

CITY OF BALDWIN, GEORGIA

**ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)**

Year Ended June 30, 2010

CITY OF BALDWIN, GEORGIA
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED June 30, 2010

INDEPENDENT AUDITORS' REPORT	i-ii
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets -Proprietary Fund	7
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	8
Statement of Cash Flows - Proprietary Fund	9
NOTES TO FINANCIAL STATEMENTS	10 - 24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	25
ENTERPRISE FUNDS	
Supplemental Schedule of Revenues, Expenses and Changes in Fund Net Assets - Water and Sewer Fund	26
SUPPLEMENTAL INFORMATION	
Schedule of Projects Constructed with Special Purpose Local Option Sales Taxes	27
Statistical Information	28 - 29
Schedule of Debt Service Coverage Ratios	30
OTHER REPORTS	
Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Baldwin, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Baldwin, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baldwin, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

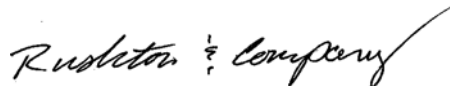
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Baldwin, Georgia, as of June 30, 2010, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011, on our consideration of the City of Baldwin, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Baldwin, Georgia, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 25 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 special purpose local option sales tax report and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The special purpose local option sales tax report has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Certified Public Accountants

Gainesville, Georgia
June 23, 2011

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2010

.....PRIMARY GOVERNMENT.....

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 194,239	\$ 581,454	\$ 775,693
Investments	-	79,458	79,458
Receivables (net of allowance for uncollectibles)	306,133	258,891	565,024
Internal balances	(6,137)	6,137	-
Prepaid items	73,440	568	74,008
Restricted assets:			
Cash	-	271,068	271,068
Investments	-	588,517	588,517
Non-current assets:			
Deferred charges	-	140,305	140,305
Capital assets:			
Capital assets not being depreciated	416,125	123,942	540,067
Capital assets being depreciated	2,572,778	17,103,275	19,676,053
Less: accumulated depreciation	<u>(995,837)</u>	<u>(6,193,820)</u>	<u>(7,189,657)</u>
Capital assets, net of depreciation	<u>1,993,066</u>	<u>11,033,397</u>	<u>13,026,463</u>
TOTAL ASSETS	<u>2,560,741</u>	<u>12,959,795</u>	<u>15,520,536</u>
LIABILITIES			
Accounts payable	95,830	-	95,830
Accrued interest payable	-	51,727	51,727
Other accrued items	16,175	-	16,175
Unearned revenue	40,302	-	40,302
Amounts held in trust	-	61,026	61,026
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	35,907	6,765	42,672
Notes payable	384,679	-	384,679
Revenue bonds payable	-	227,445	227,445
Due in more than one year			
Notes payable	161,701	-	161,701
Revenue bonds payable	<u>-</u>	<u>5,364,348</u>	<u>5,364,348</u>
TOTAL LIABILITIES	<u>734,594</u>	<u>5,711,311</u>	<u>6,445,905</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,446,686	5,441,604	6,888,290
Restricted for:			
Debt service		807,858	807,858
Capital outlay projects	276,729	-	276,729
Unrestricted	<u>102,732</u>	<u>999,022</u>	<u>1,101,754</u>
TOTAL NET ASSETS	<u>\$ 1,826,147</u>	<u>\$ 7,248,484</u>	<u>\$ 9,074,631</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

.....NET (EXPENSE) AND CHANGES IN NET ASSETS.....
.....PRIMARY GOVERNMENT.....

