

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. However, material weaknesses may exist that have not been identified. We did identify significant deficiencies in internal control listed below.

Statement of Condition 1: Checks received for probation accounts are not being deposited and submitted to the Finance Department on a timely basis. At the present time, the Court Clerk holds probation checks until they are recorded in Courtware, which has caused delays of up to four months.

Criteria: To insure proper internal controls, checks should be deposited on a timely basis.

Effect of Condition: Not only is there a risk of loss from misplacement or misappropriation, but cash is not available for expenditures or investment.

Cause of Condition: Court Clerk is not submitting deposits to the bank and the Finance Department until the full payment has been recorded and reconciled to the Probation accounts in Courtware.

Response: The probation company has been directed to drop the probation payment checks the first day of the month, thereby making it possible for the Court Clerk to get the payments reconciled to the probation accounts in Courtware and sent to the bank in a more timely fashion.

Statement of Condition 2: 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 approved 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 are designed to properly fund costs to provide water and sewer service.

Cause of Condition: Cause Unknown.

Response: The cause was undetermined on this condition. Due to change in personnel, the rate tables were never fully updated in the software system when the rate increase was approved. The rate tables have now been updated. A software upgrade took place in November 2014 and issues with this upgrade should be fully addressed by the end of January 2015. There will be a testing period after the February 2015 billing cycle to ensure that accounts are billing correctly.

Statement of Condition 3: A monthly close-out process is not being performed on a timely basis for the General Fund operating account and the Water & Sewer operating account.

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 reflect the assets and liabilities in each fund. As a result, interim reports were not reliable.

Cause of Condition: During the fiscal year, online utility payments were deposited to both the General Fund and the Water & Sewer fund bank accounts.

Response: Due to turnover in staff this process was not being completed. As of June 30, 2014 bank reconciliations were approximately 12 months in arrears. The City of Baldwin employed an independent bookkeeper to reconcile bank accounts for the General Fund operating account and Water & Sewer operating account. Once that has been completed and is in agreement with the audit the bank reconciliations will be completed in house on a monthly basis as a part of the end of month procedures.

Statement of Condition 4: Monthly bank reconciliations are not being performed on a timely basis for the General Fund Operating account and the Water & Sewer Operating account.

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

Effect of Condition: Many audit adjustments were posted to properly reflect the cash activity in each fund. As a result, interim reports were not reliable.

Cause of Condition: Unknown.

Response: Due to turnover in staff this process was not being completed. As of June 30, 2014 bank reconciliations were approximately 12 months in arrears. The City of Baldwin employed an independent bookkeeper to reconcile bank accounts for the General Fund operating account and Water & Sewer operating account. Once that has been completed and is in agreement with the audit the bank reconciliations will be completed in house on a monthly basis as a part of the end of month procedures.

Statement of Condition 5: The Water & Sewer Department did not record the month of November 2013's utility billing activity to the general ledger.

Criteria: To ensure that accounts receivable and revenue balances are properly recorded, utility billing activity should be recorded in the general ledger when bills are issued.

Effect of Condition: As a result of the unrecorded accounts receivable and revenue from the utilities, Water & Sewer revenue was understated by $112,971 and General Fund revenue for garbage collection was understated by $12,198.

Cause of Condition: Unknown.

Response: The upgrade in software should prohibit this from happening in future months. The monthly close out process has procedures in place to ensure that the accounts receivable and revenue are being recorded in the general ledger properly.

Statement of Condition 6: Cash is not properly secured during daily operations. The cash drawers used during the day are kept in desk drawers and are not locked during the day. Each cash drawer is easily accessible to anyone behind the counter including all employees.

Criteria: To ensure proper internal controls and prevent misappropriation of assets, money should be secured in a locked area with access limited to certain assigned individuals.

Effect of Condition: The risk of loss from misplacement or misappropriation increases when proper controls are not in place.

Cause of Condition: Unknown.

Response: A locked cash drawer has been ordered and will be installed upon arrival at the front desk workstation. All cash transactions will be handled at that workstation only.

Statement of Condition 7: A deposit from the Department of Community Affairs for the Immediate Threat and Danger Grant was received by the City in November 2013, but was not recorded in the General Ledger until after year end.

Criteria: All transactions should be recorded in the period they occur.

Effect of Condition: Cash and revenue were both understated by $20,000.

Cause of Condition: Client did not prepare monthly bank reconciliations and did not properly oversee grant activity.

Response: The month end close procedures have steps such as monthly bank reconciliations and monthly financial reports that will ensure this does not happen in the future.

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 8: SPLOST proceeds from Banks County were recorded in the General Fund operating bank account instead of its own bank account for the second audited year.

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: City staff has not established a new account at the bank.

Response: Due to turnover in staff a bank account was not opened in fiscal year ending June 30, 2014. August 2014 a separate bank account was opened at United Community Bank for Banks Count SPLOST revenues. Past revenue was transferred to this account and all subsequent receipts of SPLOST revenues have been deposited into this separate account.

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 solely 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, Carter & Co, LLP