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FINANCIAL STATEMENTS
CITY OF BALDWIN, MISSISSIPPI
Year Ended September 30, 2003

Franks, Franks & Jarrell, P.A.
Certified Public Accountants

TABLE OF CONTENTS

| | |
|------------------------------------|----|
| INDEPENDENT AUDITOR'S REPORT | 1. |
|------------------------------------|----|

GENERAL PURPOSE FINANCIAL STATEMENTS:

| | |
|---|----|
| Combined Balance Sheet - All Fund Types and Account Groups | 3 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances- All Governmental Fund Types | 5 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General and Special Revenue Fund Types | 6 |
| Statement of Revenues, Expenses and Changes in Retained Earnings - Enterprise Fund | 7 |
| Statement of Cash Flows - Enterprise Fund..... | 8 |
| Notes to Financial Statements..... | 9. |

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:

| | |
|--|----|
| Comparative Balance Sheet - General Fund | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -General Fund | 22 |
| Combining Balance Sheet - All Special Revenue Funds | 24 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Special Revenue Funds..... | 25 |
| Comparative Balance Sheet - Enterprise Fund..... | 26 |
| Statement of Revenues and Expenses - Budget and Actual - Enterprise Fund..... | 27 |
| Schedule of General Fixed Assets-By Sources | 28 |
| Schedule of General Fixed Assets-By Function and Activity | 29 |
| Schedule of Changes in General Fixed Assets-By Function and Activity..... | 30 |

OTHER SUPPLEMENTAL INFORMATION:

| | |
|--|----|
| Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections..... | 31 |
| Schedule of Surety Bonds for Municipal Officials..... | 32 |
| Schedule of Long-Term Debt..... | 33 |
| Schedule of Investments-All Funds | 34 |

OTHER REPORTS

| | |
|---|----|
| Schedule of Federal Awards Programs..... | 35 |
| Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 36 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 | 38 |
| Schedule of Findings and Reportable Conditions | 40 |



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Baldwin, Mississippi

We have audited the accompanying general purpose financial statements of the City of Baldwin, Mississippi as of September 30, 2003, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Baldwin, Mississippi's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Baldwin, Mississippi as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of City of Baldwin, Mississippi, taken as a whole. The combining and individual fund financial statements and schedules and other supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Baldwin, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2004, on our consideration of the City of Baldwyn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

In connection with our examination, nothing came to our attention that caused us to believe that the municipality is not in compliance with the requirements of the State Department of Audit, as set forth in the Municipal Compliance Questionnaire.

FRANKS, FRANKS & JARRELL, P.A.
January 29, 2004

CITY OF BALDWIN, MISSISSIPPI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003

| | GOVERNMENTAL FUND TYPES | | PROPRIETARY FUND TYPES | | ACCOUNT GROUPS | | | TOTALS (MEMORANDUM ONLY) | |
|---|-------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|--------------------|--------------------------|--|
| | GENERAL FUND | SPECIAL REVENUE FUND | ENTERPRISE FUND | GENERAL FIXED ASSETS | GENERAL LONG TERM DEBT | SEPTEMBER 30, 2003 | SEPTEMBER 30, 2002 | | |
| | | | | | | | | | |
| ASSETS | | | | | | | | | |
| Cash and Cash Equivalents | \$ 189,389 | \$ 27,730 | \$ 206,088 | \$ | \$ | \$ 423,207 | \$ | \$ 506,404 | |
| Investments | 58,955 | | 745,699 | | | 804,654 | | 660,412 | |
| Accounts Receivable | 47,656 | | 248,991 | | | 296,647 | | 142,948 | |
| Due from Other Funds | 42,052 | 2,974 | | | | 45,026 | | 61,248 | |
| Fixed Assets | | | 10,123,980 | 3,107,549 | | 13,231,529 | | 12,635,203 | |
| Less: Accumulated Depreciation | | | (4,917,279) | | | (4,917,279) | | (4,667,977) | |
| Utility Deposits | 140 | | 419 | | 164,333 | 559 | | 559 | |
| Amount to be Provided for Debt Retirement | | | | | | 164,333 | | 200,688 | |
| Total Assets | \$ 338,192 | \$ 30,704 | \$ 6,407,898 | \$ 3,107,549 | \$ 164,333 | \$ 10,048,676 | \$ | \$ 9,539,485 | |
| LIABILITIES AND EQUITY | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts Payable | \$ 33,924 | \$ 1,194 | \$ 142,418 | \$ | \$ | \$ 177,536 | \$ | \$ 71,572 | |
| Refundable Meter Deposits | | | 248,218 | | | 248,218 | | 240,857 | |
| Accrued Liabilities | 27,320 | 354 | 26,548 | | | 54,222 | | 48,180 | |
| Due to Other Funds | 2,974 | 7,486 | 34,566 | | | 45,026 | | 61,248 | |
| Notes and Bonds Payable | | | 2,226,176 | | 121,108 | 2,347,284 | | 2,493,887 | |
| Capital Leases Payable | | | 1,779 | | 43,225 | 45,004 | | 47,586 | |
| Total Liabilities | \$ 64,218 | \$ 9,034 | \$ 2,679,705 | \$ 0 | \$ 164,333 | \$ 2,917,290 | \$ | \$ 2,963,330 | |

CITY OF BALDWIN, MISSISSIPPI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS- Continued
SEPTEMBER 30, 2003

| | GOVERNMENTAL | | PROPRIETARY | | ACCOUNT GROUPS | | | TOTALS (MEMORANDUM ONLY TOTALS (MEMORANDUM ONLY)) | |
|------------------------------------|--------------|-----------|--------------|--------------|----------------|---------------|--------------|---|--------------|
| | FUND TYPES | | FUND TYPES | | GENERAL | GENERAL | GENERAL | SEPTEMBER | SEPTEMBER |
| | GENERAL | SPECIAL | ENTERPRISE | ENTERPRISE | FIXED | LONG TERM | 30, 2003 | 30, 2002 | |
| | FUND | REVENUE | FUND | FUND | ASSETS | DEBT | | | |
| <u>Fund Equity</u> | | | | | | | | | |
| Investment in General Fixed Assets | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Contributed Capital | | | 1,774,738 | | 3,107,549 | | 3,107,549 | 3,107,549 | 3,026,497 |
| Retained Earnings | | | | | | | 1,774,738 | 1,774,738 | 1,313,727 |
| Unreserved | | | 1,953,455 | | | | 1,953,455 | 1,953,455 | 1,924,499 |
| Fund Balances | | | | | | | | | |
| Unreserved | 268,795 | 21,670 | | | | | 290,465 | 304,846 | 304,846 |
| Reserved | 5,179 | | | | | | 5,179 | 6,586 | 6,586 |
| Total Fund Equity | 273,974 | 21,670 | 3,728,193 | | 3,107,549 | 0 | 7,131,386 | 6,576,155 | 6,576,155 |
| Total Liabilities and Fund Equity | \$ 338,192 | \$ 30,704 | \$ 6,407,898 | \$ 3,107,549 | \$ 164,333 | \$ 10,048,676 | \$ 9,539,485 | \$ 9,539,485 | \$ 9,539,485 |

