City of Baldwin, Georgia
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

CITY OF BALDWIN, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council of the
City of 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** (the "City"), as of and for the fiscal year ended June 30, 2017, 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.

Auditor's 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, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal 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 General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, as 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.

Management 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 basic 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 comprise the City of Baldwin, Georgia's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the Other Information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of special purpose local option sales tax proceeds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 on our consideration of the City of Baldwin, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 27, 2020

CITY OF BALDWIN, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 573,309	$ 1,847,403	$ 2,420,712
Investments	-	121,341	121,341
Accounts receivable, net of allowances	71,241	294,160	365,401
Taxes receivable, net of allowances	63,041	-	63,041
Due from other governments	52,042	174,252	226,294
Prepaid items	80,744	568	81,312
Internal balances	696,590	(696,590)	-
Restricted cash	28,066	475,375	503,441
Capital assets:			
Nondepreciable	312,849	626,509	939,358
Depreciable, net of accumulated depreciation	2,623,016	9,169,604	11,792,620
Total assets	4,500,898	12,012,622	16,513,520
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	65,787	65,787
LIABILITIES			
Accounts payable	377,564	-	377,564
Accrued liabilities	52,596	38,411	91,007
Customer deposits	-	83,515	83,515
Compensated absences due within one year	38,971	24,191	63,162
Bonds payable due within one year	-	340,000	340,000
Bonds payable due in more than one year	-	4,094,465	4,094,465
Notes payable due in more than one year	-	104,551	104,551
Total liabilities	469,131	4,685,133	5,154,264
NET POSITION			
Net investment in capital assets	2,935,865	5,322,884	8,258,749
Restricted for:			
Capital projects	426,772	-	426,772
Debt service	-	475,375	475,375
Unrestricted	669,130	1,595,017	2,264,147
Total net position	$ 4,031,767	$ 7,393,276	$ 11,425,043

The accompanying notes are an integral part of these financial statements.

CITY OF BALDWIN, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 593,326	$ 13,740	$ -	$ 11,027
Judicial	60,912	302,425	-	-
Public Safety	1,414,538	674,905	-	77
Public works	367,682	1,055	-	283,353
Culture and recreation	35,853	156,728	18,964	3,083
Housing and development	3,790	21,724	-	110
Total governmental activities	2,476,101	1,170,577	18,964	297,650
Business-type activities:				
Water and sewer	2,855,183	2,647,140	-	69,701
Total primary government	$ 5,331,284	$ 3,817,717	$ 18,964	$ 367,351
General revenues:				
Property taxes				
Sales taxes				
Intangible taxes				
Franchise taxes				
Business taxes				
Alcohol & excise taxes				
Insurance premium taxes				
Unrestricted investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (568,559)	$ -	$ (568,559)
241,513	-	241,513
(739,556)	-	(739,556)
(83,274)	-	(83,274)
142,922	-	142,922
18,044	-	18,044
(988,910)	-	(988,910)
-	(138,342)	(138,342)
(988,910)	(138,342)	(1,127,252)
405,932	-	405,932
93,133	-	93,133
1,849	-	1,849
122,194	-	122,194
22,560	-	22,560
41,561	-	41,561
204,781	-	204,781
295	423	718
9,049	-	9,049
175,406	(175,406)	-
1,076,760	(174,983)	901,777
87,850	(313,325)	(225,475)
3,943,917	7,706,601	11,650,518
$ 4,031,767	$ 7,393,276	$ 11,425,043

CITY OF BALDWIN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS	General Fund	SPLOST Fund	Total Governmental Funds
Cash and cash equivalents	$ 17,876	$ 555,433	$ 573,309
Accounts receivable, net of allowances	71,241	-	71,241
Taxes receivable, net of allowances	63,041	-	63,041
Intergovernmental receivable	-	52,042	52,042
Due from other funds	905,359	-	905,359
Prepaid items	80,744	-	80,744
Restricted assets:			
Cash and cash equivalents	28,066	-	28,066
Total assets	$ 1,166,327	$ 607,475	$ 1,773,802
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 377,564	$ -	$ 377,564
Accrued liabilities	52,596	-	52,596
Due to other funds	-	208,769	208,769
Total liabilities	430,160	208,769	638,929
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	41,583	-	41,583
Total deferred inflows of resources	41,583	-	41,583
FUND BALANCES			
Nonspendable:			
Prepaid items	80,744	-	80,744
Restricted:			
Capital projects	28,066	398,706	426,772
Unassigned	585,774	-	585,774
Total fund balances	694,584	398,706	1,093,290
Total liabilities, deferred inflows of resources, and fund balances	$ 1,166,327	$ 607,475	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,935,865
Long-term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(38,971)
Some revenues are not available in the current period and, therefore, are not reported in the governmental funds.	41,583
Net position of governmental activities	$ 4,031,767

The accompanying notes are an integral part of these statements.

