

TOWN OF BALDWIN, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**TOWN OF BALDWIN, FLORIDA
SEPTEMBER 30, 2019
TABLE OF CONTENTS**

	<u>Page</u>
Introductory Section	
Title Page	1
Table of Contents	2
Principal Town Officials	4
Financial Section	
Independent Auditors' Report	5
Management's Discussion and Analysis	8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Notes to Financial Statements	27
<i>Government Auditing Standards Requirement</i>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Funds	45
Independent Auditors' Management Letter	46
Independent Accountants' Report	48

Additional Information	
Schedule of Expenditures of State Financial Assistance	49
Notes to Schedule of Expenditures of State Financial Assistance	50
Report on Compliance for Major State Project and Report on Internal Control Over Compliance Required by Chapter 10.550, <i>Rules of the Auditor General</i>	51
Schedule of Findings and Questioned Costs – State Financial Assistance	53

TOWN OF BALDWIN, FLORIDA

TOWN OFFICIALS

MAYOR - COUNCILMAN

Sean Lynch

TOWN COUNCIL

Clayton Plank

Charles Highsmith

Harry Ervin

Kenneth Downs

TOWN CLERK

Lula M. Hill

TOWN ATTORNEY

Jeb T. Branham

Independent Auditors' Report

The Honorable Town Council
Town of Baldwin, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Baldwin, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Baldwin, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, each major fund, and the aggregate remaining fund information of the Town of Baldwin, Florida, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 18, and 45 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.

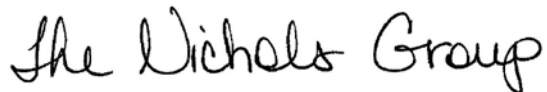
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Baldwin, Florida's basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, is not a required part of the basis financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 statement 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 state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2020, on our consideration of the Town of Baldwin, Florida'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 Town of Baldwin, Florida'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 Town of Baldwin, Florida's internal control over financial reporting and compliance.

The Nichols Group

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, Florida

June 11, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The Town of Baldwin's (the Town) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. The information contained with the MD&A should be considered as a part of the entire report. Please read and evaluate all sections of this report.

HIGHLIGHTS

Financial Highlights

- The Town's net assets increased by \$2,634,447 (or 30.52%). The governmental activity's net assets increased by \$123,414 (or 2.47%) and the business-type activity's net assets increased by \$2,511,033 (or 69.25%).
- The Town set out to continue to put \$20,000 a month aside to build up reserves and again came close to reaching this goal with \$200,000 being deposited in a cash reserve account. Only 2 months during the last fiscal year were the funds insufficient to allow for the \$20,000 monthly set aside.
- The business-type activity's operating revenues increased by \$2,375,528 (or 209.19%) from the prior year, consisting of Department of Environmental Protection capital grant funds attributable to construction of the "Wastewater Treatment Facility" project. The increase is due to a large grant for construction of the Wastewater facility.
- The regular water and sewer charges showed a slight reduction over last year due to replacements of malfunctioning meters and valves. The decreases are less than last year and show a leveling out of regular revenue.
- Leachate Contract revenue was up over last year. This revenue fluctuates annually. Fluctuation in volume happens frequently and is not considered unusual.
- The "Wastewater Treatment Facility" (WWTF) project is in the construction stage. Total project cost is estimated to be \$3.5 million. As of September 30, 2019, accumulated cost on the project amounted to \$3,305,529.
- The Department of Environmental Protection provided approximately \$2 million in funding for the Wastewater Treatment Facility, of which 20% or \$439,000 is repayable to the Department of Environmental Protection over the next 30 years.

- The Town collected the final 2 months of IGA store rents this year under its lease, which expired in December 2018. As of September 30, 2018, DCA reimbursement payable to the Department of Community Affairs amounted to \$28,791, which DCA forgave in the current fiscal year.
- Days before the end of the current fiscal year, the Baldwin Market opened. With only a few days of activity and costs related to starting the new store, the Town ended the year with a net loss of \$33,322. The loss is reduced by the rent collected at the beginning of the year and the DCA forgiveness of the lease payable.

Town Highlights

- The “Wastewater Treatment Facility” (WWTF) project entered its construction phase during the current fiscal year. Work in progress at year-end amounted to \$3,305,529.
- The IGA Store lease expired in December 2018 and the store closed.
- In September 2019, the Town opened the Baldwin Market to be operated under the Town’s management. The DCA approved this use and the mayor obtained all the required licenses to allow the grocery store to be run by the Town of Baldwin.
- The opening of the Baldwin Market was well received. The residents were happy to have a local option for groceries. This became even more important when the Corona Virus forced everyone to stay home, making the local option even more important to the community.

Using This Annual Report

The new financial statement’s focus is on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Town’s accountability. The Town of Baldwin’s basic financial statements comprise three components:

1. Government-wide basic financial statements.
2. Fund financial statements
3. Notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances in a timely manner, similar to a private-sector business. The *statement of net position* presents information on all of the Town’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or declining.

The *statement of activities* presents information showing how the Town's net position changed during most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and earned but unused compensatory leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety (law enforcement and fire services), streets and highways, and culture and recreation. The business-type activities include water and sewer and retail development.

The government-wide financial statements can be found on pages 19 through 20 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two (2) categories: governmental funds and proprietary funds. There is another type of fund called a fiduciary fund. However, the Town does not currently operate a fiduciary fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources* as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's *near-term* financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic government fund financial statements can be found on pages 21 through 23 of this report.

Proprietary fund: The Town maintains two proprietary funds, the Water/Sewer/Garbage Fund and the Retail Development Fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial

statements. The Town accounts for three (3) activities in the Water/Sewer/Garbage Fund: water, wastewater, and refuse collection. The Retail Development Fund started the year collecting rents relating to the lease of a grocery store and ended the year operating the grocery store as the Baldwin Market.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility fund, which is considered to be a major fund of the Town, as well as separate information for the retail development fund.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The Town did not maintain any fiduciary funds for the fiscal year ended September 30, 2019.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – buildings, roads, bridges, traffic signals, underground pipes, etc.) have not been reported nor depreciated in government financial statements. GASB 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. These statements reflect the Town's infrastructure assets since its adoption of GASB 34 on October 1, 2003.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found as part of the Basic Financial Statements section of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary performance with respect to the governmental funds.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

**Statement of Net Position
September 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,591,321	\$ 2,313,147	\$ 502,275	\$ 184,623	\$ 3,093,596	\$ 2,497,770
Capital assets	2,772,885	2,912,189	6,455,923	3,704,916	9,228,808	6,617,105
Total Assets	5,364,206	5,225,336	6,958,198	3,889,539	12,322,404	9,114,875
Other liabilities	110,325	92,268	287,422	152,911	397,747	245,179
Long-term liabilities outstanding	125,595	128,196	533,465	110,350	659,060	238,546
Total Liabilities	235,920	220,464	820,887	263,261	1,056,807	483,725
Net Position:						
Invested in capital assets	2,772,885	2,912,189	6,455,923	3,704,916	9,228,808	6,617,105
Restricted	226,828	217,791	38,850	32,937	265,678	250,728
Unrestricted	2,128,573	1,874,892	(357,462)	(111,575)	1,771,111	1,763,317
Total Net Position	\$ 5,128,286	\$ 5,004,872	\$6,137,311	\$3,626,278	\$ 11,265,597	\$ 8,631,150

The table above reflects the condensed Statement of Net Position. Net position over time may serve as a useful indicator of a government's financial position.