CITY OF BALDWIN, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended September 30, 2003

| REVENUES | GOVERNMENTAL FUND TYPES | | TOTALS (MEMORANDUM ONLY) | |
|---|-------------------------|--------------------|-----------------------------|-----------------------|
| | GENERAL | SPECIAL REVENUE | September 30, 2003 | September 30, 2002 |
| | Ad Valorem Taxes | \$ 370,278 | \$ 33,414 | \$ 403,692 |
| Privilege Licenses and Fees | 15,242 | | 15,242 | 15,067 |
| Road Maintenance | 12,338 | | 12,338 | 12,728 |
| Sales Tax | 512,837 | | 512,837 | 499,942 |
| State Aid | 10,838 | | 10,838 | 10,772 |
| Fire Protection | | 15,011 | 15,011 | 14,147 |
| Lee County Grant | | 7,849 | 7,849 | 7,345 |
| Court Fines and Fees | 166,864 | | 166,864 | 196,389 |
| TVA In Lieu Tax | 33,329 | | 33,329 | 24,376 |
| PCEPA In Lieu Tax | 30,698 | | 30,698 | 31,333 |
| Metro Unit Grant Income | 0 | | 0 | 3,000 |
| School Tax Collection Fees | 40,566 | | 40,566 | 43,008 |
| Concessions | 693 | | 693 | 761 |
| Mosquito Spray Charges | 6,326 | | 6,326 | 0 |
| Miscellaneous | 10,880 | | 10,880 | 13,955 |
| Sale of Capital Assets | 0 | | 0 | 3,500 |
| Storm Expense Reimbursement - FEMA | 0 | | 0 | 68,448 |
| Cable Franchise Fees | 10,116 | | 10,116 | 9,558 |
| Museum Income | 3,640 | | 3,640 | 6,154 |
| Interest Income | 2,013 | | 2,013 | 4,117 |
| Penalties and Interest | 9,407 | | 9,407 | 8,931 |
| CDBG Grant Income | | | 0 | 3,000 |
| Grant - Lee County | | 100 | 100 | 148,300 |
| Grant Income - Police | 2,500 | | 2,500 | 13,666 |
| Grant Income - Wellness Center | 0 | | 0 | 148,991 |
| Grant Income - Mural Grant | 75,000 | | 75,000 | 1,313 |
| Grant Income - Rubbage Disposal | 0 | | 0 | 15,000 |
| Rent Income | 32,723 | | 32,723 | 14,225 |
| Total revenues | 1,346,288 | 56,374 | 1,402,662 | 1,727,153 |
| EXPENDITURES | | | | |
| General Government | 388,266 | | 388,266 | 463,968 |
| Public Safety | 668,447 | 58,163 | 726,610 | 927,551 |
| Public Works | 299,405 | | 299,405 | 337,948 |
| Cultural and Recreational | 103,901 | | 103,901 | 78,985 |
| Museum | 54,653 | | 54,653 | 44,296 |
| Debt Service: | | | | |
| Principal Retirement | 59,733 | 2,211 | 61,944 | 51,412 |
| Interest and Fiscal Charges | 8,422 | 838 | 9,260 | 10,023 |
| Total expenditures | 1,582,827 | 61,212 | 1,644,039 | 1,914,183 |
| Excess (Deficit) of revenues over (under) expenditures | (236,539) | (4,838) | (241,377) | (187,030) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Debt Issuance | 25,589 | | 25,589 | 0 |
| Operating transfers in | 200,000 | | 200,000 | 150,000 |
| Total other financing sources | 225,589 | 0 | 225,589 | 150,000 |
| Excess of revenues and other sources over expenditures and other uses | (10,950) | (4,838) | (15,788) | (37,030) |
| Fund balances at October 1, | 284,924 | 26,508 | 311,432 | 348,462 |
| Fund balances at September 30, | \$ 273,974 | \$ 21,670 | \$ 295,644 | \$ 311,432 |

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
For the Fiscal Year Ended September 30, 2003

| | GENERAL | | | SPECIAL REVENUE | | |
|---|------------------|------------------|----------------------------------|-----------------|---------------|----------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| REVENUES | | | | | | |
| Ad Valorem Taxes | \$ 383,500 | \$ 370,278 | \$ (13,222) | \$ 35,000 | \$ 33,414 | \$ (1,586) |
| Privilege Licenses and Fees | 16,600 | 15,242 | (1,358) | | | |
| Road Maintenance | 13,500 | 12,338 | (1,162) | | | |
| Sales Tax | 499,000 | 515,771 | 16,771 | | | |
| State Aid | 17,000 | 10,838 | (6,162) | | | |
| Fire Protection | | | | 14,000 | 15,011 | 1,011 |
| Lee County Grant | | | | 7,500 | 7,849 | 349 |
| Court Fines and Fees | 175,000 | 166,864 | (8,136) | | | |
| TVA In-Lieu Tax | 31,000 | 33,329 | 2,329 | | | |
| PCEPA In-Lieu Tax | 32,000 | 30,897 | (1,103) | | | |
| Metro Unit | | | - | | | |
| School Tax Collection Fees | 40,000 | 40,566 | 566 | | | |
| Concessions | 500 | 693 | 193 | | | |
| Mosquito Spray Charges | 6,000 | 6,326 | 326 | | | |
| Miscellaneous | 13,300 | 10,880 | (2,420) | | | |
| Sales of Capital Assets | 5,000 | | (5,000) | | | |
| Cable Franchise Fees | 10,200 | 10,116 | (84) | | | |
| Museum Income | 7,000 | 3,640 | (3,360) | | | |
| Interest Income | 3,650 | 2,013 | (1,637) | | | |
| Penalties and Interest | 10,000 | 9,407 | (593) | | | |
| Grant Income - Lee County | | | | - | 100 | 100 |
| Grant Income - Police | 2,500 | 2,500 | - | | | |
| Grant Income - Mural Grant | 75,000 | 75,000 | - | | | |
| Rent Income | 37,000 | 32,723 | (4,277) | | | |
| Total revenues | 1,377,750 | 1,349,421 | (28,329) | 56,500 | 56,374 | (126) |
| EXPENDITURES | | | | | | |
| General Government | 408,600 | 388,266 | 20,334 | | | |
| Public Safety | 682,200 | 668,447 | 13,753 | 76,600 | 58,163 | 18,437 |
| Public Works | 326,300 | 299,405 | 26,895 | | | |
| Cultural and Recreational | 110,400 | 103,901 | 6,499 | | | |
| Museum | 59,600 | 54,653 | 4,947 | | | |
| Debt Service: | | | | | | |
| Principal Retirement | 62,400 | 59,733 | 2,667 | 2,250 | 2,211 | 39 |
| Interest and Fiscal Charges | 8,500 | 8,422 | 78 | 850 | 838 | 12 |
| Total expenditures | 1,658,000 | 1,582,827 | 75,173 | 79,700 | 61,212 | 18,488 |
| Excess (Deficit) of revenues over (under) expenditures | (280,250) | (233,406) | 46,844 | (23,200) | (4,838) | 18,362 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from Debt Issuance | 25,600 | 25,589 | (11) | | | |
| Operating transfers in | 200,000 | 200,000 | - | | | |
| Excess (Deficit) of revenues and other sources over (under) expenditures and other uses | (54,650) | (7,817) | 46,833 | (23,200) | (4,838) | 18,362 |
| Fund balances at October 1, 2002 | 284,924 | 284,924 | - | 26,508 | 26,508 | - |
| Fund balances at September 30, 2003 | \$ 230,274 | \$ 277,107 | \$ 46,833 | \$ 3,308 | \$ 21,670 | \$ 18,362 |
| Adjustments to GAAP Basis: | | | | | | |
| Less: Accrued revenue | | (3,133) | | | | |
| Fund Balance(GAAP) September 30, 2003 | \$ | \$ 273,974 | | | | |