CITY OF BALDWIN, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	SPLOST Fund	Total Governmental Funds
Revenues:			
Property taxes	$ 426,059	$ -	$ 426,059
Sales taxes	93,133	-	93,133
Intangible taxes	1,849	-	1,849
Franchise taxes	122,194	-	122,194
Alcohol excise taxes	41,561	-	41,561
Business taxes	22,560	-	22,560
Insurance premium taxes	204,781	-	204,781
Licenses and permits	35,464	-	35,464
Intergovernmental	-	297,184	297,184
Charges for services	832,688	-	832,688
Fines and forfeitures	302,425	-	302,425
Interest earned	295	466	761
Donations	18,964	-	18,964
Miscellaneous	9,049	-	9,049
Total revenues	2,111,022	297,650	2,408,672
Expenditures:			
Current:			
General government	575,473	60,700	636,173
Judicial	60,912	-	60,912
Public safety	1,402,852	107,724	1,510,576
Public works	328,151	30,519	358,670
Culture and recreation	85,650	306,690	392,340
Housing and development	3,790	-	3,790
Total expenditures	2,456,828	505,633	2,962,461
Deficiency of revenues over expenditures	(345,806)	(207,983)	(553,789)
Other financing sources (uses):			
Transfers out	(35,858)	-	(35,858)
Transfers in	175,406	35,858	211,264
Total other financing sources (uses)	139,548	35,858	175,406
Net change in fund balances	(206,258)	(172,125)	(378,383)
Fund balances, beginning of year	900,842	570,831	1,471,673
Fund balances, end of year	$ 694,584	$ 398,706	$ 1,093,290

The accompanying notes are an integral part of these financial statements.

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 FISCAL YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	(378,383)
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 expense in the current period.		574,195
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position.		(84,817)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(20,127)
Some expenses (compensated absences) 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.		(3,018)
Change in net position - governmental activities	$	87,850

The accompanying notes are an integral part of these financial statements.

CITY OF BALDWIN, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

ASSETS	Water and Sewer Fund
CURRENT ASSETS	
Cash	$ 1,847,403
Investments	121,341
Accounts receivable, net of allowance	294,160
Due from other governments	174,252
Prepaid items	568
Restricted assets:	
Cash	475,375
Total current assets	2,913,099
NONCURRENT ASSETS	
Nondepreciable capital assets	626,509
Depreciable capital assets, net of accumulated depreciation	9,169,604
Total capital assets	9,796,113
Total assets	12,709,212
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	65,787
Total deferred outflows of resources	65,787
LIABILITIES	
CURRENT LIABILITIES	
Accrued expenses	38,411
Due to other funds	696,590
Compensated absences	24,191
Customer deposits	83,515
Bonds payable, due within one year	340,000
Total current liabilities	1,182,707
NON-CURRENT LIABILITIES	
Bonds payable, due in more than one year	4,094,465
Notes payable, due in more than one year	104,551
Total non-current liabilities	4,199,016
Total liabilities	5,381,723
NET POSITION	
Net investment in capital assets	5,322,884
Restricted for debt service	475,375
Unrestricted	1,595,017
Total net position	$ 7,393,276

The accompanying notes are an integral part of these financial statements.

CITY OF BALDWIN, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Fund
OPERATING REVENUE	
Water charges	$ 1,751,168
Sewer charges	812,269
Other	83,703
Total operating revenues	2,647,140
OPERATING EXPENSES	
Personnel services	864,537
Contracted services	639,678
Materials and supplies	609,174
Depreciation	563,746
Total operating expenses	2,677,135
Operating loss	(29,995)
NONOPERATING REVENUES (EXPENSES)	
Interest income	423
Loss on sale of capital assets	(400)
Interest, fees and amortization expense	(177,648)
Loss before capital contributions and transfers	(207,620)
Capital contributions	69,701
Transfers out	(175,406)
Change in net position	(313,325)
Total net position, beginning of year	7,706,601
Total net position, end of year	$ 7,393,276

The accompanying notes are an integral part of these financial statements.