By far, the largest portion of the Town's net position reflects its net investment in capital assets (e.g. land, buildings, infrastructure, and equipment). The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending.

Normal impacts

There are four (4) normal/customary transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – this will impact (increase or decrease) current assets and unrestricted net position.

Spending of Non-borrowed Current Assets on New Capital – this will reduce current assets while increasing capital assets and will reduce unrestricted net position while increasing basis in capital assets, net of debt.

Principal Payment of Debt – this will reduce current assets and long-term debt, as well as reducing unrestricted net position and increasing basis in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – this will reduce capital assets and basis in capital assets, net of debt.

Statement of Activities

The following schedule compares the revenues and expenses for the current year.

Changes in Net Position						
For the Years Ended September 30, 2019 and 2018						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for Services	\$ 40,922	\$ 43,645	\$ 878,876	\$ 909,112	\$ 919,798	\$ 952,757
Capital Grants & Contributions	9,100	7,875	2,485,744	175,624	2,494,844	183,499
General Revenues:						
Property taxes	131,113	132,189	-	-	131,113	132,189
Franchise taxes	96,588	106,540	-	-	96,588	106,540
Fuel taxes	59,604	54,318	-	-	59,604	54,318
Infrastructure surtax	105,074	98,854	-	-	105,074	98,854
Sales taxes	155,361	151,706	-	-	155,361	151,706
Utility taxes	161,864	170,026	-	-	161,864	170,026
Investment income	29,927	13,916	-	-	29,927	13,916
Sales	-	-	38,943	-	38,943	-
Miscellaneous	88,651	79,721	146,518	50,874	235,169	130,595
Total Revenues	878,204	858,790	3,550,081	1,135,610	4,428,285	1,994,400
Program Activities						
Primary Government						
Governmental Activities:						
General Government	(293,490)	(285,037)	-	-	(293,490)	(285,037)
Public Safety	(267,672)	(246,975)	-	-	(267,672)	(246,975)
Streets and Highways	(263,639)	(296,991)	-	-	(263,639)	(296,991)
Culture/Recreation	(191,882)	(162,417)	-	-	(191,882)	(162,417)
Business-type Activities:						
Retail Development	-	-	(105,369)	(35,420)	(105,369)	(35,420)
Water and Sewer	-	-	(671,786)	(687,279)	(671,786)	(687,279)
Total Expenses	(1,016,683)	(991,420)	(777,155)	(722,699)	(1,793,838)	(1,714,119)
Excess of Revenues over Expenses	(138,479)	(132,630)	2,772,926	412,911	2,634,447	280,281
Transfers	261,893	374,085	(261,893)	(374,085)	-	-
Net Increase in Net Assets	\$ 123,414	\$ 241,455	\$ 2,511,033	\$ 38,826	\$ 2,634,447	\$ 280,281

Normal Impacts

There are nine (9) basic impacts on revenues and expenses as listed:

Revenues

- **Economic Condition** – this can reflect a declining, stable or growing economic environment and has a substantial impact on Ad valorem, sales, gas or other tax revenue as well as public spending habits for building permits and elective user fees.
- **Changes in Council approved rates** – although certain tax rates are set by Statute, the Town Council has significant authority to impose and periodically increase or decrease rates (water, wastewater, refuse, permitting, impact fees, recreation user fees, etc.)
- **Changing Patterns in Grant and Intergovernmental Revenue (both recurring and non-recurring)** – revenue determined by state and inter-local agreements (state revenue sharing and sales/use taxes) may experience significant changes periodically, while non-recurring federal and state grant awards are inconsistent, often times material to the financial statements as a whole, and therefore may be distorting in their impact on year-to-year comparisons.
- **Contribution from the Enterprise Funds** – the Town owns and operates a Water and Sewer Utility system and provides administrative and support services for these utilities. In return, the Town receives payments from the utilities for these services as well as contributions to support other Town services. Therefore, the ongoing competitiveness and vitality of the utilities is important to the Town's well-being.
- **Markets Impacts on Investment Income** – due to varying investment rates received under the Town's investment policies, the Town investment income may fluctuate from year to year.

Expenses

- **Introduction of new programs** – within the functional expense categories (General Government, Public Safety, etc.) individual programs may be added or deleted to meet changing needs.
- **Increase in authorized personnel** – changes in service demand may cause the Council to change authorized staffing. Staffing costs (salary and related benefits) represent approximately 20% of the Town's total net budget.
- **Salary increases** – increases for cost of living, merit and market adjustments are required to attract and retain human and intellectual resources to the Town, and to begin to be competitive in the job market.
- **Inflation** – while overall inflation appears to be reasonably modest, the Town is a major consumer of certain commodities such as chemicals and supplies, fuels and parts. Some functions may experience unusual commodity specific increases. The current gas prices are an example of unforeseen changes in budgeted items and their impact on financial results.

Current Year Impacts

Revenues

- In governmental activities, revenue from taxes saw a slight decrease of 1.37%.
- Intergovernmental revenue increased over last year with slight increases in most of the revenue sharing activities.
- Overall governmental activity revenues were up by 2.26% over the previous year due primarily to increase in tax revenue.
- Business-type revenues increased by 212.61% over the previous year. The increase is primarily due to the non-recurring Department of Economic Opportunities grant received to fund the “Wastewater Treatment Facility” project. The increased water/sewer rates implemented two years ago leveled out and generated a decrease in total water revenue over last year in part due to repairs to valves and pipes, eliminating false readings and leaks.

Expenses

- General Fund expenses for administrative purposes showed a net increase over last year in part due to the hiring of a part-time employee to assist the clerk and the annual increases to payroll related expenses such as health insurance and payroll taxes.
- General Fund expenses for public safety increased primarily due to the added expense of police patrols. The Town pays Jacksonville officers directly to take shifts to patrol the streets of Baldwin. This was the first full year of additional patrols.
- General Fund expenses related to streets and highways decreased over last year due primarily to less repairs and maintenance.
- General Fund expenses related to culture and recreation increased over last year due to more events and increased payroll costs.
- Business-type expenses increased overall.
- Retail Development transitioned from renting the store to IGA to operating the store. Expenses are not comparable to last year. Additionally, with less than one month of activity and set-up issues, the expenses will not be comparable to the coming year either.
- Slight decrease in Water/Sewer expenses attributable to less repair services and grant administration costs, offset by an increase in depreciation expense.