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ENTERPRISE FUND
For the Fiscal Year Ended September 30, 2003

| | <u>TOTALS (MEMORANDUM ONLY)</u> | | |
|---|---------------------------------|-------------------------------------|-------------------------------------|
| | | <u>September</u> <u>30, 2003</u> | <u>September</u> <u>30, 2002</u> |
| <u>OPERATING REVENUES</u> | | | |
| Charges for Services | \$ 1,967,631 | \$ 1,967,631 | \$ 1,568,943 |
| Service Charges and Penalties | 38,823 | 38,823 | 36,978 |
| Other Receipts | 424 | 424 | 410 |
| Total Operating Revenues | <u>2,006,878</u> | <u>2,006,878</u> | <u>1,606,331</u> |
| Less: Gas Purchased | <u>783,498</u> | <u>783,498</u> | <u>635,280</u> |
| Net Income Before Operating Expenses | <u>1,223,380</u> | <u>1,223,380</u> | <u>971,051</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Personal Services | 372,740 | 372,740 | 361,671 |
| Contractual Services | 131,518 | 131,518 | 90,231 |
| Supplies | 89,178 | 89,178 | 81,039 |
| Relocation of Lines | 243,901 | 243,901 | 0 |
| Depreciation and Amortization | 249,302 | 249,302 | 270,093 |
| Other Services | 60,036 | 60,036 | 55,969 |
| Total Operating Expenses | <u>1,146,675</u> | <u>1,146,675</u> | <u>859,003</u> |
| Operating Income | <u>76,705</u> | <u>76,705</u> | <u>112,048</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | |
| Interest Income | 16,042 | 16,042 | 43,142 |
| Loans and Grants | 239,260 | 239,260 | 0 |
| Interest and Fiscal Charges | <u>(103,051)</u> | <u>(103,051)</u> | <u>(107,092)</u> |
| Total Non-Operating Revenues (Expenses) | <u>152,251</u> | <u>152,251</u> | <u>(63,950)</u> |
| <u>INCOME BEFORE OPERATING TRANSFERS</u> | <u>228,956</u> | <u>228,956</u> | <u>48,098</u> |
| Operating Transfers (Out) | <u>(200,000)</u> | <u>(200,000)</u> | <u>(150,000)</u> |
| NET INCOME (LOSS) | <u>28,956</u> | <u>28,956</u> | <u>(101,902)</u> |
| RETAINED EARNINGS - OCTOBER 1, | <u>1,924,499</u> | <u>1,924,499</u> | <u>2,026,401</u> |
| RETAINED EARNINGS - SEPTEMBER 30, | <u>\$ 1,953,455</u> | <u>\$ 1,953,455</u> | <u>\$ 1,924,499</u> |

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2003

| | <u>TOTALS (MEMORANDUM ONLY)</u> | | |
|--|---------------------------------|-------------------|-------------------|
| | <u>September</u> | <u>September</u> | <u>September</u> |
| | <u>30, 2003</u> | <u>30, 2002</u> | <u>30, 2002</u> |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | |
| Cash Received from Customers | \$ 1,857,406 | \$ 1,857,406 | \$ 1,652,827 |
| Cash Payments for Gas Purchases | (669,864) | (669,864) | (635,506) |
| Cash Payments for Personal Services | (372,740) | (372,740) | (361,671) |
| Cash Payments for Contractual Services | (131,518) | (131,518) | (90,231) |
| Cash Payments for Supplies | (89,178) | (89,178) | (81,039) |
| Cash Payments for Relocation of Lines | (243,901) | (243,901) | 0 |
| Cash Payments for Other Services | (61,166) | (61,166) | (55,059) |
| Net Cash Provided By Operating Activities | <u>289,039</u> | <u>289,039</u> | <u>429,321</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | | |
| Operating Transfers - In from (Out) to Other Funds | (200,000) | (200,000) | (150,000) |
| Miscellaneous Funds-Net | 1,040 | 1,040 | (42,848) |
| Net Cash Flows Provided By (Used In) Noncapital Financing Activities | <u>(198,960)</u> | <u>(198,960)</u> | <u>(192,848)</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | |
| Acquisition Fixed Assets | (51,258) | (51,258) | (107,963) |
| Loans and Grants | 239,260 | 239,260 | 0 |
| Principal Paid on Bonds, Notes and Capital Lease Payables | (112,830) | (112,830) | (117,191) |
| Interest Paid on Bonds, Notes and Capital Lease Payables | (103,051) | (103,051) | (107,092) |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>(27,879)</u> | <u>(27,879)</u> | <u>(332,246)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Interest on Investments | 16,042 | 16,042 | 43,142 |
| Net Cash Provided By Investing Activities | <u>16,042</u> | <u>16,042</u> | <u>43,142</u> |
| | | | |
| NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 78,242 | 78,242 | (52,631) |
| | | | |
| CASH AND RESTRICTED CASH, OCTOBER 1 | <u>873,545</u> | <u>873,545</u> | <u>926,176</u> |
| | | | |
| CASH AND RESTRICTED CASH, SEPTEMBER 30 | <u>\$ 951,787</u> | <u>\$ 951,787</u> | <u>\$ 873,545</u> |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | | |
| Operating Income | \$ 76,705 | \$ 76,705 | \$ 112,048 |
| | | | |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities | | | |
| Depreciation | 249,302 | 249,302 | 270,093 |
| Change in Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable | (156,833) | (156,833) | 30,337 |
| Increase (Decrease) in Accounts Payable - operating activities | 113,634 | 113,634 | (226) |
| Increase (Decrease) in Accrued Expenses - operating activities | (1,130) | (1,130) | 910 |
| Increase in Customer Deposits | 7,361 | 7,361 | 16,159 |
| Total Adjustments | <u>212,334</u> | <u>212,334</u> | <u>317,273</u> |
| | | | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 289,039</u> | <u>\$ 289,039</u> | <u>\$ 429,321</u> |

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Baldwin, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, sanitation, water, sewer, and gas services and general administrative services.

The City's annual financial report includes the accounts of all City operations. The accounting policies of the City of Baldwin, Mississippi conform to accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies:

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Included within the reporting entity:

City of Baldwin gas, water and sewer system. The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the gas, water and sewer debt remains with the government.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Excluded from the reporting entity:

City of Baldwin Separate School District. This potential component unit has a separate elected and/or appointed board and provides services to residents, generally within the geographic boundaries of the government. This is excluded from the reporting entity because the government does not have the ability to exercise, influence or control over their daily operations, approve budgets or provide funding.

Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The transactions of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses/expenditures. Funds are ordered into three major categories: governmental, proprietary and fiduciary. The funds and account groups used by the City are shown on the following pages:

Governmental Fund Types

Governmental Funds are those through which general governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the City's Governmental Fund types:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. Proprietary Fund Equity is segregated into contributed capital and retained earnings. The following are the City's Proprietary Funds types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) when the City has decided that periodic

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Account Groups

General Fixed Assets Account Group - General Fixed Assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The expenditures for infrastructure for the current fiscal year were \$11,704.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

General Long-Term Debt Account Group

The General Long-Term Account Group accounts for unmatured long-term notes and bonds payable which are paid through the Governmental Fund Types of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Cash and Investments

DEPOSITS- The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

INVESTMENTS - State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The City's investments as of September 30, 2003 are:

Investments:

| | |
|-------------------------|------------|
| Certificates of Deposit | \$ 804,654 |
|-------------------------|------------|

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance the city does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave up to 42 days. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Business Information

The City of Baldwin provides gas, water, and sewer services to customers located within the city limits of Baldwin, Mississippi as well as a limited number of customers outside the city limits. Credit is extended to all of these customers for services.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 2 - FIXED ASSETS

Expenditures for fixed assets are stated at cost. Depreciation is computed over the useful lives of the assets using the straight-line method of depreciation on proprietary funds.