CITY OF BALDWIN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 2,679,886
Payments to suppliers and service providers	(857,198)
Payments to employees	(854,799)
Net cash provided by operating activities	967,889
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(175,406)
Net cash used in noncapital financing activities	(175,406)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(622,781)
Principal paid on capital debt	(325,000)
Interest paid on capital debt	(156,146)
Administrative costs paid related to capital debt	(29,454)
Net cash used in capital and related financing activities	(1,133,381)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	342
Net cash provided by investing activities	342
Net decrease in cash	(340,556)
Cash, beginning of year	2,663,334
Cash, end of year	$ 2,322,778
RECONCILIATION OF CASH	
Cash	$ 1,847,403
Restricted cash	475,375
Total cash	$ 2,322,778
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (29,995)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	563,746
Change in assets and liabilities:	
Decrease in accounts receivable	28,064
Increase in due to other funds	391,654
Increase in accrued expenses	9,740
Decrease in compensated absences	(2)
Increase in customer deposits	4,682
Net cash provided by operating activities	$ 967,889

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Baldwin, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 City's accounting policies are described below.

A. Reporting Entity

The City, which was incorporated in 1896, operates under the council-manager form of government. Policy-making and legislative authority are vested in the governing council consisting of the mayor and five other members. The government provides such services as police and fire protection, cultural and recreational activities, community development, water and sewer services, and public works.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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 those 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 and proprietary funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes and fines to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered available if they are collected within 90 days of the current fiscal period. 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 taxes, franchise taxes, intergovernmental grants, and investment income 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 if measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accounting and reporting for its proprietary operations, the City applies all GASB pronouncements which includes GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund are charges to customers for services provided. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **SPLOST (Special Purpose Local Option Sales Tax) Fund** is used to account for the proceeds of a sales tax levied in both Habersham and Banks County, Georgia, which will be used by the City for the exclusive purpose of capital outlay projects in the voter approved referendum.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major proprietary fund:

The **Water and Sewer Fund** is used to account for the user charges for water and sewer services and the expenses of maintaining and improving the infrastructure needed to deliver such services to the citizens of the City.

D. Budgets

Formal budgetary accounting is employed as a management control device for the general fund and capital projects funds of the City. The governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted for the General Fund each fiscal year through passage of an annual budget ordinance and amended as required. The City adopts project length budgets for the SPLOST Fund. During the fiscal year ended June 30, 2017, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All unencumbered budget appropriations lapse at the end of each year.

E. Cash 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.

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other State; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States Government or one of its agencies; (4) obligations of any corporation of the United States Government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of State or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

Investments in nonparticipating interest-earning investment contracts, certificates of deposit, are recorded at cost. The remaining investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Restricted Assets

Proceeds of various issuances of bonds are classified as restricted assets on the balance sheet or Statement of Net Position because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $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. As allowed under GASB Statement No. 34, the City did not capitalize any infrastructure purchased or donated prior to the implementation of GASB Statement No. 34. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight line method over the following useful lives:

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

K. Deferred Outflows of Resources and Deferred 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary fund statement of net position. A *deferred charge on refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

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

L. Compensated Absences

City employees are entitled to certain compensated absences such as earned but unused vacation and sick pay benefits based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned. The vesting method is used to compute earned personal leave at year-end. No more than 240 hours can be carried over to a subsequent year without approval. No more than 120 hours will be paid out upon separation. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. Compensated absences are reported as a liability in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Customer Deposits

The City collects deposits from new customers for water and sewer services. The deposits are held until the City discontinues services to the customer and, therefore, are reported as a liability in both the fund and government-wide financial statements.

N. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums and discounts. Issuance costs are expensed in the period in which they are incurred.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

O. 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.”

Fund Balance – Generally, fund balance represents the difference between the assets, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. 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 purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when 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) or (b) legally or contractually required to be maintained intact.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, 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 a formal vote and passage of an ordinance of the City Council. Only the City Council may modify or rescind the commitment through passage of a subsequent ordinance.

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. The ordinance passed by the City Council establishing the City's fund balance policy delegated to the City's Financial Manager the authority to assign funds for particular purposes.

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.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources for activities and funds which use the accrual basis of accounting. Amounts shown as net investment in capital assets are made up of capital asset costs, net of accumulated depreciation and any outstanding debt used to acquire, construct or improve the associated assets. Net position is reported as restricted when there are legal limitations or external restrictions imposed upon their use. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $574,195 difference are as follows:

Capital outlay	$	778,374
Depreciation expense		(204,179)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	574,195

NOTE 3. LEGAL COMPLIANCE – BUDGETS

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require the approval of the governing body. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget ordinance.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, all of the City's bank balances were insured and collateralized as defined by GASB and state statutes.