Governmental Funds

- Under GASB 54, the fund balance for the governmental funds is segregated into five categories. Restricted funds once used for their intended purpose cause distribution of restricted funds to either governmental or business-type funds depending on their intended use.

Business-type Funds

- The Enterprise Funds demonstrated a 69.25% increase in net assets in the amount of \$2,511,033. The current year included the installments towards the construction on the wastewater project. The Retail Development fund posted a loss for the year. This resulted in overall net operating income for the Enterprise Funds in the current fiscal year end.

Budgetary Highlights – General Fund

Actual revenues were \$74,936 less than budgeted. The budget included plans for another park project, which was not pursued during the current fiscal year and accounted for the largest negative variance. Additionally, taxes collected were \$29,408 less than budgeted. These two revenue streams combined accounts for most of the difference.

Actual expenses were under budgeted amounts by \$323,843. This difference is due in part to the fact that the planned park project was not pursued. Various operating expenses also came in under budget. Public safety over budgeted the cost of adding police officers. Streets and Highways budgeted for additional repair work which was not completed this year. Changes in payroll and staffing created cost differences. Timing of the completion of projects creates a budget vs actual cost difference under Capital outlays.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the year end, the Town had \$9,228,808 invested in a variety of net capital assets. This amount represents a net increase in capital assets (addition, disposition/deletion and depreciation) of \$2,611,703 or 39.47% from the end of last year.

The current year additions primarily represents work on the wastewater treatment facility.

The changes in the capital assets for the year are reflected in the following schedule:

Governmental Activities

	<u>9/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2019</u>
Buildings	\$ 1,573,154	\$ -		\$ 1,573,154
Land	117,712	-		117,712
Improvements	1,031,993	9,727		1,041,720
Equipment	208,963	7,305		216,268
Furniture & Fixtures	27,851	-		27,851
Infrastructure	1,359,715	-		1,359,715
Computer software	3,559	-		3,559
Vehicles	82,640	-		82,640
Total capital assets	<u>4,405,587</u>	<u>\$ 17,032</u>	<u>\$ -</u>	<u>4,422,619</u>
Less accumulated depreciation	<u>1,493,398</u>	<u>\$ 156,336</u>	<u>\$ -</u>	<u>1,649,734</u>
Governmental activities capital assets, net	<u><u>\$ 2,912,189</u></u>			<u><u>\$ 2,772,885</u></u>

Business-Type activities

	9/30/2018	Additions	Deletions	9/30/2019
Buildings	\$ 791,521			\$ 791,521
Land	98,818			98,818
Sanitation facilities	2,415,996			2,415,996
Equipment	174,730	15,561		171,435
Waste water plant	2,460,286			2,460,286
Water distribution system	2,775,121	-		2,758,883
Computer software	12,111			12,111
Construction in progress	376,146	2,929,383	-	3,305,529
Total capital assets	<u>9,104,729</u>	<u>2,944,944</u>	<u>-</u>	<u>12,014,579</u>
Less accumulated depreciation	<u>5,399,813</u>	<u>\$ 193,937</u>	<u>\$ 35,094</u>	<u>5,558,656</u>
Business-Type activities capital assets, net	<u>\$ 3,704,916</u>			<u>\$ 6,455,923</u>
Total Government Capital Assets, net	<u>\$ 6,617,105</u>			<u>\$ 9,228,808</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 38,538
Public safety	3,077
Streets and highways	81,968
Culture/recreation	<u>32,753</u>
Total governmental activities depreciation expense	<u>\$ 156,336</u>

Business-Type activities:

Water and sewer	\$ 174,260
Retail development	<u>19,677</u>
Total business-type activities depreciation expense	<u>\$ 193,937</u>

Debt Outstanding

As of September 30, 2019, the Town had \$683,200 in debt (notes, capital leases, etc.) outstanding compared to \$248,531 as of September 30, 2018, a 174.9% increase. Additional borrowing for the year consisted of \$439,008 which represents the portion of the funds provided by the Department of Environmental Protection subject to repayment over the next 30 years.

	Outstanding Debt	
	September 30,	
	<u>2019</u>	<u>2018</u>
Government Activities:		
Compensated absences	\$ 134,620	\$ 133,017
Governmental activities long-term liabilities	<u>134,620</u>	<u>133,017</u>
Business-Type Activities:		
Due to other governmental units	545,837	110,967
Compensated absences	<u>2,742</u>	<u>4,547</u>
Business-Type activities long-term liabilities	<u>548,579</u>	<u>115,514</u>
Total Debt	<u><u>\$ 683,199</u></u>	<u><u>\$ 248,531</u></u>

ECONOMIC FACTORS

The State of Florida, by Constitution, does not have a state personal income tax and, therefore the State operates primarily using sales, gasoline and corporate income tax revenues. Local governments primarily rely on property and a limited array of permitted other authorized taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational licenses, etc.) to support their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

For the business-type activities and certain governmental activities, the user (of services) pays a related fee (or charge) associated therewith. The Town does not face demand to add personnel in order to extend current levels of services to new areas.

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions about the report or requests for additional financial information should be addressed to the Town of Baldwin, Town Clerk, 10 U.S. Highway 90 West, Baldwin, FL 32234.

TOWN OF BALDWIN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents, unrestricted	\$ 2,258,847	\$ 13,205	\$ 2,272,052
Cash and cash equivalents, restricted	226,828	38,850	265,678
Accounts receivable (net of allowance for doubtful accounts)	33,376	136,101	169,477
Franchise fees receivable	12,643	-	12,643
Due from other governmental units	45,045	231,740	276,785
Prepaid expenses	14,582	8,453	23,035
Inventory	-	73,926	73,926
Total Current Assets	<u>2,591,321</u>	<u>502,275</u>	<u>3,093,596</u>
Noncurrent Assets			
Construction in Progress	-	3,305,529	3,305,529
Capital assets (net of accumulated depreciation)	<u>2,772,885</u>	<u>3,150,394</u>	<u>5,923,279</u>
Total Noncurrent Assets	<u>2,772,885</u>	<u>6,455,923</u>	<u>9,228,808</u>
TOTAL ASSETS	<u>5,364,206</u>	<u>6,958,198</u>	<u>12,322,404</u>
LIABILITIES			
Accounts payable and other accrued liabilities	101,300	206,911	308,211
Accrued compensated absences	9,025	1,452	10,477
Due to other governmental units	-	13,662	13,662
Payable from restricted assets:			
Customer deposits	-	65,397	65,397
Noncurrent Liabilities:			
Accrued compensated absences (net of current portion)	125,595	1,290	126,885
Due to other governmental units	-	532,175	532,175
TOTAL LIABILITIES	<u>235,920</u>	<u>820,887</u>	<u>1,056,807</u>
NET POSITION			
Net investment in capital assets	2,772,885	6,455,923	9,228,808
Restricted for:			
Capital expansion and improvement	121,691	38,850	160,541
Convention development	105,137	-	105,137
Unrestricted	<u>2,128,573</u>	<u>(357,462)</u>	<u>1,771,111</u>
Total Net Position	<u>\$ 5,128,286</u>	<u>\$ 6,137,311</u>	<u>\$ 11,265,597</u>