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 197,815	\$ 15,859	\$ -	\$ -	\$ (181,956)	\$ -	\$ (181,956)
Judicial	4,200	-	-	-	(4,200)	-	(4,200)
Public safety	1,120,070	478,189	-	330	(641,551)	-	(641,551)
Public works	313,255	150,960	-	396,246	233,951	-	233,951
Public health and welfare	-	-	-	-	-	-	-
Recreation and culture	8,530	-	-	1,362	(7,168)	-	(7,168)
Housing and development	10,119	6,596	-	-	(3,523)	-	(3,523)
Interest	26,039	-	-	-	(26,039)	-	(26,039)
Total Governmental Activities	<u>1,680,028</u>	<u>651,604</u>	<u>-</u>	<u>397,938</u>	<u>(630,486)</u>	<u>-</u>	<u>(630,486)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	<u>2,694,046</u>	<u>2,631,812</u>	<u>-</u>	<u>10,235</u>	<u>-</u>	<u>(51,999)</u>	<u>(51,999)</u>
Total Business-Type Activities	<u>2,694,046</u>	<u>2,631,812</u>	<u>-</u>	<u>10,235</u>	<u>-</u>	<u>(51,999)</u>	<u>(51,999)</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 4,374,074</u></u>	<u><u>\$ 3,283,416</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 408,173</u></u>	<u><u>(630,486)</u></u>	<u><u>(51,999)</u></u>	<u><u>(682,485)</u></u>
GENERAL REVENUES							
Property taxes					496,624	-	496,624
Sales taxes					87,628	-	87,628
Insurance premium taxes					134,450	-	134,450
Real estate recording taxes					6,934	-	6,934
Other taxes					182,062	-	182,062
Total taxes					<u>907,698</u>	<u>-</u>	<u>907,698</u>
Unrestricted investment earnings					1,175	22,227	23,402
Grants and contributions not restricted to a specific program					-	-	-
Gain on sale of capital assets					4,640	-	4,640
TRANSFERS					<u>(129,947)</u>	<u>129,947</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>783,566</u>	<u>152,174</u>	<u>935,740</u>
CHANGES IN NET ASSETS					<u>153,080</u>	<u>100,175</u>	<u>253,255</u>
NET ASSETS, Beginning					<u>1,673,067</u>	<u>7,148,309</u>	<u>8,821,376</u>
NET ASSETS, Ending					<u><u>\$ 1,826,147</u></u>	<u><u>\$ 7,248,484</u></u>	<u><u>\$ 9,074,631</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF BALDWIN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	GENERAL	SPLOST	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 42,483	\$ 143,284	\$ 8,473	\$ 194,240
Receivables (net of allowance for uncollectibles)	213,844	73,047	19,242	306,133
Due from other funds	67,680	79,143	21,540	168,363
Prepaid items	73,440	-	-	73,440
	<u>397,447</u>	<u>295,474</u>	<u>49,255</u>	<u>742,176</u>
TOTAL ASSETS	\$ 397,447	\$ 295,474	\$ 49,255	\$ 742,176
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 68,133	\$ 1	\$ 27,697	\$ 95,831
Other accrued items	16,175	-	-	16,175
Due to other funds	174,500	-	-	174,500
Deferred revenue	106,852	40,302	-	147,154
	<u>365,660</u>	<u>40,303</u>	<u>27,697</u>	<u>433,660</u>
TOTAL LIABILITIES	365,660	40,303	27,697	433,660
FUND BALANCES				
Reserved:				
Capital outlay projects	-	255,171	-	255,171
Unreserved, undesignated:				
General Fund	31,787	-	-	31,787
Capital Projects Funds	-	-	21,558	21,558
	<u>31,787</u>	<u>255,171</u>	<u>21,558</u>	<u>308,516</u>
TOTAL FUND BALANCES	31,787	255,171	21,558	308,516
TOTAL LIABILITIES AND FUND BALANCES	\$ 397,447	\$ 295,474	\$ 49,255	\$ 742,176

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2010

Total Fund Balances for Governmental Funds (page 3)	\$	308,516
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		1,993,066
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		
Property Taxes	53,891	
Fines	52,961	
		106,852
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(35,907)	
Notes payable	<u>(546,380)</u>	
		<u>(582,287)</u>
Total net assets of governmental activities (page 1)	\$	<u><u>1,826,147</u></u>

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, 2010

	GENERAL	SPLOST	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 957,825	\$ -	\$ -	\$ 957,825
Licenses and permits	15,003	-	-	15,003
Intergovernmental	25	217,357	178,889	396,271
Fines and forfeitures	266,127	-	-	266,127
Charges for services	378,546	-	-	378,546
Contributions and donations	1,668	-	-	1,668
Interest income	1,175	-	-	1,175
Miscellaneous	6,037	-	-	6,037
	<u>1,626,406</u>	<u>217,357</u>	<u>178,889</u>	<u>2,022,652</u>
TOTAL REVENUES				
EXPENDITURES				
Current Expenditures				
General government	194,731	-	-	194,731
Judicial	4,200	-	-	4,200
Public safety	1,020,281	-	-	1,020,281
Public works	275,056	545	-	275,601
Recreation and culture	3,980	-	-	3,980
Housing and development	5,241	-	-	5,241
Capital outlay	-	51,306	71,155	122,461
Debt service				
Principal	12,556	29,580	-	42,136
Interest	16,071	9,968	-	26,039
	<u>1,532,116</u>	<u>91,399</u>	<u>71,155</u>	<u>1,694,670</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER(Under) EXPENDITURES				
	<u>94,290</u>	<u>125,958</u>	<u>107,734</u>	<u>327,982</u>
OTHER FINANCING SOURCES (USES)				
Sale of city property	4,640	-	-	4,640
Transfers out	-	(43,753)	(86,194)	(129,947)
	<u>4,640</u>	<u>(43,753)</u>	<u>(86,194)</u>	<u>(125,307)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES				
	98,930	82,205	21,540	202,675
FUND BALANCES, Beginning of year				
	<u>(67,143)</u>	<u>172,966</u>	<u>18</u>	<u>105,841</u>
FUND BALANCES, End of year				
	<u>\$ 31,787</u>	<u>\$ 255,171</u>	<u>\$ 21,558</u>	<u>\$ 308,516</u>