A summary of proprietary fund equipment cost and accumulated depreciation is as follows:

| | |
|---|---------------------|
| Water, Sewer, and Gas System (Including Buildings and Right-of-Way) | \$ 9,367,622 |
| Trucks, Tractors, Tools, Fixtures, and Equipment | 177,420 |
| Land | 99,804 |
| Construction In Progress | 464,016 |
| Cathodic Protection | <u>15,118</u> |
| Total | 10,123,980 |
| Less Accumulated Depreciation | <u>4,917,279</u> |
| Net | <u>\$ 5,206,701</u> |

*Depreciation expense for the period was \$ 248,552

*Amortization expense for the period was \$ 750

A summary of changes in general fixed assets follows:

| | Balance <u>10-1-02</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>9-30-03</u> |
|--------------------|---------------------------|------------------|------------------|---------------------------|
| Land and Buildings | \$ 1,733,201 | \$ 39,229 | \$ 0 | \$ 1,772,430 |
| Equipment | <u>1,293,296</u> | <u>41,823</u> | <u>0</u> | <u>1,335,119</u> |
| Total | <u>\$ 3,026,497</u> | <u>\$ 81,052</u> | <u>\$ 0</u> | <u>\$ 3,107,549</u> |

The City has fixed assets in the amount of \$67,950 obtained by means of capital leases as of September 30, 2003. All these assets are in the General Fixed Asset Account Group.

NOTE 3 - RECEIVABLES

Receivables at September 30, 2003, consisted primarily of municipal income taxes, property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

No allowance for doubtful accounts has been recorded because of uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2003:

| | <u>Notes & Bonds Payable</u> | <u>Capital Leases</u> | <u>Total</u> |
|--|--------------------------------------|---------------------------|---------------------|
| Bonds and Other Long-Term Debt at 10/1/02 | \$ 2,493,887 | \$ 47,586 | \$ 2,541,473 |
| Add: Bonds and Other Long-Term Debt Acquired | 0 | 25,589 | 25,589 |
| Less: Bonds and Other Long-Term Debt Retired | <u>146,603</u> | <u>28,171</u> | <u>174,774</u> |
| Bonds and Other Long-Term Debt at 9/30/03 | <u>\$ 2,347,284</u> | <u>\$ 45,004</u> | <u>\$ 2,392,288</u> |

Bonds and other long-term debt at September 30, 2003 are comprised of the following issues:

General Obligation Bonds:

\$225,000 Public Improvement Bonds due in annual installments of \$5,000 to \$11,000 through January 27, 2007; interest at 5 percent \$ 44,000

Revenue Bonds:

\$800,000 Combined Water, Sewer and Gas System Revenue Bond due in annual installments of \$51,984 through June 24, 2032; interest at 5.5 percent \$ 744,286

\$500,000 Combined Water, Sewer and Gas System Revenue Bond due in annual installments of \$30,540 through June 24, 2032; interest at 5 percent \$ 461,908

\$ 1,206,194

Notes Payable:

\$734,555 Note due in 236 monthly installments of \$4,111 through May 2012; interest at .25 percent \$ 363,894

\$200,000 Note due in 96 monthly installments of \$2,438 through December 1, 2005; interest at 4 percent 55,918

\$965,000 Note due in 180 monthly installments of \$6,994 through February 1, 2010; interest at 3.7 percent 656,088

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4 - LONG-TERM DEBT - Continued

\$35,000 Fire Truck Maintenance Bonds due in annual installments of \$1,000 to \$3,000 through December 1, 2011; interest at 3.7 percent 21,190

\$ 1,097,090

Capital Leases Payable:

\$63,542 Capital Lease Payable due in 36 monthly installments of \$1,944 through January 15, 2004; interest at 6.37 percent \$ 21,551

\$25,589 Capital Lease Payable due in 60 monthly installments of \$470 through November 5, 2007; interest at 3.90 21,674

\$29,302 Capital Lease Payable due in 36 monthly installments of \$896 through November 10, 2003; interest at 6.37 1,779

\$ 45,004

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2003 including interest payments of \$1,365,264 are as follows:

| Year Ending September 30 | General Long Term Debt Account Group | | Proprietary Funds | | Total | Total |
|-----------------------------|---|------------------|--------------------|--------------------|--------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2004 | \$ 60,142 | \$ 6,948 | \$ 120,503 | \$ 97,076 | \$ 180,645 | \$ 104,024 |
| 2005 | 53,784 | 4,239 | 123,180 | 92,606 | 176,964 | 96,845 |
| 2006 | 18,655 | 1,731 | 127,809 | 87,977 | 146,464 | 89,708 |
| 2007 | 18,953 | 1,032 | 131,991 | 83,796 | 150,944 | 84,828 |
| 2008 | 3,601 | 394 | 136,965 | 78,822 | 140,566 | 79,216 |
| 2009 and thereafter | <u>9,198</u> | <u>556</u> | <u>1,587,507</u> | <u>910,086</u> | <u>1,596,705</u> | <u>910,642</u> |
| | <u>\$ 164,333</u> | <u>\$ 14,901</u> | <u>\$2,227,955</u> | <u>\$1,350,363</u> | <u>\$2,392,288</u> | <u>\$1,365,264</u> |

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2003, were:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-----------------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 42,052 | \$ 2,974 |
| Special Revenue Fund: | | |
| Fire Truck Maintenance Fund | | 7,486 |
| Latimer Park Fund | | |
| Cemetery Fund | | |
| Library O&M Fund | 2,974 | |
| Enterprise Fund: | | |
| Water, Sewer, and Gas System Fund | _____ | 34,566 |
| | \$ 45,026 | \$ 45,026 |

Balance on Combined Balance Sheet-All Fund Types and Account Groups is \$45,026.

NOTE 6 - LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City of Baldwin contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the City of Baldwin is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Baldwin's contributions to PERS for the years ending September 30, 2003, 2002, and 2001 were \$94,320, \$92,557, and \$90,597 respectively, equal to the required contributions for each year.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 8 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$3,133 more than cash revenues.