See accompanying notes

**TOWN OF BALDWIN, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Services			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ (293,490)	\$ 40,922	\$ -	\$ 9,100	\$ (243,468)	\$ -	\$ (243,468)
Public Safety	(267,672)	-	-	-	(267,672)	-	(267,672)
Streets and Highways	(263,639)	-	-	-	(263,639)	-	(263,639)
Culture/Recreation	(191,882)	-	-	-	(191,882)	-	(191,882)
TOTAL GOVERNMENTAL ACTIVITIES	(1,016,683)	40,922	-	9,100	(966,661)	-	(966,661)
BUSINESS-TYPE ACTIVITIES							
Retail Development	(105,369)	4,307	-	-	-	(101,062)	(101,062)
Water and Sewer	(671,786)	874,569	-	2,485,744	-	2,688,527	2,688,527
TOTAL BUSINESS-TYPE ACTIVITIES	(777,155)	878,876	-	2,485,744	-	2,587,465	2,587,465
TOTAL PRIMARY GOVERNMENT	\$ (1,793,838)	\$ 919,798	\$ -	\$ 2,494,844	(966,661)	2,587,465	1,620,804
General Revenues:							
Taxes:							
Property Taxes					131,113	-	131,113
Franchise Taxes					96,588	-	96,588
Fuel Taxes					59,604	-	59,604
Infrastructure Surtax					105,074	-	105,074
Sales Taxes					155,361	-	155,361
Utility Taxes					161,864	-	161,864
Sales					-	38,943	38,943
Investment Income					29,927	-	29,927
Miscellaneous					88,651	146,518	235,169
Transfers					261,893	(261,893)	-
Total General Revenues and Transfers					1,090,075	(76,432)	1,013,643
Change in Net Position					123,414	2,511,033	2,634,447
Net Position, Beginning					5,004,872	3,626,278	8,631,150
Net Position, Ending					\$ 5,128,286	\$ 6,137,311	\$ 11,265,597

See accompanying notes

**TOWN OF BALDWIN, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2019**

	General Fund
ASSETS	
Cash and cash equivalents, unrestricted	\$ 2,258,847
Cash and cash equivalents, restricted	226,828
Accounts receivable	33,376
Franchise fees receivable	12,643
Due from other governmental units	45,045
Prepaid expenses	14,582
TOTAL ASSETS	\$ 2,591,321
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and other accrued liabilities	\$ 85,417
Accrued payroll and related taxes	15,883
Accrued matured compensated absences	9,025
Total Liabilities	110,325
Fund Balances	
Fund balances:	
Nonspendable	
Prepays	14,582
Restricted	
Convention development	105,137
Street Lighting	1,110
Skate park capital improvement	120,581
Assigned	
Recreation improvements	189,620
Unassigned	2,049,966
Total Fund Balances	2,480,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,591,321

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Total fund balances of governmental funds	\$ 2,480,996
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,772,885
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(125,595)
Net Position of Governmental Activities	\$ 5,128,286

TOWN OF BALDWIN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund
REVENUES	
Taxes	\$ 554,243
Licenses and permits	14,468
Intergovernmental revenues	242,481
Charges for services	475
Interest	29,927
Grant awards and Donations	9,100
Miscellaneous	27,510
TOTAL REVENUES	878,204
EXPENDITURES	
Current:	
General government	257,140
Public safety	264,595
Streets and highway	182,083
Culture and recreation	159,129
Capital outlay	17,033
TOTAL EXPENDITURES	879,980
EXCESS EXPENDITURES OVER REVENUES	(1,776)
OTHER FINANCING SOURCES	
Operating transfers from other funds	1,955,993
Operating transfers to other funds	(1,694,100)
TOTAL OTHER FINANCING SOURCES	261,893
NET CHANGE IN FUND BALANCES	260,117
FUND BALANCES, BEGINNING	2,220,879
FUND BALANCES, ENDING	\$ 2,480,996

See accompanying notes

TOWN OF BALDWIN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Net change in fund balances - total governmental funds	\$	260,117
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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 as depreciation expense. Also, certain capital assets are contributed to the Town upon completion, requiring recognition of income not reported in the funds.

Capital assets acquired by use of financial resources		17,032
Current year depreciation		(156,336)

Some expenses reported in the statement of activities did not require the use of or provide current financial resources and therefore are not reported in governmental funds:

Increases in compensated absences payable		2,601
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Change in net position of governmental activities	\$	123,414
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TOWN OF BALDWIN, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Enterprise Funds		
	Water and Sewer	Retail Development	Total
ASSETS			
Current Assets			
Cash and cash equivalents, restricted	\$ 38,850	\$ -	\$ 38,850
Cash and cash equivalents		13,205	13,205
Accounts receivable (net of allowance for doubtful accounts)	132,016	4,085	136,101
Due from other governmental units	231,740	-	231,740
Prepaid insurance	7,696	757	8,453
Inventory	5,945	67,981	73,926
Total Current Assets	<u>416,247</u>	<u>86,028</u>	<u>502,275</u>
Noncurrent Assets			
Capital assets (net of accumulated depreciation)	<u>5,884,041</u>	<u>571,882</u>	<u>6,455,923</u>
TOTAL ASSETS	<u>6,300,288</u>	<u>657,910</u>	<u>6,958,198</u>
LIABILITIES			
Accounts payable	180,387	18,406	198,793
Accrued compensated absences	1,452	-	1,452
Accrued payroll taxes	8,118	-	8,118
Due to other governmental units	13,662	-	13,662
Payable from restricted assets:			
Customer deposits	65,397	-	65,397
Noncurrent liabilities:			
Accrued compensated absences (net of current portion)	1,290	-	1,290
Due to other governmental units	532,175	-	532,175
TOTAL LIABILITIES	<u>802,481</u>	<u>18,406</u>	<u>820,887</u>
NET POSITION			
Invested in capital assets	5,884,041	571,882	6,455,923
Restricted for:			
Capital expansion and improvement	38,850	-	38,850
Unrestricted	(425,084)	67,622	(357,462)
TOTAL NET POSITION	<u>\$ 5,497,807</u>	<u>\$ 639,504</u>	<u>\$ 6,137,311</u>