Investments: As of June 30, 2017, the City had $121,341 of investments, all of which were held in certificates of deposit at a local financial institution as follows:

Description	Term	Maturity Date	Balance
Certificate of deposit	One (1) year	April 15, 2018	$ 63,724
Certificate of deposit	One (1) year	April 15, 2018	17,232
Certificate of deposit	One (1) year	July 16, 2018	40,385
Total Investments			$ 121,341

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The taxes are levied by October 1 based on the assessed value of property as listed on the previous January 1 and are due on or before December 1, with a lien date of January 1 of the following year. Property taxes are recorded as receivables and deferred inflows of resources when assessed. Revenues are recognized when available.

Receivables at June 30, 2017, for the City's individual major funds, including any applicable allowances for uncollectible accounts, are as follows:

	General	SPLOST	Water and Sewer
Receivables:			
Accounts	$ 71,241	$ -	$ 451,786
Taxes	63,041	-	-
Intergovernmental	-	54,042	174,252
Total receivables	134,282	54,042	626,038
Less allowance for uncollectibles	-	-	(157,626)
Net total receivable	$ 134,282	$ 54,042	$ 468,412

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the fiscal year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Nondepreciable capital assets:					
Land and improvements	$ 233,017	$ -	$ -	$ -	$ 233,017
Construction in progress	760,059	579,291	-	(1,259,518)	79,832
Total	993,076	579,291	-	(1,259,518)	312,849
Depreciable capital assets:					
Buildings and improvements	808,081	-	(168,609)	1,259,518	1,898,990
Machinery and equipment	602,392	41,041	(145,334)	-	498,099
Vehicles	1,051,896	158,042	(82,773)	-	1,127,165
Infrastructure	901,792	-	-	-	901,792
Total	3,364,161	199,083	(396,716)	1,259,518	4,426,046
Less accumulated depreciation for:					
Buildings and improvements	(255,357)	(39,329)	83,792	-	(210,894)
Machinery and equipment	(534,609)	(43,769)	145,334	-	(433,044)
Vehicles	(832,791)	(75,991)	82,773	-	(826,009)
Infrastructure	(287,993)	(45,090)	-	-	(333,083)
Total	(1,910,750)	(204,179)	311,899	-	(1,803,030)
Depreciable capital assets, net	1,453,411	(5,096)	(84,817)	1,259,518	2,623,016
Governmental activities capital assets, net	$ 2,446,487	$ 574,195	$ (84,817)	$ -	$ 2,935,865

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Nondepreciable capital assets:					
Land and improvements	$ 149,222	$ -	$ -	$ -	$ 149,222
Construction in progress	174,628	438,163	-	(135,504)	477,287
Total	323,850	438,163	-	(135,504)	626,509
Depreciable capital assets:					
Buildings and improvements	206,450	-	-	135,504	341,954
Machinery and equipment	2,033,155	54,424	-	-	2,087,579
Vehicles	278,345	91,600	(23,404)	-	346,541
Infrastructure	16,198,949	38,594	(17,223)	-	16,220,320
Total	18,716,899	184,618	(40,627)	135,504	18,996,394
Less accumulated depreciation for:					
Buildings and improvements	(83,451)	(9,076)	-	-	(92,527)
Machinery and equipment	(1,496,497)	(128,001)	-	-	(1,624,498)
Vehicles	(148,535)	(49,475)	23,404	-	(174,606)
Infrastructure	(7,574,788)	(377,194)	16,823	-	(7,935,159)
Total	(9,303,271)	(563,746)	40,227	-	(9,826,790)
Depreciable capital assets, net	9,413,628	(379,128)	(400)	135,504	9,169,604
Business-type activities capital assets, net	$ 9,737,478	$ 59,035	$ (400)	$ -	$ 9,796,113

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

Governmental activities:	
General government	$ 16,957
Public safety	99,197
Public works	68,212
Cemetary	329
Culture and recreation	19,484
Total depreciation expense - governmental activities	$ 204,179
Business-type activities:	
Water and sewer	$ 379,311
Water plant	184,435
Total depreciation expense - business-type activities	$ 563,746

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity of the City for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 35,953	$ 54,904	$ (51,886)	$ 38,971	$ 38,971
Total governmental activities long-term liabilities	$ 35,953	$ 54,904	$ (51,886)	$ 38,971	$ 38,971
Business-type activities					
Bonds payable	$ 4,650,000	$ -	$ (325,000)	$ 4,325,000	$ 340,000
Original issue premium	126,681	-	(17,216)	109,465	-
Notes payable	-	104,551	-	104,551	-
Compensated absences	24,193	34,679	(34,681)	24,191	24,191
Total business-type activities long-term liabilities	$ 4,800,874	$ 139,230	$ (376,897)	$ 4,563,207	$ 364,191

For governmental activities, compensated absences is generally liquidated by the General Fund.