NOTE 9 - RISK MANAGEMENT

The City of Baldwin is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2003, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

CITY OF BALDWIN, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2003 and 2002

| | GENERAL | |
|---|-----------------------|-----------------------|
| | SEPTEMBER 30, 2003 | SEPTEMBER 30, 2002 |
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 189,389 | \$ 210,816 |
| Investments | 58,955 | 57,770 |
| Accounts Receivable | 47,656 | 50,790 |
| Due from Other Funds | 42,052 | 49,438 |
| Utility Deposits | 140 | 140 |
| Total Assets | \$ 338,192 | \$ 368,954 |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>Liabilities</u> | | |
| Accounts Payable | \$ 33,924 | \$ 44,544 |
| Accrued Liabilities | 27,317 | 20,098 |
| Due to Other Funds | 2,977 | 19,388 |
| Total Liabilities | 64,218 | 84,030 |
| <u>Fund Balance</u> | | |
| Unreserved | 268,795 | 278,338 |
| Reserved | 5,179 | 6,586 |
| Total Fund Balance | 273,974 | 284,924 |
| Total Liabilities and Fund Balance | \$ 338,192 | \$ 368,954 |

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2003

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---------------------------------|------------------|------------------|--|
| REVENUES | | | |
| Ad Valorem Taxes | \$ 383,500 | \$ 370,278 | \$ (13,222) |
| Privilege Licenses and Fees | 16,600 | 15,242 | (1,358) |
| Road Maintenance | 13,500 | 12,338 | (1,162) |
| Sales Tax | 499,000 | 515,771 | 16,771 |
| State Aid | 17,000 | 10,838 | (6,162) |
| Court Fines and Fees | 175,000 | 166,864 | (8,136) |
| TVA In-Lieu Tax | 31,000 | 33,329 | 2,329 |
| PCEPA In-Lieu Tax | 32,000 | 30,897 | (1,103) |
| School Tax Collection Fees | 40,000 | 40,566 | 566 |
| Concessions | 500 | 693 | 193 |
| Mosquito Spray Charges | 6,000 | 6,326 | 326 |
| Miscellaneous | 13,300 | 10,880 | (2,420) |
| Sale of Capital Assets | 5,000 | 0 | (5,000) |
| Cable Franchise Fees | 10,200 | 10,116 | (84) |
| Museum Income | 7,000 | 3,640 | (3,360) |
| Interest Income | 3,650 | 2,013 | (1,637) |
| Penalties and Interest | 10,000 | 9,407 | (593) |
| Grant Income - Police | 2,500 | 2,500 | 0 |
| Grant Income - Home Partnership | 75,000 | 75,000 | 0 |
| Rent Income | 37,000 | 32,723 | (4,277) |
| Total revenues | <u>1,377,750</u> | <u>1,349,421</u> | <u>(28,329)</u> |
| EXPENDITURES | | | |
| General Government | | | |
| Personnel Services | 174,500 | 173,060 | 1,440 |
| Supplies | 12,500 | 12,306 | 194 |
| Other Services and Charges | 218,600 | 202,720 | 15,880 |
| Capital Outlay | 3,000 | 180 | 2,820 |
| Total | <u>408,600</u> | <u>388,266</u> | <u>20,334</u> |
| Public Safety | | | |
| Personnel Services | 506,200 | 503,144 | 3,056 |
| Supplies | 53,500 | 52,987 | 513 |
| Other Services and Charges | 113,000 | 103,763 | 9,237 |
| Capital Outlay | 9,500 | 8,553 | 947 |
| Total | <u>682,200</u> | <u>668,447</u> | <u>13,753</u> |
| Public Works | | | |
| Personnel Services | 173,300 | 167,672 | 5,628 |
| Supplies | 36,500 | 36,469 | 31 |
| Other Services and Charges | 48,100 | 48,051 | 49 |
| Capital Outlay | 68,400 | 47,213 | 21,187 |
| Total | <u>326,300</u> | <u>299,405</u> | <u>26,895</u> |

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Fiscal Year Ended September 30, 2003

| | <u>BUDGET</u> | <u>ACTUAL</u> | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|-------------------|-------------------|--|
| Cultural and Recreational | | | |
| Personnel Services | \$ 41,400 | \$ 38,395 | \$ 3,005 |
| Supplies | 9,000 | 8,175 | 825 |
| Other Services and Charges | 22,500 | 20,521 | 1,979 |
| Capital Outlay | <u>37,500</u> | <u>36,810</u> | 690 |
| Total | <u>110,400</u> | <u>103,901</u> | <u>6,499</u> |
| Museum | | | |
| Personnel Services | 33,100 | 32,250 | 850 |
| Supplies | 3,500 | 2,474 | 1,026 |
| Other Services and Charges | 22,000 | 19,929 | 2,071 |
| Capital Outlay | <u>1,000</u> | <u>0</u> | 1,000 |
| Total | <u>59,600</u> | <u>54,653</u> | <u>4,947</u> |
| Debt service | | | |
| Principal Retirement | 62,400 | 59,733 | 2,667 |
| Interest and Fiscal Charges | <u>8,500</u> | <u>8,422</u> | 78 |
| Total | <u>70,900</u> | <u>68,155</u> | <u>2,745</u> |
| Total expenditures | <u>1,658,000</u> | <u>1,582,827</u> | <u>75,173</u> |
| Excess (Deficit) revenues over (under) expenditures | <u>(280,250)</u> | <u>(233,406)</u> | <u>46,844</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Proceeds from Debt Issuance | 25,600 | 25,589 | (11) |
| Operating transfers in | <u>200,000</u> | <u>200,000</u> | <u>0</u> |
| Total other financing sources (uses) | <u>225,600</u> | <u>225,589</u> | <u>(11)</u> |
| Excess (Deficit) of revenues and other sources over (under) expenditures and other uses | (54,650) | (7,817) | 46,833 |
| Fund balances at October 1, 2002 | <u>284,924</u> | <u>284,924</u> | <u>0</u> |
| Fund balances at September 30, 2003 | \$ <u>230,274</u> | \$ 277,107 | \$ <u>46,833</u> |
| Adjustments To GAAP Basis: | | | |
| Less: Accrued revenue | | <u>(3,133)</u> | |
| Fund Balance GAAP September 30, 2003 | | \$ <u>273,974</u> | |

CITY OF BALDWIN, MISSISSIPPI
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2003

| | <u>FIRE TRUCK MAINTENANCE</u> | <u>CEMETERY FUND</u> | <u>LIBRARY OPERATION AND MAINTENANCE</u> | <u>TOTALS</u> |
|---------------------------|-----------------------------------|--------------------------|--|-------------------------------|
| | <u>SEPTEMBER 30, 2003</u> | | | <u>SEPTEMBER 30, 2002</u> |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 27,730 | \$ 0 | \$ 0 | \$ 27,730 |
| Accounts Receivable | 0 | 0 | 0 | 0 |
| Due from Other Funds | 0 | 0 | 2,974 | 2,974 |
| <u>Total Assets</u> | <u>\$ 27,730</u> | <u>\$ 0</u> | <u>\$ 2,974</u> | <u>\$ 30,704</u> |

LIABILITIES AND FUND BALANCES

| | | | | |
|--|------------------|-------------|-----------------|------------------|
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 584 | \$ 0 | \$ 610 | \$ 1,194 |
| Accrued Liabilities | 354 | 0 | | 354 |
| Due to Other Funds | 7,486 | 0 | | 7,486 |
| <u>Total Liabilities</u> | <u>8,424</u> | <u>0</u> | <u>610</u> | <u>9,034</u> |
| <u>Fund Balances</u> | | | | |
| | 19,306 | 0 | 2,364 | 21,670 |
| <u>Total Liabilities and Fund Balances</u> | <u>\$ 27,730</u> | <u>\$ 0</u> | <u>\$ 2,974</u> | <u>\$ 30,704</u> |
| | | | | <u>26,508</u> |
| | | | | <u>36,495</u> |