See accompanying notes

TOWN OF BALDWIN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds		
	Water and Sewer	Retail Development	Total
OPERATING REVENUES			
Charges for service	\$ 868,749	\$ -	\$ 868,749
Impact fees	5,820	-	5,820
Grants & awards	2,485,744	-	2,485,744
Sales	-	38,943	38,943
Rental Income	-	4,307	4,307
Miscellaneous	117,720	28,798	146,518
TOTAL OPERATING REVENUES	3,478,033	72,048	3,550,081
OPERATING EXPENSES			
Personal services	167,837	15,001	182,838
Contractual services	176,304	-	176,304
Cost of Goods Sold	-	27,662	27,662
Utilities	62,645	20,947	83,592
Depreciation	174,259	19,677	193,936
Repairs, maintenance and supplies	61,620	12,074	73,694
Insurance	16,555	3,448	20,003
Other expenses	9,243	6,560	15,803
TOTAL OPERATING EXPENSES	668,463	105,369	773,832
OPERATING INCOME (LOSS)	2,809,570	(33,321)	2,776,249
NON-OPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(3,323)	-	(3,323)
NET NON-OPERATING REVENUES	(3,323)	-	(3,323)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,806,247	(33,321)	2,772,926
OPERATING TRANSFERS			
Operating transfers in	1,544,575	149,525	1,694,100
Operating transfers out	(1,931,329)	(24,664)	(1,955,993)
NET OPERATING TRANSFERS	(386,754)	124,861	(261,893)
CHANGE IN NET POSITION	2,419,493	91,540	2,511,033
NET POSITION, BEGINNING	3,078,314	547,964	3,626,278
NET POSITION, ENDING	\$ 5,497,807	\$ 639,504	\$ 6,137,311

See accompanying notes

TOWN OF BALDWIN, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund		
	Water and Sewer	Retail Development	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for goods and services	\$ 881,293	\$ 39,164	\$ 920,457
Grants & awards	2,688,874	-	2,688,874
Other cash receipts	117,720	28,798	146,518
Cash paid to employees	(127,349)	(15,001)	(142,350)
Cash paid to outside parties	(235,166)	(149,057)	(384,223)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,325,372	(96,096)	3,229,276
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating transfers in	1,544,575	149,525	1,694,100
Operating transfers out	(1,931,329)	(24,664)	(1,955,993)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(386,754)	124,861	(261,893)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,929,382)	(15,559)	(2,944,941)
Interest payments to other governmental units	(3,323)	-	(3,323)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,932,705)	(15,559)	(2,948,264)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,913	13,206	19,119
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	32,937	-	32,937
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 38,850	\$ 13,206	\$ 52,056
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,809,570	\$ (33,321)	\$ 2,776,249
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	174,259	19,677	193,936
(Increase) decrease in accounts receivable	4,274	(4,086)	188
Increase in prepaid expenses	(113)	-	(113)
Increase in due from other government units	(231,740)	-	(231,740)
(Increase) decrease in inventory	1,111	(67,981)	(66,870)
Increase (decrease) in accounts payable	128,826	(10,385)	118,441
Increase in accrued payroll and related taxes	3,670	-	3,670
Decrease in accrued compensated absences	(1,805)	-	(1,805)
Increase in due to other government units	434,870	-	434,870
Increase in customer deposits	2,450	-	2,450
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 3,325,372	\$ (96,096)	\$ 3,229,276

See accompanying notes

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Baldwin, Florida (the Town) is a Florida municipality, which operates under a Town Council-Town Clerk form of government. The Town was originally incorporated on October 9, 1876. In 1913, by Charter 6663, the Town was incorporated by Legislative Act. The Town's major operations include parks, recreation, public works and general administrative services. Fire and police protection are provided through a contract with the City of Jacksonville. In addition, the Town owns and operates a water and sewer system and manages commercial rental property. The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations) and is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types governed by the Council of the Town (the Town Council), the reporting entity of government for which the Town Council is considered to be financially accountable. There are no potential component units or related organizations of the Town that meet the criteria for inclusion in the Town's basic financial statements.

Basic Financial Statements – Government-wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's fire protection, parks, recreation, public works, and general administrative services are classified as governmental activities. The Town's water and sewer services and retail development fund are classified as business-type activities. The Town has a contract with the City of Jacksonville for police and fire protection. The Town maintains certain assets to assist in providing this service.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts-invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (public safety, culture and recreation, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, culture and recreation etc.) or a business-type activity.

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

a. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

b. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town:

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operation. The principal operating revenues for the Town's enterprise funds are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town's enterprise funds consist of the water and sewer fund and the retail development fund.

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the related cash flows.

The governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, and payments for compensated absences which are recognized when due.

Budgets and Budgetary Accounting

Annual budgets are legally adopted for all governmental funds. Each budget is prepared on a basis that does not differ materially from generally accepted accounting principles. Budget amounts reflected in the accompanying financial statements represent "revised" budgetary data; i.e., the effects of budget amendments have been applied to "original" budgetary data. The Town's procedures in establishing the budgetary data for the General Fund reflected in the financial statements as Requires Supplementary Information generally are as follows:

- On or before the first part of September, a Council member designated as Budget Chairperson submits a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Usually prior to October 1st, the budget is legally enacted by Council approval.
- The County Property Appraiser is advised as to the final Town millage, prepares the final tax rolls, and turns them over to the County Tax Collector for billing and collecting.
- Appropriations lapse at year-end.
- Expenditures may not legally exceed appropriations for each budgeted fund of the Town.

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

The Town does not utilize an encumbrance accounting system.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Uncollectible Accounts Receivable

Accounts receivables held by the Enterprise Fund are reported net of an allowance for uncollectible accounts receivable in the amount of \$42,919. Accounts receivable held by the General Fund are deemed to be wholly collectible, therefore no allowance has been recognized.

Investments

The Town follows the State of Florida investment policy as set forth in Florida Statutes 218.415. Investments in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP), known as Florida PRIME, as administered by the State Board of Administration (SBA) are valued and accounted for in accordance with Rule 2a-7 under the SEC Investment Company Act of 1940, as prescribed in GASB 31 and amended by GASB 59.

Inventory

Inventory is valued at cost under the first-in, first-out method.

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10–50 years
Water and sewer system	15–50 years
Machinery and equipment	5-10 years
Computer software	3 years
Vehicles	5-10 years
Improvements	15–50 years
Other infrastructure	30–50 years

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of adopting GASB No. 34, the Town reported and depreciated new infrastructure assets effective as of October 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation had historically been reported in the financial statements. Retroactive reporting of infrastructure assets was not considered necessary.

Compensated Absences

Full-time, permanent employees are granted vacation benefits, sick leave, and compensatory time accruals in varying amounts depending on tenure with the Town. The Town's policy is to vest vacation time as soon as earned and allows employees to accumulate vacation time annually from the date of hire. Any employees hired after July 8, 2014 are limited to a carryover of 80 hours of vacation to the next year. The policy allows for employee vesting of sick pay up to a maximum of sixty days. The compensatory time accrual program allows eligible employees to defer pay and accumulate overtime hours for paid time off in subsequent periods. All accruals are due and payable at the termination of participating employees.

The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Fund Equity Reservations and Designations

GASB Statement No. 54 established classifications for the fund balance for governmental funds based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which the funds may be used.

Classifications consist of:

- Nonspendable Fund Balance - constitutes amounts that cannot be spent because they are either:
 - a) Not in spendable form
 - b) Legally or contractually required to be maintained intact
- Restricted Fund Balance - constitutes amounts that have constraints placed on their use by either:
 - a) Creditors or donors
 - b) Constitutional provisions
- Committed Fund Balance - constitutes amounts restricted to a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned Fund Balance - constitutes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed and are subject to change based on managerial plans.