The City has reported 100% of the compensated absences liability as due in one year as historical usage patterns show employees use earned vacation within one year.

Notes Payable: On January 11, 2016, the City executed a promissory note to the Georgia Environmental Finance Authority (GEFA) to borrow up to $540,000 from the Drinking Water State Revolving Fund for the purpose of funding the replacement of the City's existing water meters with an automatic meter reading (ARM) system and related appurtenances. The unpaid principal balance of the note will bear interest at 0.50% annually and will be payable monthly until the project is completed or September 1, 2019 (whichever is earlier). At that time, the note will be finalized and will enter into its repayment phase whereby principal and interest will be due in one hundred-nineteen (119) equal monthly installments until the note is fully repaid. Additionally, the agreement with GEFA included a principal forgiveness component of $216,000 of this note, if all funds are drawn. As of June 30, 2017, the City had made draws totaling $104,551 on this note payable to GEFA. As the project is still in the construction phase, an amortization schedule has not been determined for this note and thus the entire payable is reported as due in more than one year.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds – Business-type Activities. In 2012, the City issued $5,400,000 of Series 2012 revenue bonds to refund the City's remaining Series 1987 revenue bonds, Series 1997 A&B revenue bonds, and series 2001 revenue bonds. The Series 2012 bonds carry interest rates ranging from 2% to 5% which are payable on June 1 and December 1 of each year and matures on June 1, 2038. The Bond Ordinance requires the City to maintain a reserve account equal to the lesser of ten percent of the outstanding bonds, the maximum annual debt service payment or one hundred twenty-five percent of the average annual principal and interest outstanding. The City was in violation of this bond covenant by $241,000. The City obtained a waiver for this requirement. The outstanding balance of these revenue bonds at June 30, 2017 is $4,325,000.

The City's debt service requirements to maturity on its business-type activities revenue bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2018	$ 340,000	$ 143,146	$ 483,146
2019	355,000	129,546	484,546
2020	370,000	122,446	492,446
2021	380,000	114,491	494,491
2022	395,000	95,491	490,491
2023-2027	1,935,000	256,560	2,191,560
2028-2032	225,000	86,421	311,421
2033-2037	265,000	42,399	307,399
2038	60,000	2,310	62,310
Total	$ 4,325,000	$ 992,810	$ 5,317,810

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	SPLOST Fund	$ 208,769
General Fund	Water and Sewer Fund	696,590
		$ 905,359

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	$ 175,406
SPLOST Fund	General Fund	35,858
		$ 211,264

Transfers are used to move unrestricted revenues collected in the water and sewer fund to finance various programs of the City accounted for in the general fund in accordance with budgetary authorizations. Transfers are also used to move revenues collected in the general fund to the SPLOST fund to supplement capital projects.

NOTE 9. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Georgia Mountains regional Commission (GMRC) and is required to pay annual dues thereto. During the year ended June 30, 2017, the City paid $2,119 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 organization structure of the GMRC. 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 of obligations of the GMRC. Separate financial statements may be obtained from the GMRC, P.O. Box 1720, Gainesville, Georgia 30503-1720.

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund, a public entity risk pool currently operating as common risk management and insurance programs for member local governments.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

Settled claims have not exceeded the coverages in the last three years.

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the last three years.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BALDWIN, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Required Supplementary Information)