CITY OF BALDWIN, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2003

| | FIRE TRUCK MAINTENANCE | | | CEMETERY FUND | | | LIBRARY OPERATION & MAINTENANCE | | | TOTALS | | |
|---|------------------------|-----------|------------------------|---------------|--------|------------------------|---------------------------------|-----------|------------------------|-----------|-----------|------------------------|
| | BUDGET | ACTUAL | VARIANCE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE (UNFAVORABLE) |
| | | | | | | | | | | | | |
| REVENUES | | | | | | | | | | | | |
| Ad Valorem Taxes | \$ 25,000 | \$ 24,062 | \$ (938) | \$ 0 | \$ 0 | \$ 0 | \$ 10,000 | \$ 9,352 | \$ (648) | \$ 35,000 | \$ 33,414 | \$ (1,586) |
| Fire Protection | 14,000 | 15,011 | 1,011 | 0 | 0 | 0 | 0 | 0 | 0 | 14,000 | 15,011 | 1,011 |
| Lee County | 7,500 | 7,849 | 349 | 0 | 0 | 0 | 0 | 0 | 0 | 7,500 | 7,849 | 349 |
| Grant Income - Lee County | 0 | 100 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100 | 100 |
| Total revenues | 46,500 | 47,022 | 522 | 0 | 0 | 0 | 10,000 | 9,352 | (648) | 56,500 | 56,374 | (126) |
| EXPENDITURES | | | | | | | | | | | | |
| Public Safety | | | | | | | | | | | | |
| Personnel Services | 20,750 | 20,160 | 590 | 0 | 0 | 0 | 7,800 | 7,532 | 268 | 28,550 | 27,692 | 858 |
| Supplies | 4,000 | 3,553 | 447 | 0 | 0 | 0 | 500 | 46 | 454 | 4,500 | 3,599 | 901 |
| Other Services and Charges | 16,400 | 16,400 | 0 | 38 | 38 | 12 | 13,600 | 10,434 | 3,166 | 30,050 | 26,872 | 3,178 |
| Debt Service | 3,100 | 3,049 | 51 | 0 | 0 | 0 | 0 | 0 | 0 | 3,100 | 3,049 | 51 |
| Capital Outlay | 13,500 | 0 | 13,500 | 0 | 0 | 0 | 0 | 0 | 0 | 13,500 | 0 | 13,500 |
| Total | 57,750 | 43,162 | 14,588 | 38 | 38 | 12 | 21,900 | 18,012 | 3,888 | 79,700 | 61,212 | 18,488 |
| Total expenditures | 57,750 | 43,162 | 14,588 | 38 | 38 | 12 | 21,900 | 18,012 | 3,888 | 79,700 | 61,212 | 18,488 |
| Excess (deficit) revenues over (under) expenditures | (11,250) | 3,860 | 15,110 | (38) | (38) | (38) | (11,900) | (8,660) | 3,240 | (23,200) | (4,838) | 18,362 |
| Fund balances at October 1, 2002 | 15,446 | \$ 15,446 | 0 | 38 | \$ 38 | 0 | 11,024 | \$ 11,024 | 0 | 26,508 | \$ 26,508 | 0 |
| Fund balances at September 30, 2003 | \$ 4,196 | \$ 19,306 | \$ 15,110 | \$ 38 | \$ 0 | \$ (38) | \$ (876) | \$ 2,364 | \$ 3,240 | \$ 3,308 | \$ 21,670 | \$ 18,362 |

CITY OF BALDWIN, MISSISSIPPI
COMPARATIVE BALANCE SHEETS - ENTERPRISE FUND
September 30, 2003 and 2002

| | <u>WATER, SEWER AND GAS SYSTEM</u> | |
|--|-------------------------------------|-------------------------------------|
| | <u>September 30,</u> <u>2003</u> | <u>September 30,</u> <u>2002</u> |
| <u>ASSETS</u> | | |
| <u>Current Assets</u> | | |
| Cash and Cash Equivalents | \$ 206,088 | \$ 270,903 |
| Investments | 745,699 | 602,642 |
| Accounts Receivable | 248,991 | 92,158 |
| Total Current Assets | <u>1,200,778</u> | <u>965,703</u> |
| <u>Fixed Assets</u> | | |
| Water, Sewer, and Gas System, Buildings, Vehicles and Equipment | 9,560,160 | 9,510,152 |
| Construction In Progress | 464,016 | 0 |
| Land | 99,804 | 98,554 |
| Less: Accumulated Depreciation | <u>(4,917,279)</u> | <u>(4,667,977)</u> |
| Net Fixed Assets | <u>5,206,701</u> | <u>4,940,729</u> |
| <u>Other Assets</u> | | |
| Utility Deposits | 419 | 419 |
| Total Other Assets | <u>419</u> | <u>419</u> |
| TOTAL ASSETS | \$ <u><u>6,407,898</u></u> | \$ <u><u>5,906,851</u></u> |
| <u>LIABILITIES AND EQUITY</u> | | |
| <u>Current Liabilities</u> | | |
| Accounts Payable | \$ 142,418 | \$ 25,779 |
| Due to General Fund | 34,566 | 33,526 |
| Refundable Meter Deposits | 248,218 | 240,857 |
| Accrued Liabilities | 26,548 | 27,678 |
| Notes, Bonds and Capital Leases Payable - Within One Year | 120,504 | 124,722 |
| Total Current Liabilities | <u>572,254</u> | <u>452,562</u> |
| <u>Long-Term Debt</u> | | |
| Notes, Bonds and Capital Leases Payable Less Current Portion | <u>2,107,451</u> | <u>2,216,063</u> |
| <u>Equity</u> | | |
| Contributed Capital | 1,774,738 | 1,313,727 |
| Retained Earnings | 1,953,455 | 1,924,499 |
| Total Equity | <u>3,728,193</u> | <u>3,238,226</u> |
| TOTAL LIABILITIES AND EQUITY | \$ <u><u>6,407,898</u></u> | \$ <u><u>5,906,851</u></u> |

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ENTERPRISE FUND
For The Year ended September 30, 2003

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|---------------------|---------------------|--|
| <u>OPERATING REVENUES</u> | | | |
| Charges for Services | \$ 1,996,000 | \$ 1,967,631 | \$ (28,369) |
| Service Charges and Penalties | 0 | 38,823 | 38,823 |
| Other Receipts | 0 | 424 | 424 |
| Total operating revenues | <u>1,996,000</u> | <u>2,006,878</u> | <u>10,878</u> |
| Less: Gas Purchased | <u>785,000</u> | <u>783,498</u> | <u>1,502</u> |
| Net Income Before Operating Expenses | <u>1,211,000</u> | <u>1,223,380</u> | <u>12,380</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Personnel Services | 384,100 | 372,740 | 11,360 |
| Contractual Services | 133,100 | 131,518 | 1,582 |
| Supplies | 91,100 | 89,178 | 1,922 |
| Utility Line Relocation | 450,000 | 243,901 | 206,099 |
| Depreciation and Amortization | 276,000 | 249,302 | 26,698 |
| Other Services | 63,000 | 60,036 | 2,964 |
| Total operating expenses | <u>1,397,300</u> | <u>1,146,675</u> | <u>250,625</u> |
| Operating Income | <u>(186,300)</u> | <u>76,705</u> | <u>263,005</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | |
| Interest Income | 0 | 16,042 | 16,042 |
| Meter Deposits Received | 38,000 | 41,769 | 3,769 |
| Meter Deposit Refunded | (19,000) | (34,409) | (15,409) |
| Loans and Grants | 1,000,000 | 700,271 | (299,729) |
| Capital Outlay | (650,000) | (514,024) | 135,976 |
| Debt Payments | (124,000) | (112,830) | 11,170 |
| Interest and Fiscal Charges | (104,000) | (103,051) | 949 |
| Total non-operating revenues (expenses) | <u>141,000</u> | <u>(6,232)</u> | <u>(147,232)</u> |
| <u>INCOME BEFORE OPERATING TRANSFERS</u> | <u>(45,300)</u> | <u>70,473</u> | <u>115,773</u> |
| Operating Transfers (Out) | <u>(200,000)</u> | <u>(200,000)</u> | <u>0</u> |
| NET REVENUES OVER (UNDER) EXPENSES | <u>\$ (245,300)</u> | <u>\$ (129,527)</u> | <u>\$ 115,773</u> |