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, 2010

Net change in fund balances (page 5)		\$ 202,675
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital outlay	122,461	
Depreciation expense	<u>(151,971)</u>	(29,510)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	53,891	
Fines	<u>52,961</u>	106,852
<p>Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.</p>		
Property taxes	(104,017)	
Fines	<u>(67,070)</u>	(171,087)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.</p>		
Principal payments on long-term debt	<u>42,136</u>	42,136
<p>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.</p>		
Compensated absences, current year	(35,907)	
Compensated absences, prior year	<u>37,921</u>	2,014
Changes in net assets of governmental activities (page 2)		<u><u>\$ 153,080</u></u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND
	WATER AND SEWER FUND
ASSETS	
Current Assets	
Cash	\$ 581,454
Investments	79,458
Receivables (net of allowance for uncollectibles)	258,891
Due from other funds	174,500
Prepaid items	568
Restricted assets:	
Cash	271,068
Investments	588,517
TOTAL CURRENT ASSETS	<u>1,954,456</u>
Noncurrent Assets	
Deferred charges	140,305
Capital assets	
Capital assets not being depreciated	123,942
Capital assets being depreciated	17,103,275
Less: accumulated depreciation	<u>(6,193,820)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>11,033,397</u>
TOTAL NONCURRENT ASSETS	<u>11,173,702</u>
TOTAL ASSETS	<u>13,128,158</u>
LIABILITIES	
Current Liabilities	
Accrued interest	51,727
Due to other funds	168,363
Amounts held in trust	61,026
Compensated absences payable	6,765
Revenue bonds payable	227,445
TOTAL CURRENT LIABILITIES	<u>515,326</u>
Noncurrent Liabilities	
Revenue bonds payable	<u>5,364,348</u>
TOTAL NONCURRENT LIABILITIES	<u>5,364,348</u>
TOTAL LIABILITIES	<u>5,879,674</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,441,604
Restricted for debt service	807,858
Unrestricted	999,022
TOTAL NET ASSETS	<u>\$ 7,248,484</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Year Ended June 30, 2010

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND
	WATER AND SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Water sales	\$ 1,804,409
Water connection fees	17,362
Sewer sales	808,137
Sewer connection fees	800
Other	1,104
Total Operating Revenues	<u>2,631,812</u>
OPERATING EXPENSES	
Salaries and benefits	305,471
Supplies	15,081
Other services and charges	1,262,163
Depreciation	493,264
Repairs and maintenance	70,881
Water purchases	242,821
Total Operating Expenses	<u>2,389,681</u>
OPERATING INCOME (LOSS)	<u>242,131</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	22,227
Interest expense	(304,365)
Total Nonoperating Revenues (Expenses)	<u>(282,138)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(40,007)
Pledged as security for revenue bonds:	
System development fees	10,235
Transfer in	129,947
CHANGE IN NET ASSETS	<u>100,175</u>
TOTAL NET ASSETS, Beginning of year	<u>7,148,309</u>
TOTAL NET ASSETS, End of year	<u>\$ 7,248,484</u>

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, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
	WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	\$ 2,692,476
Payments to suppliers	(1,590,946)
Payments to employees	(311,350)
Internal activity-payments from (to) other funds	(52,582)
	<u>737,598</u>
Net cash provided by (used in) operating activities	<u>737,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(119,536)
System development fees	10,235
Transfers in	129,947
Principal payments on debt	(214,591)
Interest paid	(297,697)
	<u>(491,642)</u>
Net cash provided (used) by capital and related financing activities	<u>(491,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	22,227
Purchase of investments	(13,902)
	<u>8,325</u>
Net cash provided (used) by investing activities	<u>8,325</u>
Net increase (decrease) in cash and cash equivalents	254,281
CASH, Beginning of year	<u>598,241</u>
CASH, End of year	<u>\$ 852,522</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 242,131
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	493,264
(Increase) decrease in:	
Accounts receivable	59,789
Increase (decrease) in:	
Compensated absences	1,515
Amounts held in trust	875
Other accrued items	(7,394)
Due to other funds	(52,582)
	<u>737,598</u>
Net cash provided by (used in) operating activities	<u>\$ 737,598</u>

The accompanying notes are an integral part of this statement.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

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

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

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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

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

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

The government reports the following major governmental funds:

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

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

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The government reports the following major proprietary funds:

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

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

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

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

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

(D) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

2. *Receivables and Payables*

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

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 1 of each year. The taxes were payable on or before December 1, 2009. Interest and penalties are assessed on taxes not paid by this date.

The County’s property taxes were levied on the assessed values of all real property with utilities including mobile homes located in the City limits.

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

3. *Inventories and Prepaid Items*

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

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

4. Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2010.

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

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

5. Compensated Absences

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

6. Long-term Obligations

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Management Estimates*

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

1. The City Council holds a public hearing on the budget.
2. The budget is then revised and adopted or amended by the City Council at a public meeting.
3. The budget may be amended during the year only by formal action of the city council at a regular meeting.

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

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

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of June 30, 2010, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was \$1,714,737 and the bank balance was \$1,834,096. Of these amounts, \$667,975 are certificates of deposit presented in investments in the financial statements.