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 420,000	$ 426,250	$ 426,059	$ (191)
Sales taxes	89,500	93,000	93,133	133
Intangible taxes	6,700	11,400	1,849	(9,551)
Franchise taxes	115,000	120,000	122,194	2,194
Alcohol excise taxes	33,300	36,600	41,561	4,961
Business taxes	23,500	20,000	22,560	2,560
Insurance taxes	185,000	204,628	204,781	153
Licenses and permits	23,700	22,200	35,464	13,264
Charges for services	641,620	785,479	832,688	47,209
Fines and forfeitures	335,000	285,000	302,425	17,425
Interest earned	300	200	295	95
Donations	1,000	2,000	18,964	16,964
Miscellaneous	14,200	23,700	9,049	(14,651)
Total revenues	1,888,820	2,030,457	2,111,022	80,565
Expenditures:				
Current:				
General government:				
Legislative	13,248	10,647	10,601	46
Elections	5,000	1,000	793	207
Financial administration	250,910	496,509	494,531	1,978
Law	65,000	69,000	68,953	47
Buildings	897	600	595	5
Total general government	335,055	577,756	575,473	2,283
Judicial:				
Municipal court	65,174	69,024	60,912	8,112
Total judicial	65,174	69,024	60,912	8,112
Public safety:				
Police	820,523	889,519	888,599	920
Fire	443,418	475,670	475,508	162
Custody of prisoners	10,000	13,750	13,660	90
Animal control	7,500	25,250	25,085	165
Total public safety	1,281,441	1,404,189	1,402,852	1,337
Public works				
Highways and streets	177,523	206,630	206,625	5
Solid waste and recycling	120,500	121,750	121,526	224
Total public works	298,023	328,380	328,151	229
Culture and recreation				
Parks	3,000	82,256	82,163	93
Cemetery	1,000	3,520	3,487	33
Total culture and recreation	4,000	85,776	85,650	126
Housing and development	5,500	5,500	3,790	1,710
Total expenditures	1,989,193	2,470,625	2,456,828	13,797
Deficiency of revenues over expenditures	(100,373)	(440,168)	(345,806)	94,362

Continued

CITY OF BALDWIN, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Required Supplementary Information)

	Budget			Variance With
	Original	Final	Actual	Final Budget
Other financing sources (uses):				
Transfers out	-	(36,000)	(35,858)	142
Transfers in	143,000	175,500	175,406	(94)
Total other financing sources (uses)	143,000	139,500	139,548	48
Net change in fund balance	42,627	(300,668)	(206,258)	94,410
Fund balance, beginning of year	900,842	900,842	900,842	-
Fund balance, end of year	$ 943,469	$ 600,174	$ 694,584	$ 94,410

OTHER SUPPLEMENTARY INFORMATION

CITY OF BALDWIN, GEORGIA

SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PROJECT	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENT COMPLETE
Habersham County, Georgia SPLOST V -						
Commenced May 1, 2008						
Water Development	$ 425,000	$ 102,429	$ 102,429	$ -	$ 102,429	100.00 %
Sewer Development	400,000	101,068	101,068	-	101,068	100.00
Roads / Bridges	350,000	67,357	67,357	-	67,357	100.00
Recreation	29,540	58,629	58,629	-	58,629	100.00
Police Equipment	137,730	167,290	162,470	4,820	167,290	100.00
Fire Equipment	193,190	233,095	233,095	-	233,095	100.00
Public Facilities	475,000	539,987	332,345	207,642	539,987	100.00
Habersham County SPLOST V Totals	$ 2,010,460	$ 1,269,855	$ 1,057,393	212,462	$ 1,269,855	
Banks County, Georgia SPLOST II -						
Commenced October 1, 2012						
Sewage System Improvements	$ 100,000	$ 90,000	$ 6,097	-	$ 6,097	6.77 %
Road Improvements	50,000	75,000	23,970	30,519	54,489	72.65
Water System Improvements	50,000	35,000	-	-	-	0.00
Banks County SPLOST II Totals	$ 200,000	$ 200,000	$ 30,067	30,519	$ 60,586	
Habersham County, Georgia SPLOST VI -						
Commenced May 1, 2015						
Roads / Bridges	$ 605,000	$ 605,000	$ -	-	$ -	0.00 %
Public Safety	464,380	464,380	89,000	104,404	193,404	41.65
Capital Outlay Projects	685,058	685,058	-	63,190	63,190	9.22
Habersham County SPLOST VI Totals	$ 1,754,438	$ 1,754,438	$ 89,000	167,594	$ 256,594	
Banks County, Georgia SPLOST III -						
Commenced October 1, 2017						
Road Improvements	$ 223,118	$ 196,631	$ -	-	$ -	0.00 %
Water System Improvements	208,556	208,556	-	-	-	0.00
Parks: New Park Site Preparation	33,513	33,513	-	-	-	0.00
Cemetery	33,513	60,000	-	59,200	59,200	98.67
Totals	$ 498,700	$ 498,700	$ -	59,200	$ 59,200	
			Total SPLOST expenditures	469,775		
			Expenditures funded by transfers from other funds	35,858		
			Total SPLOST fund expenditures	$ 505,633		

OTHER INFORMATION

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
JUNE 30, 2017

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
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
2015	171,504,000	326,363	132,651,911	988,954	22.65
2016	175,932,530	571,771	127,920,163	1,013,251	27.29
2017	173,457,000	562,240	118,197,529	989,909	31.86