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCES
September 30, 2003

General Fixed Assets:

| | |
|--------------------------------|--------------------------------|
| Land and Buildings | \$ 1,651,254 |
| Improvements | 118,757 |
| Equipment | <u>1,337,538</u> |
| Total General Fixed Assets | \$ <u><u>3,107,549</u></u> |

Investment in General Fixed Assets From:

| | |
|--|--------------------------------|
| Capital Projects Fund | |
| State Grants | \$ 820,296 |
| County Grants | 308,300 |
| Donations | 99,006 |
| General Fund Revenues | 1,471,969 |
| Special Fund Revenues | <u>407,978</u> |
| Total Investment in General Fixed Assets | \$ <u><u>3,107,549</u></u> |

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
September 30, 2003

| <u>FUNCTION AND ACTIVITY</u> | <u>TOTAL</u> | <u>LAND AND BUILDINGS</u> | <u>MACHINERY AND EQUIPMENT</u> |
|---|---------------------|-----------------------------------|--|
| General | \$ 1,363,674 | \$ 934,025 | 429,649 |
| Police Protection | 242,251 | 0 | 242,251 |
| Fire Protection | 452,099 | 90,581 | 361,518 |
| Streets | 280,932 | 79,287 | 201,645 |
| Recreation | 459,128 | 356,654 | 102,474 |
| Libraries | <u>309,465</u> | <u>309,465</u> | <u>0</u> |
| Total General Fixed Assets Allocated to Function | <u>\$ 3,107,549</u> | <u>\$ 1,770,012</u> | <u>\$ 1,337,537</u> |

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
For the Fiscal Year Ending September 30, 2003

| <u>FUNCTION AND ACTIVITY</u> | <u>GENERAL FIXED ASSETS October 1, 2002</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>GENERAL FIXED ASSETS September 30, 2003</u> |
|-------------------------------|---|------------------|-------------------|--|
| General | \$ 1,363,494 | \$ 180 | \$ | \$ 1,363,674 |
| Police Protection | 233,698 | 8,553 | | 242,251 |
| Fire Protection | 452,099 | | | 452,099 |
| Streets | 245,423 | 35,509 | | 280,932 |
| Recreation | 422,318 | 36,810 | | 459,128 |
| Libraries | <u>309,465</u> | | | <u>309,465</u> |
| Total General Fixed Assets | <u>\$ 3,026,497</u> | <u>\$ 81,052</u> | <u>\$</u> | <u>\$ 3,107,549</u> |

OTHER SUPPLEMENTAL INFORMATION

CITY OF BALDWIN, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
For the Fiscal Year Ended September 30, 2003

| <u>Adjusted Assessed Valuation</u> | <u>ASSESSED</u> | <u>VALUE</u> | <u>TAX</u> |
|---|-----------------|-------------------|---------------------|
| <u>City:</u> | | | |
| Realty | \$ | 9,556,782 | |
| Personal - Other than Auto and Public Utilities | | <u>1,728,243</u> | |
| Total @ 31 Mills | | <u>11,285,025</u> | \$ 349,836 |
| <u>School Tax Only:</u> | | | |
| Realty | \$ | 18,017,259 | |
| Personal - Other than Auto and Public Utilities | | <u>6,877,794</u> | |
| Total @ 56.98 Mills | | <u>24,895,053</u> | \$ 1,418,520 |
| Personal - Auto (Remitted by County) @ 31.00 Mills | | <u>2,741,751</u> | <u>84,994</u> |
| | | | 1,853,350 |
| Less: Homestead Exemption Allowed | | | (83,562) |
| Over 65 Tax Losses | | | (186,926) |
| Delinquent Taxes | | | (85,158) |
| Change in Dollar Amounts | | | <u>(4,612)</u> |
| | | | 1,493,092 |
| Add: Actual Homestead Reimbursement | | | 34,672 |
| Prior Year Tax Collections | | | 7,571 |
| In-Lieu Taxes, Mobile Home, etc. | | | <u>14,116</u> |
| | | | <u>56,359</u> |
| Total to be Accounted for: | | | <u>\$ 1,549,451</u> |
| <u>Credits:</u> | | <u>TAXES</u> | |
| Collections Allocated to: | | | |
| General Fund | \$ | 367,025 | |
| Fire Truck Maintenance Fund | | 24,062 | |
| Municipal Building Fund | | 3,253 | |
| Library Operation and Maintenance Fund | | 9,352 | |
| Collection Fees to General Fund | | 17,201 | |
| School Bond and Interest Fund | | 107,900 | |
| School Operating Funds | | 350,373 | |
| Separate School District Millage | | <u>674,038</u> | |
| Total | | | 1,553,204 |
| Balance Represented by: | | | |
| Change in Tax Collector's Account | | | (1,009) |
| Unaccounted for - Under Settled | \$ | <u>(2,744)</u> | <u>(3,753)</u> |
| Total Accounted for: | | | <u>\$ 1,549,451</u> |

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2003

| NAME | POSITION | COMPANY | BOND |
|------------------|-------------------|--------------------------|-------------|
| Lynda Conlee | City Clerk | Fidelity and Deposit Co. | \$ 50,000 |
| Troy Agnew | Marshall | Fidelity and Deposit Co. | 50,000 |
| Robert Coggins | Mayor | Fidelity and Deposit Co. | 50,000 |
| Juanita Heavener | Water Dept. Clerk | Fidelity and Deposit Co. | 40,000 |
| Amy Hogue | Water Dept. Clerk | Fidelity and Deposit Co. | 35,000 |
| Alice Glover | Court Clerk | Fidelity and Deposit Co. | 10,000 |
| Nan Nanney | Secretary | Fidelity and Deposit Co. | 35,000 |
| Bruce McElroy | Alderman | Fidelity and Deposit Co. | 25,000 |
| Leonardo Bowdry | Alderman | Fidelity and Deposit Co. | 25,000 |
| Ronald Michael | Alderman | Fidelity and Deposit Co. | 25,000 |
| Richard Kohlheim | Alderman | Fidelity and Deposit Co. | 25,000 |
| Ken Weeden | Alderman | Fidelity and Deposit Co. | 25,000 |