NOTE 4 - RECEIVABLES

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

	General Fund	SPLOST	Capital Projects	Water and Sewer Fund
Receivables:				
Taxes	\$ 118,279	\$ -	\$ -	\$ -
Fines	159,960	-	-	-
Other	19,860	-	-	244,804
Intergovernmental	<u>11,044</u>	<u>73,047</u>	<u>19,242</u>	<u>81,869</u>
Total Gross Receivables	309,143	73,047	19,242	326,673
Less: Allowance for Uncollectibles	<u>(95,299)</u>	<u>-</u>	<u>-</u>	<u>(67,782)</u>
Total Net Receivables	<u>\$ 213,844</u>	<u>\$ 73,047</u>	<u>\$ 19,242</u>	<u>\$ 258,891</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments and Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	\$ 204,561	\$ -	\$ -	\$ -	\$ 204,561
Construction in progress	<u>128,444</u>	<u>83,120</u>	<u>-</u>	<u>-</u>	<u>211,564</u>
Total non-depreciable capital assets	<u>333,005</u>	<u>83,120</u>	<u>-</u>	<u>-</u>	<u>416,125</u>
Depreciable Assets:					
Buildings and improvements	709,201	-	-	-	709,201
Machinery and equipment	550,198	39,341	-	-	589,539
Vehicles	823,386	-	(28,037)	-	795,349
Infrastructure	<u>478,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,689</u>
Total depreciable capital assets	<u>2,561,474</u>	<u>39,341</u>	<u>(28,037)</u>	<u>-</u>	<u>2,572,778</u>
Less Accumulated Depreciation for:					
Buildings and improvements	89,283	20,094	-	1	109,378
Machinery and equipment	306,804	45,987	-	-	352,791
Vehicles	473,297	62,084	(28,037)	-	507,344
Infrastructure	<u>2,518</u>	<u>23,806</u>	<u>-</u>	<u>-</u>	<u>26,324</u>
Total accumulated depreciation	<u>871,902</u>	<u>151,971</u>	<u>(28,037)</u>	<u>1</u>	<u>995,837</u>
Total depreciable capital assets, net	<u>1,689,572</u>	<u>(112,630)</u>	<u>-</u>	<u>(1)</u>	<u>1,576,941</u>
Governmental activities capital assets, net	<u>\$ 2,022,577</u>	<u>\$ (29,510)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 1,993,066</u>

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Additions to governmental activities capital assets for fiscal year ending June 30, 2010 consist of the following:

Capital Outlay	\$	122,461
Donated assets		-
Total	\$	<u>122,461</u>
Non-depreciable capital assets additions	\$	83,120
Depreciable capital assets additions		<u>39,341</u>
Total	\$	<u>122,461</u>

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and improvements	\$ 118,604	\$ -	\$ -	\$ -	\$ 118,604
Construction in progress	<u>390,694</u>	<u>97,566</u>	-	<u>(482,922)</u>	<u>5,338</u>
Total non-depreciable capital assets	<u>509,298</u>	<u>97,566</u>	-	<u>(482,922)</u>	<u>123,942</u>
Depreciable Assets:					
Buildings and improvements	170,401	-	-	-	170,401
Machinery and equipment	1,615,477	-	-	-	1,615,477
Vehicles	64,707	-	-	-	64,707
Infrastructure	<u>14,747,798</u>	<u>21,970</u>	-	<u>482,922</u>	<u>15,252,690</u>
Total depreciable capital assets	<u>16,598,383</u>	<u>21,970</u>	-	<u>482,922</u>	<u>17,103,275</u>
Less Accumulated Depreciation for:					
Buildings and improvements	41,823	5,208	-	-	47,031
Machinery and equipment	657,287	112,499	-	-	769,786
Vehicles	44,128	4,835	-	-	48,963
Infrastructure	<u>4,957,318</u>	<u>370,722</u>	-	-	<u>5,328,040</u>
Total accumulated depreciation	<u>5,700,556</u>	<u>493,264</u>	-	-	<u>6,193,820</u>
Total depreciable capital assets, net	<u>10,897,827</u>	<u>(471,294)</u>	-	<u>482,922</u>	<u>10,909,455</u>
Business-type activities capital assets, net	<u>\$ 11,407,125</u>	<u>\$ (373,728)</u>	\$ -	\$ -	<u>\$ 11,033,397</u>

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

Governmental Activities:	
General Government	\$ 5,361
Public Safety	98,934
Public Works	38,247
Recreation and Culture	4,550
Housing and Development	<u>4,879</u>
Total depreciation expense-governmental activities	<u>\$ 151,971</u>
Business-type Activities:	
Water and Sewer	\$ 336,008
Water Plant	<u>157,255</u>
Total depreciation expense-business-type activities	<u>\$ 493,263</u>

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2010 and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Governmental Activities:					
Park Avenue Street	\$ 400,000	\$ 211,564	\$ 181,183	\$ 7,253	SPLOST and Grants
	<u>\$ 400,000</u>	<u>\$ 211,564</u>	<u>\$ 181,183</u>	<u>\$ 7,253</u>	
	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Business-Type Activities:					
Scenic View Water Tank	\$ 500,000	\$ 5,338	\$ -	\$ 494,662	Grants
	<u>\$ 500,000</u>	<u>\$ 5,338</u>	<u>\$ -</u>	<u>\$ 494,662</u>	