TOTAL WATER AND SEWER SYSTEM CONNECTIONS

	WATER CONNECTIONS		SEWER CONNECTIONS	
Fiscal Year	Residential	Commercial	Residential	Commercial
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	1,458	137	696	96
2013	1,754	150	904	101
2014	1,718	154	877	102
2015	1,714	157	866	105
2016	1,711	157	878	99
2017	1,686	168	855	109

LARGEST WATER AND SEWER USERS

User Name	Water Gallons Per Year	Sewer Gallons Per Year	Combined Revenue Fiscal 2017	Percent of Water and Sewer Revenue
Department of Corrections	-	59,619,000	$ 360,695	19.13 %
Fieldale Corporation	15,867,400	5,201,700	189,964	10.07
Oak Heritage Healthcare, Inc.	4,183,500	4,183,500	84,216	4.47
Magnolia Windows and Doors	2,251,700	2,251,700	47,791	2.53
Heritage Gardens	2,040,300	2,040,300	91,879	4.87
Steel Cell	1,509,270	1,509,270	26,133	1.39
Baldwin Court Apartments	1,476,800	1,476,800	30,330	1.61
Windstream	1,261,300	1,261,300	25,125	1.33
Habersham Retreat	1,124,300	1,124,300	21,175	1.12
Habersham Metal	884,300	884,300	16,504	0.88
All Others	87,087,739	35,355,389	991,867	52.60
TOTALS	117,686,609	114,907,559	$ 1,885,679	100.00 %

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
JUNE 30, 2017

RATIO OF LARGEST WATER USERS TO TOTAL WATER VOLUME

TEN LARGEST USERS' VOLUME		30,598,870
AMOUNT OF WATER DELIVERED TO CUSTOMERS		117,686,609
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER VOLUME	26.00 %	

RATIO OF LARGEST SEWER USERS TO TOTAL SEWER VOLUME

TEN LARGEST USERS' VOLUME		79,552,170
AMOUNT OF WASTEWATER FLOW		114,907,559
TEN LARGEST USERS PERCENTAGE OF TOTAL WASTEWATER VOLUME	69.23 %	

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

REVENUE FROM TEN LARGEST USERS	$	893,812
COMBINED WATER AND SEWER REVENUE	$	1,885,679
TEN LARGEST USERS PERCENTAGE OF TOTAL WATER AND SEWER REVENUE	47.40 %	

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, 2017

	2008	2009	2010	2011	2012
INCOME BEFORE DEBT SERVICE (1)	*$ (41,312)*	*$ 261,456*	*$ 252,366*	*$ 325,693*	*$ 152,585*
DEBT SERVICE EXISTING PROJECTS	202,011	201,053	199,963	203,740	191,360
DEBT SERVICE NEW SEWER PLANT	313,060	312,860	312,325	311,425	229,252
	515,071	513,913	512,288	515,165	420,612
REVENUE AVAILABLE FOR DEBT SERVICE	(41,312)	261,456	252,366	325,693	152,585
ADD BACK DEPRECIATION	462,583	462,706	493,264	503,799	520,286
TOTAL AVAILABLE FOR DEBT SERVICE	421,271	724,162	745,630	829,492	672,871
DEBT SERVICE COVERAGE	0.82	1.41	1.46	1.61	1.60

	2013	2014	2015	2016	2017
INCOME BEFORE DEBT SERVICE (1)	*$ 499,479*	*$ 559,690*	*$ 507,130*	*$ 367,640*	*$ (29,572)*
DEBT SERVICE EXISTING PROJECTS	-	-	-	-	-
DEBT SERVICE NEW SEWER PLANT	180,346	320,346	477,546	478,547	481,146
	180,346	320,346	477,546	478,547	481,146
REVENUE AVAILABLE FOR DEBT SERVICE	499,479	559,690	507,130	367,640	(29,572)
ADD BACK DEPRECIATION	523,788	519,518	499,831	544,015	563,746
TOTAL AVAILABLE FOR DEBT SERVICE	1,023,267	1,079,208	1,006,961	911,655	534,174
DEBT SERVICE COVERAGE	5.67	3.37	2.11	1.91	1.11

(1) - Income before debt service equates to operating income (loss) plus investment income.

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Honorable Mayor and Members
of the City Council
City of 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 (the "City") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Baldwin, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2017-001, 2017-002, and 2017-003, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-004.