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Unassigned Fund Balance – is the residual classification for the general fund and represents the amount that has not been restricted, committed or assigned to a specific purpose.

Net Position – Net position represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds.

The Town has a policy of opening special accounts to maintain restricted funds. These accounts help establish the restricted use of the funds and facilitate the proper use of restricted versus unassigned funds. The town council has the authority to assign funds to be used for a specific purpose.

Loss Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Town, but which will only be resolved when one or more future events occur or fail to occur. The Town's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Town or unasserted claims that may result in such proceedings, the Town's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Town's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Interfund Activity

Interfund activity is reported as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

New Accounting Pronouncements

GASB Statement No. 83, Certain Asset Retirement Obligations – this Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally forceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement was effective for the year ended September 30, 2019 and has been applied as required.

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 87, Leases – this Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement will be effective for the year ended September 30, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – the primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement were effective for the year ended September 30, 2019 and have been applied as required.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – the objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will be effective for the year ended September 30, 2021.

NOTE 2 DEPOSITS AND INVESTMENTS

All monies collected by the Town are required to be deposited in accordance with the laws of the State of Florida. State Statutes authorize the Town to invest in the following:

- direct obligations of, or obligations guaranteed by, the U.S. Government;
- interest-bearing time deposits or savings accounts in qualified institutions;
- obligations of the Federal Farm Credit Banks;
- obligations of the Federal National Mortgage Association; and
- the Local Government Surplus Funds Trust Fund.

All bank accounts of the Town are placed in banks that qualify as public depositories, pursuant to law (Florida Security for Public Deposits Act). Therefore, the Town's total bank balances on deposit at September 30, 2019 are fully insured through the Bureau of Collateral Securities, Division of Treasury, State of Florida Department of Insurance. The Federal Deposit Insurance Corporation (FDIC) also covers deposits up to \$250,000. As of September 30, 2019, the Town's deposits exceeded this amount by \$2,256,692. The Town has not experienced any losses as a result of this excess in the past. As of September 30, 2019, the total carrying amount of all deposits in qualified public depositories covered by the Florida Security for Public Deposits Act was \$1,618,741 and the bank balance was \$1,500,231.

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Under Section 218.415 of the Florida Statute, municipalities and other agencies in or of the state may join with other municipalities and/or agencies of the state for the purpose of investing and reinvesting surplus public funds in a pooled fund. The Town holds two such accounts with investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), currently known as Florida PRIME, administered by the State Board of Administration (SBA). Florida PRIME is considered an SEC 2a-7 like fund, such that the fair value of the position in the pool is the same as the value of the pool shares. Florida PRIME is rated by Standard and Poor's, with a current rating of AAAm.

A separate financial report for Florida PRIME is prepared by the State Board of Administration in accordance with GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Florida State Board of Administration, 1801 Hermitage Blvd, Tallahassee, FL 32308.

Risks associated with Florida PRIME include *interest rate risks*, where the prices of the fixed income securities in which Florida PRIME will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The dollar weighted average days to maturity (WAM) at September 30, 2019, is 85 days.

Florida PRIME is also subject to *credit risk*, which is the possibility that an issuer of a fixed income security held by Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, Florida PRIME will lose money.

As of September 30, 2019, the total carrying amount and the balance on record of all deposits in these accounts was \$972,293. These trust funds are not considered qualified public depositories and are therefore not covered by the State of Florida Department of Insurance or the Federal Deposit Insurance Corporation.

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, therefore, the Town's participant account balance is considered the fair value of the Town's investment. It is the Florida PRIME State Board of Administration's interpretation that the Town's Florida PRIME investments are exempt from the GASB 72 fair value hierarchy disclosures.

GASB Statement No. 79 says that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity or the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

NOTE 3 CAPITAL ASSETS

A summary of changes in Capital Assets is as follows:

Governmental Activities

	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated:				
Land	\$ 117,712	\$ -	\$ -	\$ 117,712
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	117,712	-	-	117,712
Other capital assets:				
Buildings	1,573,154			1,573,154
Improvements	1,031,993	9,727		1,041,720
Equipment	208,963	7,305		216,268
Furniture & Fixtures	27,851			27,851
Infrastructure	1,359,715			1,359,715
Computers and software	3,559			3,559
Vehicles	82,640			82,640
Total other capital assets	4,287,875	17,032	-	4,304,907

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 CAPITAL ASSETS (CONTINUED)

Less accumulated depreciation for:			
Buildings	442,733	38,488	481,221
Improvements	334,291	43,378	377,669
Equipment	181,962	11,345	193,307
Furniture & Fixtures	24,780	859	25,639
Infrastructure	426,141	61,340	487,481
Computer software	3,559		3,559
Vehicles	79,932	926	80,858
Total accumulated depreciation	<u>1,493,398</u>	<u>156,336</u>	<u>-</u>
Other capital assets, net	<u>2,794,477</u>		<u>2,655,173</u>
Governmental activities capital assets, net	<u>\$ 2,912,189</u>		<u>\$ 2,772,885</u>

Business-type Activities

	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated:				
Land	\$ 98,818	\$ -	\$ -	\$ 98,818
Construction in progress	376,146	2,929,383		3,305,529
Total capital assets not being depreciated	<u>474,964</u>	<u>2,929,383</u>	<u>-</u>	<u>3,404,347</u>
Other capital assets:				
Buildings	791,521	-	-	791,521
Sanitation facilities	2,415,996	-	-	2,415,996
Equipment	174,730	15,561	18,856	171,435
Waste water plant	2,460,286	-	-	2,460,286
Water distribution system	2,775,121		16,238	2,758,883
Computer software	12,111	-	-	12,111
Total other capital assets	<u>8,629,765</u>	<u>15,561</u>	<u>35,094</u>	<u>8,610,232</u>
Less accumulated depreciation for:				
Buildings	268,426			268,426
Sanitation facilities	1,593,025	61,219		1,654,244
Equipment	147,347	24,600	18,856	153,091
Waste water plant	1,510,893	61,743		1,572,636
Water distribution system	1,868,009	46,375	16,238	1,898,146
Computer software	12,113			12,113
Total accumulated depreciation	<u>5,399,813</u>	<u>193,937</u>	<u>35,094</u>	<u>5,558,656</u>
Other capital assets, net	<u>3,229,952</u>			<u>3,051,576</u>
Business-Type activities capital assets, net	<u>\$ 3,704,916</u>			<u>\$ 6,455,923</u>

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 38,538
Public safety	3,077
Streets and highways	81,968
Culture/recreation	<u>32,753</u>
Total governmental activities depreciation expense	<u>\$ 156,336</u>

Business-Type activities:

Water and sewer	\$ 174,260
Retail development	<u>19,677</u>
Total business-type activities depreciation expense	<u>\$ 193,937</u>

Ongoing construction of the wastewater treatment facility and water valve and fire hydrant replacement extends beyond a single fiscal year and is being financed by specifically designated resources.