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:						
Compensated absences	37,921	35,907	(37,921)	35,907	35,907	-
Notes payable	588,516	-	(42,135)	546,381	384,679	161,702
Governmental activities long-term liabilities	<u>\$ 626,437</u>	<u>\$ 35,907</u>	<u>\$ (80,056)</u>	<u>\$ 582,288</u>	<u>\$ 420,586</u>	<u>\$ 161,702</u>
Business-type Activities:						
Compensated absences	5,250	6,765	(5,250)	6,765	6,765	-
Revenue bonds	5,806,384	-	(214,591)	5,591,793	227,445	5,364,348
Business-type activities long-term liabilities	<u>\$ 5,811,634</u>	<u>\$ 6,765</u>	<u>\$ (219,841)</u>	<u>\$ 5,598,558</u>	<u>\$ 234,210</u>	<u>\$ 5,364,348</u>

Compensated absences are generally liquidated by the general fund.

Notes Payable

The City issued an installment note in the amount of \$360,785 with United Community Bank with monthly principal and interest payable at 4.45% per annum in the amount of \$2,500 and a balloon payment in the amount of \$347,763 due December 31, 2010. The City issued this note payable to finance the new Public Safety Complex. The amount outstanding as of June 30, 2010 is \$353,748.

The City has an installment note with the USDA with monthly principal and interest payable at 4.625% per annum in the amount of \$27,546 maturing June 2, 2013. The City issued this note payable to finance police vehicles. The amount outstanding as of June 30, 2010 is \$75,538.

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010 is \$117,095.

The annual requirements to amortize notes payable outstanding as of June 30, 2010 are as follows:

<u>Year ending</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>June 30,</u>						
2011	\$	384,680	\$	8,617	\$	393,297
2012		32,345		7,203		39,548
2013		33,815		5,733		39,548
2014-2018		42,686		17,324		60,010
2019-2023		<u>52,855</u>		<u>7,133</u>		<u>59,988</u>
Total	\$	<u>546,381</u>	\$	<u>46,010</u>	\$	<u>592,391</u>

Revenue Bonds

The Water and Sewer Revenue Bonds (\$600,000 - Series 1972) are dated April 6, 1972 and bear interest at 5% per annum, payable January 1 of each year. These bonds have been authorized in the name of the United States Department of Agriculture, Farmers' Home Administration. These bonds were used to construct a wastewater plant and collection system. The annual requirements to amortize the bonds outstanding as of June 30, 2010 are as follows:

<u>June 30,</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2011	\$	35,000	\$	3,500	\$	38,500
2012		<u>35,000</u>		<u>1,750</u>		<u>36,750</u>
	\$	<u>70,000</u>	\$	<u>5,250</u>	\$	<u>75,250</u>

The Water Revenue Bonds (\$1,350,000 - Series 1987) are dated January, 1987 and bear interest at 6.625% per annum payable January 1 each year. These bonds have been authorized in the name of the United State Department of Agriculture, Farmers' Home administration. These bonds were used to construct the Baldwin Water Plant. The annual requirements to amortize the bonds outstanding as of June 30, 2010 are as follows:

<u>June 30,</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2011	\$	28,000	\$	72,213	\$	100,213
2012		31,000		70,358		101,358
2013		34,000		68,304		102,304
2014		37,000		66,051		103,051
2015-2019		245,000		288,728		533,728
2020-2024		388,000		190,204		578,204
2025-2027		<u>327,000</u>		<u>874,314</u>		<u>1,201,314</u>
	\$	<u>1,090,000</u>	\$	<u>1,630,172</u>	\$	<u>2,720,172</u>

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The Water Revenue Bonds (\$1,204,000 – Series 1997-A&B) are dated September, 1998 and bear interest at 4.5% per annum payable. They are required to be paid in 480 equal monthly payments of \$5,419 maturing September 28, 2038. These bonds have been authorized in the name of the United State Department of Agriculture, Farmers’ Home Administration. These bonds were used for improvements to the Baldwin Water Plant. The annual requirements to amortize the bonds outstanding as of June 30, 2010 are as follows:

June 30,	Principal	Interest	Total
2011	\$ 19,445	\$ 45,583	\$ 65,028
2012	20,338	44,690	65,028
2013	21,273	43,755	65,028
2014	22,250	42,778	65,028
2015-2019	127,555	197,585	325,140
2020-2024	159,672	165,467	325,139
2025-2029	199,877	125,263	325,140
2030-2034	250,206	74,934	325,140
2035-2038	<u>201,177</u>	<u>15,861</u>	<u>217,038</u>
	<u>\$ 1,021,793</u>	<u>\$ 755,916</u>	<u>\$ 1,777,709</u>

In July 2001, the City of Baldwin issued \$4,390,000 in revenue bonds to be used for the construction of a new sewer plant. The bonds, which bear interest at rates from 3.2% to 5%, mature June 1, 2026. The annual requirements to amortize the bonds outstanding as of June 30, 2010 are as follows:

June 30,	Principal	Interest	Total
2011	\$ 145,000	\$ 166,445	\$ 311,445
2012	150,000	160,210	310,210
2013	160,000	153,610	313,610
2014	165,000	146,410	311,410
2015-2019	955,000	607,049	1,562,049
2020-2024	1,240,000	346,043	1,586,043
2025-2026	<u>595,000</u>	<u>45,900</u>	<u>640,900</u>
	<u>\$ 3,410,000</u>	<u>\$ 1,625,667</u>	<u>\$ 5,035,667</u>

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Reserve Requirements

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

NOTE 7 - CONTINGENT LIABILITIES / RISK MANAGEMENT

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

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

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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

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

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Balances due to/from other funds at June 30, 2010 , consist of the following:

<u>\$ 174,500</u>	Due to the Water and Sewer Fund from General Fund for prior year operating deficit.
67,680	Due to the General Fund from Water and Sewer Fund to for year-end accruals.
21,540	Due to the Capital Projects Fund from Water and Sewer Fund for cash held for CDBG projects.
<u>79,143</u>	Due to the SPLOST Fund from the Water and Sewer Fund for cash held for SPLOST projects.
<u>\$ 342,863</u>	Total Due from Other Funds

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 - TRANSFERS OUT

Transfers to/from other funds at June 30, 2010, consists of the following:

\$ 86,194	From Capital Projects Fund to Water and Sewer Fund for construction costs.
43,753	From SPLOST Fund to Water and Sewer Fund for construction costs.
<u>\$ 129,947</u>	Total

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The City, by resolution, adopted the GMA 401(a), a defined contribution retirement plan, administered by the Georgia Municipal Association. The plan provisions and contribution rates may also be amended by resolution. Only full-time employees participating in the section 457(b) plan can participate after one year of employment. The City shall make a matching contribution on behalf of each Participant to the Plan equal to 25% of the amount the Participant is contributing to the section 457(b) deferred compensation plan up to 6% of compensation. The City's contribution for 2010 was \$507 and employee contributions were \$2,058.

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

NOTE 12 - COMPREHENSIVE MANAGEMENT AGREEMENT

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

CITY OF BALDWIN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

At the City of Demorest's election, they may renew the Fourth Modification Agreement to sell and purchase water for an additional term of two to five years. If Demorest elects not to renew the agreement for another five year period, Baldwin will need to secure enough customers to utilize the capacity that Demorest is currently using. Demorest is currently using 75% of the potable water produced by the plant.

NOTE 13 - GEORGIA MOUNTAINS REGIONAL COMMISSION

Under Georgia law, the City in conjunction with other cities and counties in the area are members of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues there to. During the year ended June 30, 2010, the City paid \$2,591 in such dues. Membership in the GMRC is required by the official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the GMRC in Georgia. The GMRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an GMRC. Separate financial statements may be obtained from:

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

NOTE 14 - WATER AND SEWER CUSTOMERS

As of June 30, 2010, City of Baldwin had the following Water and Sewer Customers:

	<u>WATER</u>	<u>SEWER</u>
Residential	1,453	691
Commercial	<u>141</u>	<u>91</u>
Total Customers	<u><u>1,594</u></u>	<u><u>782</u></u>

Rates to Baldwin's sewer customers did not change in the fiscal year ended June 30, 2010. However, Baldwin increased water customer rates effective July 1, 2008.

During 2010, 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	\$	234,636
Demorest		<u>687,405</u>
Total sales	\$	<u><u>922,041</u></u>

CITY OF BALDWIN, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010
(Required Supplementary Information)

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ (67,143)	\$ (67,143)	\$ (67,143)	\$ -
RESOURCES (INFLOWS)				
Taxes	886,101	886,101	957,825	71,724
Licenses and permits	12,000	12,000	15,003	3,003
Intergovernmental	-	-	25	25
Fines and forfeitures	281,000	281,000	266,127	(14,873)
Charges for services	393,190	393,190	378,546	(14,644)
Contributions and donations	600	600	1,668	1,068
Interest income	200	200	1,175	975
Miscellaneous	-	-	6,037	6,037
Sale of county property	-	-	4,640	4,640
Total Resources (Inflows)	<u>1,573,091</u>	<u>1,573,091</u>	<u>1,631,046</u>	<u>57,955</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,505,948</u>	<u>1,505,948</u>	<u>1,563,903</u>	<u>57,955</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Legislative	39,709	35,709	28,869	6,840
Elections	3,500	3,500	1,658	1,842
Financial administration	142,586	128,386	110,974	17,412
Law	30,000	40,000	39,550	450
Buildings	9,889	13,889	13,679	210
Total General Government	<u>225,684</u>	<u>221,484</u>	<u>194,730</u>	<u>26,754</u>
Judicial				
Municipal court	4,200	4,200	4,200	-
Total Judicial	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>	<u>-</u>
Public Safety				
Police	671,700	666,700	660,489	6,211
Custody of prisoners	6,000	7,000	6,712	288
Fire	382,084	382,084	378,050	4,034
Animal control	-	4,000	3,658	342
Total Public Safety	<u>1,059,784</u>	<u>1,059,784</u>	<u>1,048,909</u>	<u>10,875</u>
Public Works				
Highways and streets	177,306	178,506	178,414	92
Solid waste and recycling	97,512	97,512	96,642	870
Cemetery	800	800	-	800
Total Public Works	<u>275,618</u>	<u>276,818</u>	<u>275,056</u>	<u>1,762</u>
Recreation and Culture				
Parks	1,000	4,000	3,980	20
Total Recreation and Culture	<u>1,000</u>	<u>4,000</u>	<u>3,980</u>	<u>20</u>
Housing and development				
Code enforcement	6,805	6,805	5,241	1,564
Total Housing and Development	<u>6,805</u>	<u>6,805</u>	<u>5,241</u>	<u>1,564</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>1,573,091</u>	<u>1,573,091</u>	<u>1,532,116</u>	<u>40,975</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>98,930</u>	<u>98,930</u>
FUND BALANCE, End of year	<u>\$ (67,143)</u>	<u>\$ (67,143)</u>	<u>\$ 31,787</u>	<u>\$ 98,930</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF BALDWIN, GEORGIA
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER AND SEWER FUND
For the Year Ended June 30, 2010