City of Baldwin, Georgia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 27, 2020

City of Baldwin, Georgia

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? X yes ____ no

Significant deficiencies identified? ____ yes X none reported

Noncompliance material to financial statements noted? X yes ____ no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2017 due to the total amount expended being less than $750,000.

City of Baldwin, Georgia

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017-001 Timely Reporting of Accurate Financial Information

Criteria: Timely and accurate financial reporting of all funds included in the financial statements of the City should be performed to facilitate informed financial decisions by the City's management and those with oversight of management.

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the City's overall financial position and results of operation as of and for the fiscal year ended June 30, 2017.

Context/Cause: The City did not complete its year-end closing process to provide the final trial balances and the necessary subsidiary ledgers for its funds for the fiscal year ended June 30, 2017 for auditing until June of 2019.

Effects: The City was unable to report accurate financial information on either an accrual or modified accrual basis, as appropriate, in a timely manner.

Recommendation: We recommend the City implement procedures to ensure timely and accurate financial reporting to facilitate informed financial decisions.

Auditee's Response: We concur with the finding. Staff will take necessary steps to ensure that all funds pertaining to the City are included in the monthly accrual or modified accrual, as appropriate, closeout procedures, which in turn will simplify the year end accrual or modified accrual, as appropriate, close out procedures.

City of Baldwin, Georgia

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-002 Segregation of Duties

Criteria: Segregation of employee's duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting or cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The size of the City's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the City: cash receipting, recording and reconciliation process; journal entry review; revenue and receivable recording; accounts payable and expense/expenditure recording; personnel and payroll recording; grant recording; inventory and capital asset maintenance; and debt and debt service expenditures.

Context/Cause: Although the small size of the City's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the City segregate duties and/or implement compensating controls in the key areas noted above.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

City of Baldwin, Georgia

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-003 Debt and related accounts

Criteria: Internal controls should be in place to ensure that receivables are appropriately recorded in accordance with generally accepted accounting principles. Internal controls should also be in place to ensure that long-term debt are appropriately recorded in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the City's long-term debt and related capital contributions and receivables for a Georgia Environmental Finance Authority (GEFA) Loan.

Context/Cause: During our testing of City's long-term debt, we noted that approximately $174,000 of receivable, capital contributions and note payable related to a GEFA loan had been recorded in fiscal year 2018 rather than in fiscal year 2017 when these reimbursable disbursements were incurred.

Effects: An audit adjustment of approximately $174,000 was needed to correctly report receivable, capital contributions and related long-term debt.

Recommendations: We recommend the City review terms and conditions of loan agreements and carefully assess when conditions have been met to record receivables, capital contributions and loans related to federal awards.

Auditee's Response: We concur with the finding. Staff will take necessary steps in the future to ensure that conditions are met for recording receivables and loans related to Federal awards.

City of Baldwin, Georgia

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-004 Bond Covenants

Criteria: The Official Code of Georgia Annotated (O.C.G.A.) Section 36-82-65 states that "Any resolution or resolutions authorizing the issuance of bonds under this article to finance, in whole or in part, the acquisition, construction, reconstruction, improvement, betterment, or extension of an undertaking may contain covenants, notwithstanding that such covenants may limit the exercise of powers conferred by this article, as to: (3) The creation and maintenance of reserves or sinking funds and the regulation, use and disposition thereof;". Pursuant to the Bond Ordinance, the City has covenanted that it will maintain the reserve account in an amount equal to the reserve requirement. The reserve account should only be used to pay the principal of, redemption premium (if any) and interest on the Series 2012 Bonds in the event that amounts generally on deposit in the sinking fund are insufficient.

Condition: As of June 30, 2017, the City of Baldwin, Georgia (the "City") was in default of the performance of the debt service reserve account requirement and therefore not in compliance with O.C.G.A. 36-82-65 and the Bond Ordinance.

Context/Cause: During our testing of City's bond covenants, we noted that the balance in the debt service reserve account was less than the reserve requirement, by approximately $241,000, as set forth in the Bond Ordinance.

Effects: The City's debt service reserve account was less than the reserve requirement and not in compliance with the Bond Ordinance. Based on the Bond Ordinance, this is considered an event of default and the bonds could become due and payable immediately, if no waiver is obtained.

Recommendations: We recommend the City deposit the required amounts into the reserve account to become compliant with bond covenants stated in the bond ordinance. We also recommend the City carefully review the reserve account balance throughout the year to ensure the City is in compliance with bond covenants stated in the bond ordinance.

Auditee's Response: We concur with the finding. Staff will take necessary steps in the future to ensure that the bond reserve fund is in compliance with the bond covenants as stated in the bond ordinance.