The following projects were in progress at September 30, 2019:

	<u>Costs to Date</u>
<u>Wastewater Treatment Facility</u>	
Estimated total project cost exceeds \$3.5m, a portion of which will be funded by the Department of Environment Protection.	<u>\$ 3,305,529</u>

NOTE 4 RESTRICTED ASSETS

During the fiscal year ended September 30, 2008 the Town completed work on construction of a skate park. A grant of \$371,927 from the City of Jacksonville was awarded to help fund the construction of this skate park. The award was made in full and deposited in a new bank account designated for the skate park during 2007. The award is to be used exclusively for the construction of the skate park. The balance remaining in the bank at year-end is restricted and pending approval of additional projects. It cannot be used for the operation of the skate park.

During the fiscal year ended September 30, 2009 CSX donated \$10,000 to the Town to be used to improve lighting at the crossing on U.S. Highway 90. A portion of these funds were used to install solar lights.

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 RESTRICTED ASSETS (CONTINUED)

Actual balances of the restricted cash and investment accounts in the Town's general and enterprise funds at September 30, 2019, are as follows:

Governmental Projects general fund - Convention Development Tax Fund		\$ 105,137
CSX Donation for Street Lighting		1,110
Capital Projects general fund - Skate Park capital improvement		<u>120,581</u>
		226,828
Water, Sewer & Garbage enterprise fund - Water expansion improvement trust	\$ 16,566	
Wastewater capital improvement	<u>22,284</u>	
		<u>38,850</u>
Total Restricted Assets		<u><u>\$ 265,678</u></u>

NOTE 5 LINE OF CREDIT

The total credit available at September 30, 2019 is \$25,000. The line of credit was obtained from Ameris Bank on August 21, 2019 to allow the Baldwin Market to order and receive groceries from its main supplier. There were no advances made and the ending line of credit balance due to the Bank at September 30, 2019 is zero.

NOTE 6 LONG-TERM LIABILITIES

Governmental Activities:

As of September 30, 2019, the governmental long-term debt consisted of the following:

Accrued compensated absences		\$ 134,620
Less current portion		<u>(9,025)</u>
Total Governmental activity long-term liabilities		<u><u>\$ 125,595</u></u>

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities:

As of September 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

Unsecured 1.99% Clean Water State Revolving Fund loan, semi-annual installment of \$3,730 including interest	\$ 106,829
Unsecured interest-free Clean Water State Revolving Fund loan, semi-annual installment of \$8,301 including interest	439,008
Accrued compensated absences	<u>2,742</u>
	548,579
Less current portion	<u>(15,114)</u>
Total Business-Type activity long-term liabilities	<u><u>\$ 533,465</u></u>

The Town signed 2 agreements with Florida Department of Environmental Protection ("State"), which the State agreed to fund up to \$353,233 for pre-construction costs (WW758040) and \$2,263,877 (WW758041) for construction costs of a wastewater treatment facility.

With Agreement WW758040, 66.96% is forgiven by the State. The remaining 33.04% is payable in semi-annual installments of \$3,730 through 2036.

With Agreement WW758041, 80% of the proceeds is funded by a grant (SG758042). The remaining 20% is payable in semi-annual installments of \$8,301 through 2046.

The annual debt service requirements to maturity as of September 30, 2019 are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 13,662	\$ 2,099
2021	-	-	22,070	1,992
2022	-	-	22,179	1,883
2023	-	-	22,291	1,771
2024	-	-	22,404	1,658
thereafter	-	-	443,231	10,141
Total	\$ -	\$ -	\$ 545,837	\$ 19,544

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Long-term Debt Activities

	Beginning			Ending		Amounts
	Balance	Additions	Reductions	Balance		Due within One Year
Government Activities:						
Compensated absences	\$ 133,017	\$ 1,603	\$ -	\$ 134,620		\$ 9,025
Governmental activities long-term liabilities	\$ 133,017	\$ 1,603	\$ -	\$ 134,620		\$ 9,025
Business-Type Activities:						
Due to other governmental units	\$ 110,967	\$ 439,008	\$ 4,138	\$ 545,837		\$ 13,662
Compensated absences	4,547		1,805	2,742		1,452
Business-Type activities long-term liabilities	\$ 115,514	\$ 439,008	\$ 5,943	\$ 548,579		\$ 15,114

Compensated Absences

Inasmuch as records kept for compensated absences relate only to hours earned, used, and available, the effect of changes in individual employee compensation rates and gross additions and deletions to the reported value of the liability for compensated absences cannot be reasonably determined. Accordingly, only the net change in the accumulated value of compensated absences is shown for the current fiscal year.

NOTE 7 FUND BALANCE

GASB Statement No. 54 established classifications for the fund balance for governmental funds based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which the funds may be used.

The restricted fund balance as of September 30, 2019 consists of cash reserves held separately based on the restrictions placed on them by outside governmental authorities providing the grant or corporate donors making a contribution with the use thereof specified. Note 4 Restricted Assets addresses the specific restrictions placed on these funds. The establishment of separate bank accounts for the majority of these restricted funds safeguards them from being utilized to fund operating expenditures throughout the year.

Assigned fund balance as of September 30, 2019 consists of cash received in January 2009 from the sale of the Town's cell tower for \$300,000. Net proceeds from the sale were deposited in a separate account to be reserved for future recreation projects per decision of the town council. During the fiscal year ended September 30, 2014, the town council voted to also use these funds as needed to cover expenses for special projects while waiting for the grant monies to be released. As of September 30, 2019, \$189,620 remains in this account to be used for future recreation projects. The town council has in the past decided to fund recreation project with operating funds when available in order to retain this reserve account.

**TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 FUND BALANCE (CONTINUED)

As of September 30, 2019, the governmental fund's fund balance included the following fund balance classifications:

Non spendable Fund Balance –			
Prepaid Expenses		\$	14,582
Restricted Fund Balance –			
General Fund –			
Convention Development Tax Fund	\$	105,137	
CSX Donation for Street Lighting		1,110	
Skate Park capital improvement		<u>120,581</u>	
			226,828
Assigned Fund Balance –			
Recreation Projects			189,620
Unassigned Fund Balance –			
			<u>2,049,966</u>
		<u>\$</u>	<u>2,480,996</u>

NOTE 8 SEGMENTS OF ENTERPRISE ACTIVITIES

The Town provides services for water, sewer and garbage which are financed by user charges. Financial data for water, sewer and garbage services are combined in these financial statements under the Water and Sewer Enterprise Fund of the Proprietary Fund Type. The Town also leases real property in the form of retail space. Financial data for the Town's leasing activity can be found under the Retail Development Fund of the Proprietary Fund Type. Enterprise Fund segment disclosures are not presented as the water, sewer and garbage services are homogeneous.

NOTE 9 PROPERTY TAXES

The County Tax Collector bills and collects property taxes for the Town. Town property tax revenues are recognized when levied, to the extent that they result in current receivables.