	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	\$ 882,368	\$ 922,041	\$ 1,804,409
Water connection fees	17,362	-	17,362
Sewer sales	808,137	-	808,137
Sewer connection fees	800	-	800
Other	-	1,104	1,104
Total Operating Revenues	<u>1,708,667</u>	<u>923,145</u>	<u>2,631,812</u>
OPERATING EXPENSES			
Salaries and benefits	272,184	33,287	305,471
Supplies	15,083	(2)	15,081
Other services and charges	576,216	685,947	1,262,163
Depreciation	336,009	157,255	493,264
Repairs and maintenance	70,881	-	70,881
Water purchases	242,821	-	242,821
Total Operating Expenses	<u>1,513,194</u>	<u>876,487</u>	<u>2,389,681</u>
OPERATING INCOME (LOSS)	<u>195,473</u>	<u>46,658</u>	<u>242,131</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	15,951	6,276	22,227
Interest expense	(184,854)	(119,511)	(304,365)
Total Nonoperating Revenues (Expenses)	<u>(168,903)</u>	<u>(113,235)</u>	<u>(282,138)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>26,570</u>	<u>(66,577)</u>	<u>(40,007)</u>
Pledged as security for revenue bonds:			
System development fees	10,235	-	10,235
Transfer in	225,407	-	225,407
Transfer out	-	(95,460)	(95,460)
CHANGE IN NET ASSETS	<u>262,212</u>	<u>(162,037)</u>	<u>100,175</u>
TOTAL NET ASSETS, Beginning of year	5,150,227	1,998,082	7,148,309
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS, Beginning as restated	<u>5,150,227</u>	<u>1,998,082</u>	<u>7,148,309</u>
TOTAL NET ASSETS, End of year	<u>\$ 5,412,439</u>	<u>\$ 1,836,045</u>	<u>\$ 7,248,484</u>

**CITY OF BALDWIN, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended June 30, 2010**

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	PRIOR YEARS	EXPENDITURES CURRENT YEAR
Banks county, Georgia, SPLOST - Commenced October 1, 2001				
Water Development	\$ 225,088	\$ 121,121	\$ 70,409	\$ 10,410
Totals	<u>\$ 225,088</u>	<u>\$ 121,121</u>	<u>\$ 70,409</u>	<u>\$ 10,410</u>
Banks county, Georgia, SPLOST - Commenced October 1, 2006				
Water Development	\$ 100,000	\$ 200,000	\$ 173,892	\$ 11,965
Streets	<u>200,000</u>	<u>100,000</u>	<u>37,900</u>	<u>11,373</u>
Totals	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 211,792</u>	<u>\$ 23,338</u>
Habersham County, Georgia SPLOST V - Commenced May 1, 2008				
Water Development	\$ 425,000	\$ 425,000	\$ -	\$ 21,970
Sewer Development	400,000	400,000	-	-
Roads / Bridges	350,000	350,000	14,658	6,229
Recreation	29,540	41,991	-	33,657
Public Safety	330,920	330,920	75,048	39,548
Public Facilities	<u>475,000</u>	<u>475,000</u>	<u>75,017</u>	<u>-</u>
Totals	<u>\$ 2,010,460</u>	<u>\$ 2,022,911</u>	<u>\$ 164,723</u>	<u>\$ 101,404</u>

**CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2010**

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
1997	175,765,000	\$ 140,612	132,387,333	\$ 397,162	24.68
1998	178,007,500	142,406	148,835,714	520,925	16.39
2000	179,081,250	143,265	136,271,714	476,951	23.91
2002	166,846,000	140,334	115,243,759	477,960	30.93
2003	189,803,000	186,007	110,897,921	512,973	41.57
2004	198,202,000	232,381	111,604,096	527,006	43.69
2005	198,637,000	252,338	129,289,512	573,359	34.91
2006	201,814,000	257,637	141,456,850	623,225	29.91
2007	205,617,000	261,134	143,032,125	653,455	30.44
2008	198,246,000	251,772	133,539,603	659,305	32.64
2009	174,346,000	263,262	116,575,533	866,113	33.14
2010	155,388,000	\$ 234,636	117,782,400	\$ 843,949	24.20