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2003

| | BALANCE | TRANSACTIONS | | BALANCE |
|--|------------------------|--------------------|-------------------|---------------------------|
| | OUTSTANDING | DURING FISCAL YEAR | | OUTSTANDING |
| | <u>October 1, 2002</u> | <u>ISSUED</u> | <u>REDEEMED</u> | <u>September 30, 2003</u> |
| <u>General Obligation Bonds</u> | | | | |
| Public Improvement Bonds | \$ 55,000 | \$ | 11,000 | \$ 44,000 |
| <u>Revenue Bonds</u> | | | | |
| Combined Water, Sewer and Gas System | 755,514 | | 11,228 | 744,286 |
| Combined Water, Sewer and Gas System | 469,427 | | 7,519 | 461,908 |
| <u>Other Long Term Debt</u> | | | | |
| Notes Payable - State of Mississippi | | | | |
| Proprietary Fund-SRF | 401,830 | | 37,936 | 363,894 |
| Note Payable - Mississippi Department of | | | | |
| Community Development | 23,401 | | 2,211 | 21,190 |
| CAP Loan - State of Mississippi | 86,764 | | 30,846 | 55,918 |
| CAP Loan - State of Mississippi | 701,951 | | 45,863 | 656,088 |
| Capital Lease Payable | 12,063 | | 10,284 | 1,779 |
| Capital Lease Payable | 35,523 | | 13,972 | 21,551 |
| Capital Lease Payable | 0 | 25,589 | 3,915 | 21,674 |
| TOTAL | \$ 2,541,473 | \$ 25,589 | \$ 174,774 | \$ 2,392,288 |

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF INVESTMENTS-ALL FUNDS
For the fiscal year ended September 30, 2003

General Fund

| | | |
|---|----|--------|
| 1.10% Certificate of Deposit dated September 8, 2003 - due twelve months after date | \$ | 58,955 |
|---|----|--------|

Enterprise

| | | |
|---|--|--------|
| 1.10% Certificate of Deposit dated July 8, 2003 - due six months after date | | 45,061 |
|---|--|--------|

| | | |
|---|--|--------|
| 1.10% Certificate of Deposit dated July 8, 2003 - due six months after date | | 38,769 |
|---|--|--------|

| | | |
|---|--|--------|
| 1.00% Certificate of Deposit dated March 30, 2003 - due six months after date | | 93,149 |
|---|--|--------|

| | | |
|---|--|--------|
| 1.30% Certificate of Deposit dated June 4, 2003 - due six months after date | | 51,255 |
|---|--|--------|

| | | |
|--|--|---------|
| 1.50% Certificate of Deposit dated June 16, 2003 - due six months after date | | 472,378 |
|--|--|---------|

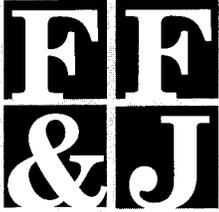
| | | |
|---|--|--------|
| 1.30% Certificate of Deposit dated June 4, 2003 - due six months after date | | 45,087 |
|---|--|--------|

| | | |
|-------------------|----|----------------|
| Total Investments | \$ | <u>804,654</u> |
|-------------------|----|----------------|

OTHER REPORTS

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FEDERAL AWARD PROGRAMS
September 30, 2003

| GRANTOR | FEDERAL CFDA NUMBER | CASH/ ACCRUED OR (DEFERRED) REVENUE AT 10/01/02 | RECEIPTS OR REVENUE RECOGNIZED | DISBURSEMENTS/ EXPENDITURES | CASH/ ACCRUED OR (DEFERRED) REVENUE AT 9/30/03 |
|---|---------------------------|---|--------------------------------------|--------------------------------|--|
| Major Federal Award Programs: | | | | | |
| Department of Housing and Urban Development | | | | | |
| Community Development Block Grant | 14.228 | \$ <u>0</u> | \$ <u>361,010</u> | \$ <u>361,010</u> | \$ <u>0</u> |
| Other Federal Award Programs: | | | | | |
| Department of Housing and Urban Development | | | | | |
| HOME Investment Partnerships Program | 14.239 | \$ <u>0</u> | \$ <u>75,000</u> | \$ <u>75,000</u> | \$ <u>0</u> |
| Department of Justice | | | | | |
| Local Law Enforcement Block Grant | 16.592 | \$ <u>0</u> | \$ <u>2,500</u> | \$ <u>2,500</u> | \$ <u>0</u> |
| Department of Transportation | | | | | |
| Utility Relocation Project | 20.205 | \$ <u>0</u> | \$ <u>191,408</u> | \$ <u>191,408</u> | \$ <u>0</u> |
| Total Federal Financial Assistance | | \$ <u>0</u> | \$ <u>629,918</u> | \$ <u>629,918</u> | \$ <u>0</u> |



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FRANKS &
JARRELL, P.A.**

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OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen
City of Baldwin, Mississippi

We have audited the general purpose financial statements of the City of Baldwin, Mississippi as of and for the year ended September 30, 2003, and have issued our report thereon dated January 29, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Baldwin, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and reportable conditions as item 03-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Baldwin, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Baldwin, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in the accompanying schedule of findings and reportable conditions as finding number 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Baldwin, Mississippi in a separate letter dated January 29, 2004.

This report is intended for the information of management, Mayor and Board of Aldermen, the State of Mississippi, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

FRANKS, FRANKS & JARRELL, P.A.
January 29, 2004



**FRANKS,
FRANKS &
JARRELL, P.A.**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Baldwin, Mississippi

Compliance

We have audited the compliance of the City of Baldwin, Mississippi with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Baldwin's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and reportable conditions. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Baldwin, Mississippi's management. Our responsibility is to express an opinion on the City of Baldwin, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baldwin, Mississippi'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. Our audit does not provide a legal determination on the City of Baldwin, Mississippi's compliance with those requirements.

In our opinion, the City of Baldwin, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City of Baldwin, Mississippi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Baldwin, Mississippi's internal control over compliance with requirements that

could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Mayor and Board of Aldermen, the State of Mississippi, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

FRANKS, FRANKS & JARRELL, P.A.
January 29, 2004

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified
Internal control over financial reporting:
Material weakness identified? Yes X No
Reportable condition identified
not considered to be material weaknesses? X Yes None reported
Noncompliance material to financial statements
noted? X Yes No

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? Yes X No
Reportable condition(s) identified
not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance
for major programs: unqualified
Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------------|--|
| <u>14.228</u> | <u>Community Development Block Grant</u> |

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes X No

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003

SECTION 2 - FINANCIAL STATEMENT FINDINGS:

CURRENT YEAR FINDING 03-1

Criteria: State law requires municipalities of the State to maintain a complete fixed asset inventory listing with specific information that reconciles to the fixed asset accounts on the City's financial statements and to perform an annual fixed asset inventory.

Cause of Condition: The City has not fully implemented adequate internal controls over its fixed assets. During our audit testing, we noted that the City does maintain a fixed asset inventory system as prescribed by the Mississippi Code and the City did perform an annual inventory of its fixed assets. However, we noted that the City had not updated its fixed asset inventory ledger to reflect all current year additions or disposals. We also noted some items with no fixed asset inventory tags or missing inventory tags.

Recommendation: The City should continue to develop and implement internal control policies and procedures related to fixed asset management. The City should perform an annual fixed asset inventory and monitor the complete current fixed asset inventory listing as prescribed by state law. The City should ensure that all items that require tagging are tagged with the appropriate inventory tags.

Management's Comments: The City has developed and is implementing adequate internal controls over its fixed assets. The City will take on an annual basis a complete and accurate fixed asset inventory each year. The City has begun the process of ensuring that all items are tagged appropriately and a complete fixed asset inventory listing is developed and maintained.

SECTION 3 - FEDERAL AWARD FINDINGS:

There were no federal award findings identified.

Findings #03-1 is considered a noncompliance findings and a reportable conditions.