Details of the Town's property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Installment payments:	
1st Installment	No later than June 30
2nd Installment	No later than September 30
3rd Installment	No later than December 31
4th Installment	No later than March 31
Regular payments:	
Discount periods	November - February
No discount period	March
Delinquent date	April 1

TOWN OF BALDWIN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 DEFERRED COMPENSATION PLAN

Employees of the Town may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457, "Deferred Compensation Plans with Respect to Service for State and Local Governments."

Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until available for withdrawal at termination, retirement, death or unforeseeable emergency. An independent plan administrator (Nationwide Retirement Solutions) administers the plan through administrative service agreements. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The Town has very little administrative involvement, performs no direct investing function and has no fiduciary responsibility for these Plans. Changes in investment offerings are presented by the plan administrator and allows the Town to opt in or out of new offerings, but this is the extent of the

Town's involvement in the Plan's investments. All amounts of compensation deferred under the Plans, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the property and rights of the participants and are not subject to claims of the Town's creditors. Accordingly, these Plan assets are not reported as a part of these financial statements.

NOTE 11 PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town pays an annual premium to the self-insurance fund for its general liability, property, and workers' compensation coverage. The self-insurance fund is self-sustaining through member premiums and provides, through commercial company reinsurance contracts, individual stop loss coverage for claims in excess of the Town's insured amounts.

NOTE 12 CONTINGENCIES AND COMMITMENTS

The Town is a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the Town.

NOTE 13 SUBSEQUENT EVENTS

The Town evaluated subsequent events through June 11, 2020 the date these financial statements were issued. With the exception of those matters discussed in this Note, there were no material subsequent events that required recognition or additional disclosure in these financial statements.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

The Honorable Town Council
Town of Baldwin, Florida

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Town of Baldwin, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Baldwin, Florida's basic financial statements and have issued our report thereon dated June 11, 2020.

Internal Control over Financial Reporting

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

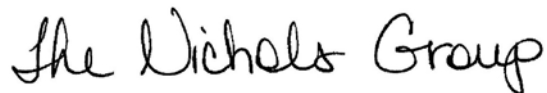
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.

The Nichols Group

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, Florida
June 11, 2020

TOWN OF BALDWIN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 569,951	\$ 583,651	\$ 554,243	\$ (29,408)
Licenses and permits	7,600	14,500	14,468	(32)
Intergovernmental revenues	225,934	245,634	242,481	(3,153)
Charges for services	1,000	1,000	475	(525)
Interest	7,200	28,400	29,927	1,527
Grant awards	51,000	51,000	9,100	(41,900)
Miscellaneous	27,005	28,955	27,510	(1,445)
TOTAL REVENUES	<u>889,690</u>	<u>953,140</u>	<u>878,204</u>	<u>(74,936)</u>
EXPENDITURES				
Current				
General government	264,746	264,746	257,140	(7,606)
Public safety	298,842	298,842	264,595	(34,247)
Streets and highway	251,067	251,068	182,083	(68,985)
Culture and recreation	259,667	259,667	159,129	(100,538)
Capital outlay	279,501	129,500	17,033	(112,467)
TOTAL EXPENDITURES	<u>1,353,823</u>	<u>1,203,823</u>	<u>879,980</u>	<u>(323,843)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(464,133)</u>	<u>(250,683)</u>	<u>(1,776)</u>	<u>248,907</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	4,374,107	4,374,106	1,955,993	(2,418,113)
Operating transfers to other funds	(4,382,324)	(4,524,107)	(1,694,100)	2,830,007
TOTAL OTHER FINANCING SOURCES AND USES	<u>(8,217)</u>	<u>(150,001)</u>	<u>261,893</u>	<u>411,894</u>
NET CHANGE IN FUND BALANCES	<u>\$ (472,350)</u>	<u>\$ (400,684)</u>	<u>\$ 260,117</u>	<u>\$ 660,801</u>



Independent Auditors' Management Letter

The Honorable Town Council
Town of Baldwin, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Baldwin, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 11, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 11, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity to be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the financial statements. There are no component units related to the Town of Baldwin, Florida.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Baldwin, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Baldwin, Florida did not meet any of the conditions described in Section 218.503 (1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Baldwin, Florida. It is management's responsibility to monitor the Town of Baldwin, Florida's financial condition, and our financial condition assessment was based in part on the representations made by the management and review of financial information provided by same.

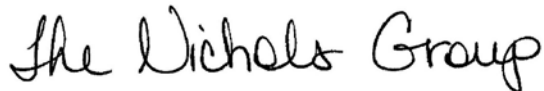
Section 10.554(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)(3)., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Town Council members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, Florida
June 11, 2020



THE NICHOLS GROUP, P.A.
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Independent Accountants' Report

The Honorable Town Council
Town of Baldwin, Florida

We have examined the Town of Baldwin, Florida's (the Town) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2019, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, and Town Council members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

The Nichols Group

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, Florida
June 11, 2020

**TOWN OF BALDWIN, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Grant Agency/Grant Title</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Florida Department of Environmental Protection Small Community Wastewater Grant	37.075	SG758042	\$ 1,596,394
St Johns River Water Management District Brandy Branch Reuse Project	37.066	32008	<u>889,350</u>
			<u>\$ 2,485,744</u>

**TOWN OF BALDWIN, FLORIDA
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance is presented on the modified accrual basis of accounting.



**REPORT ON COMPLIANCE FOR MAJOR STATE PROJECT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Independent Auditor's Report

The Honorable Town Council
Town of Baldwin, Florida

Report on Compliance for State Project

We have audited the Town of Baldwin, Florida's (the Town) compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Town's major state projects for the year ended September 30, 2019. The Town's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Project

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State projects for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, FL
June 11, 2020

Town of Baldwin
Schedule of Findings and Questioned Costs –
State Financial Assistance
For the Year Ended September 30, 2019

Summary of Auditor’s Results

1. The independent auditor’s report expresses an unmodified opinion on the financial statements of The Town of Baldwin, Florida (the Town).
2. There were no significant deficiencies identified during the audit of the financial statements reported in the 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*.
3. There were no instances of noncompliance identified during the audit of the financial statements reported in the 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*.
4. The audit disclosed no significant deficiencies and/or material weaknesses in internal control over major state projects that are required to be reported in the schedule of findings and questioned costs.
5. The report on compliance for the major state project expresses an unmodified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.
7. The programs tested as major state financial assistance projects included:

<u>State Projects</u>	<u>CSFA No.</u>
Small Community Wastewater Grant	37.075
Brandy Branch Reuse Project	37.066

8. The threshold for distinguishing Type A and B programs was \$750,000 for state projects.

Financial Statement Findings

There were no Financial statement findings to reported in accordance with Chapter 10.550, *Rules of the Auditor General*.

Findings and Questioned Costs for each State Project

The audit disclosed no findings for the major state projects to be reported under Chapter 10.550, *Rules of the Auditor General*.

Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.