TOTAL WATER AND SEWER SYSTEM CONNECTIONS

FISCAL YEAR	WATER CONNECTIONS		SEWER CONNECTIONS	
	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
1997	1,218	50	612	37
1998	1,240	54	623	38
1999	1,245	60	652	40
2000	1,361	60	655	40
2002	1,337	70	645	76
2003	1,394	88	654	51
2004	1,399	102	623	56
2005	1,400	135	679	86
2006	1,386	147	656	95
2007	1,485	146	716	94
2008	1,491	148	721	97
2009	1,442	142	676	91
2010	1,453	141	691	91

LARGEST WATER AND SEWER USERS

USER NAME	WATER GALLONS PER YEAR	SEWER GALLONS PER YEAR	COMBINED REVENUE FISCAL 2010	PERCENT OF WATER AND SEWER REVENUE
Department of Corrections	-	81,617,700	\$ 494,360	57.24
Fieldale Corporation	14,459,900	4,865,000	144,176	16.69
Oak Heritage Healthcare, Inc	4,968,100	4,968,100	62,393	7.22
Windstream.	3,306,120	3,306,120	49,127	5.69
Heritage Gardens	3,018,200	3,018,200	46,251	5.35
Baldwin Court	1,279,610	1,279,610	19,534	2.26
Habersham Metal	1,438,800	1,438,800	17,608	2.04
Magnolia Window & Door	1,351,040	1,351,040	16,467	1.91
Habersham Retreat	726,600	726,600	8,417	0.96
A.K. Chan	496,490	496,490	5,378	0.62
TOTALS	31,044,860	103,067,660	\$ 863,711	99.98

CITY OF BALDWIN, GEORGIA
STATISTICAL INFORMATION
June 30, 2010

**RATIO OF LARGEST WATER USERS
TO TOTAL WATER VOLUME**

<u>TEN LARGEST USERS' VOLUME</u>	\$	<u>31,044,860</u>
AMOUNT OF WATER DELIVERED TO CUSTOMERS	\$	116,575,533

TEN LARGEST USERS PERCENTAGE OF
TOTAL WATER VOLUME 26.63 %

**RATIO OF LARGEST SEWER USERS
TO TOTAL SEWER VOLUME**

<u>TEN LARGEST USERS' VOLUME</u>	\$	<u>103,067,660</u>
AMOUNT OF WASTEWATER FLOW	\$	145,327,014

TEN LARGEST USERS PERCENTAGE OF
TOTAL WASTEWATER VOLUME 70.92 %

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

<u>COMBINED WATER AND SEWER REVENUE</u>	\$	<u>1,690,505</u>
REVENUE FROM TEN LARGEST USERS	\$	863,711

TEN LARGEST USERS PERCENTAGE OF
TOTAL WATER AND SEWER REVENUE 51.09 %

CITY OF BALDWIN, GEORGIA
ENTERPRISE FUNDS
SCHEDULE OF DEBT SERVICE COVERAGE RATIOS
June 30, 2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INCOME BEFORE DEBT SERVICE	\$ 194,451	\$ 121,671	\$ 217,167	\$ 113,859	\$ 309,874	\$ 120,218	\$ 290,983	\$ (41,312)	\$ 261,456	\$ 252,366
DEBT SERVICE EXISTING PROJECTS	231,178	230,373	228,436	218,428	213,286	214,338	213,039	202,011	201,053	199,963
DEBT SERVICE NEW SEWER PLANT	-	186,641	308,608	318,883	319,190	312,313	312,873	313,060	312,860	312,325
	<u>231,178</u>	<u>417,014</u>	<u>537,044</u>	<u>537,311</u>	<u>532,476</u>	<u>526,651</u>	<u>525,912</u>	<u>515,071</u>	<u>513,913</u>	<u>512,288</u>
REVENUE AVAILABLE FOR DEBT SERVICE	194,451	121,671	217,167	113,859	309,874	120,218	290,983	(41,312)	261,456	252,366
ADD BACK DEPRECIATION	214,559	219,910	268,857	401,840	417,629	440,760	454,628	462,583	462,706	493,264
TOTAL AVAILABLE FOR DEBT SERVICE	<u>\$ 409,010</u>	<u>\$ 341,581</u>	<u>\$ 486,024</u>	<u>\$ 515,699</u>	<u>\$ 727,503</u>	<u>\$ 560,978</u>	<u>\$ 745,611</u>	<u>\$ 421,271</u>	<u>\$ 724,162</u>	<u>\$ 745,630</u>
DEBT SERVICE	1.77	0.82	0.90	0.96	1.37	1.07	1.42	0.82	1.41	1.46