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**TOWN OF COLDWATER  
COLDWATER, MISSISSIPPI**

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**JONES AND TUGGLE**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Board of Alderman  
Town of Coldwater, Mississippi

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Coldwater, Mississippi as shown on pages 3 through 9 as of and for the year ended September 30, 2005, which collectively comprise a portion of the Town's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Town of Coldwater, Mississippi's management. Our responsibility is to express opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's government activities and business-type activities are not reasonably determinable.

As discussed in Note 6 to the financial statements, management has not recorded depreciation expense on certain general infrastructure assets in governmental activities. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Coldwater, Mississippi as of September 30, 2005 or the changes in its financial position or its cash flows, where applicable, for the year ended.

**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coldwater, Mississippi's basic financial statements. The comparative and budgetary supplementary information on page 19 to 29 is presented for purposes of additional analysis and is not a required part of the basis financial statements. The comparative and budgetary supplementary have not been subject to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we express no opinion on them.

*Jones and Tuggle*

Jones and Tuggle March  
15,2006

**TOWN OF COLDWATER, MISSISSIPPI  
GENERAL GOVERNMENT**

**COMBINED BALANCE SHEET – ALL FUND TYPE AND ACCOUNT GROUP  
SEPTEMBER 30, 2005**

	<b>Governmental Fund Types</b>		<b>Fiduciary Fund Type Expendable Trust</b>
	<b>General Operating</b>	<b>Special Revenue</b>	
<b>ASSETS</b>			
<b>CASH AND INVESTMENTS</b>			
Cash	\$ 166,458	\$ 549,352	\$ 60,208
Investments (Cash Equivalents)	2,089,047	-	26,360
<b>RECEIVABLES (Net of Allowance for uncollectibles)</b>			
Utility Bills	-	-	-
Taxes	33,200	-	-
State of Mississippi	2,375	-	-
Accrued Interest	-	-	532
Due From Other Funds	48,588	-	7,921
Prepaid Expenses	-	-	-
Fixed Assets (net of accumulated depreciation)	-	-	-
Amount To Be Provided For Retirement Of General Long-Term Debt	-	-	-
	<b>\$ 2,339,668</b>	<b>\$ 549,352</b>	<b>\$ 95,021</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 33,145	\$ -	\$ 172
Current Portion of Long-Term Debt (Note 3)	-	-	-
Accrued Interest Payable	-	-	-
Due To Other Funds	149,951	-	-
Payables From Restricted Assets:	-	-	-
Customer Deposits	-	-	-
General Obligation Warrants Payable (Note 3)	-	-	-
Total Liabilities	183,096	-	172
<b>Fund Equity:</b>			
Contributed Capital	-	-	-
Investment In General Fixed Assets	-	-	-
Retained Earnings:			
Unreserved	-	-	-
<b>Fund Balance:</b>			
Reserved For Prepaid Expenses	-	-	-
Unreserved	2,156,572	549,352	94,849
Total Fund Equity	2,156,572	549,352	94,849
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 2,339,668</b>	<b>\$ 549,352</b>	<b>\$ 95,021</b>

See Accompanying Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI  
GENERAL GOVERNMENT**

**COMBINED BALANCE SHEET – ALL FUND TYPE AND ACCOUNT GROUP  
SEPTEMBER 30, 2005**

Proprietary Fund <u>Enterprise Fund</u>	Account Groups		TOTALS	
	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	(Memorandum Only)	
			<u>2005</u>	<u>2004</u>
\$ 318,726	-	\$ -	\$ 1,094,744	\$ 1,110,974
378,495	-	-	2,493,902	2,488,170
32,696	-	-	32,696	21,996
-	-	-	33,200	33,200
-	-	-	2,375	18,349
1,539	-	-	2,071	20,008
103,278	-	-	159,787	147,709
1,389	-	-	1,389	6,176
-	2,110,169	-	2,110,169	2,110,169
1,155,521	-	-	1,155,521	1,207,687
-	-	87,682	87,682	96,552
<u>\$ 1,991,644</u>	<u>\$ 2,110,169</u>	<u>\$ 87,682</u>	<u>\$ 7,173,536</u>	<u>7,260,990</u>
\$ 18,535	\$ -	\$ -	\$ 51,852	87,891
-	-	12,684	12,684	70,658
5,088	-	-	5,088	5,088
11,943	-	-	161,894	106,821
-	-	-	-	-
7,804	-	-	7,804	8,320
924,324	-	74,998	999,322	1,021,103
967,694	-	87,682	1,238,644	1,299,881
349,918	-	-	349,918	349,918
-	2,110,169	-	2,110,169	2,110,169
674,032	-	-	674,032	700,213
-	-	-	-	4,787
-	-	-	2,800,773	2,796,022
<u>1,023,950</u>	<u>2,110,169</u>	<u>-</u>	<u>5,934,892</u>	<u>5,961,109</u>
<u>\$ 1,991,644</u>	<u>\$ 2,110,169</u>	<u>\$ 87,682</u>	<u>\$ 7,173,536</u>	<u>\$ 7,260,990</u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

## TOWN OF COLDWATER, MISSISSIPPI

### COMBINED STATEMENT OF REVENUE, EXPENDITURES AND FUND BALANCE ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS SEPTEMBER 30, 2005

	GOVERNMENTAL FUND TYPES			Fiduciary Fund Type Expendable Trust
	General Operating	Special Revenue	Capital Projects	
<b>REVENUES</b>				
Taxes	\$ 104,034	\$ 88,726	\$ -	\$ -
License and Permits	40,537	-	-	-
Intergovernmental	255,381	-	88,496	-
Charges For Services	72,294	-	-	-
Fines and Forfeits	37,231	-	-	-
Interest Income	22,233	-	-	442
Miscellaneous	17,161	-	-	29,678
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>548,871</b>	<b>88,726</b>	<b>88,496</b>	<b>30,120</b>
<b>EXPENDITURES</b>				
General Government	184,074	-	-	8,534
Public Safety	165,736	26,214	-	-
Public Works	-	106,070	-	-
Culture and Recreation	27,149	5,663	-	-
Capital Outlay	-	-	146,417	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>376,959</b>	<b>137,947</b>	<b>146,417</b>	<b>8,534</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>171,912</b>	<b>(49,221)</b>	<b>(57,921)</b>	<b>21,586</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers Out	(54,800)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(54,800)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>117,112</b>	<b>(49,221)</b>	<b>(57,921)</b>	<b>21,586</b>
<b>PRIOR PERIOD ADJUSTMENT (Note 7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>2,039,460</b>	<b>656,494</b>	<b>-</b>	<b>73,263</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,156,572</b>	<b>\$ 607,273</b>	<b>\$ (57,921)</b>	<b>\$ 94,849</b>
	<hr/>	<hr/>	<hr/>	<hr/>

See Accompanying Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS FUNDS  
(CONTINUED)  
SEPTEMBER 30, 2005**

<b>Totals</b>	
<b>(Memorandum Only)</b>	
<b>2004</b>	<b>2003</b>
<b>\$ 192,760</b>	<b>\$ 186,341</b>
<b>40,537</b>	<b>37,326</b>
<b>343,877</b>	<b>246,140</b>
<b>72,294</b>	<b>71,785</b>
<b>37,231</b>	<b>38,074</b>
<b>22,675</b>	<b>23,112</b>
<b>46,839</b>	<b>29,542</b>
<b>756,213</b>	<b>632,320</b>
<b>192,608</b>	<b>231,862</b>
<b>191,950</b>	<b>166,232</b>
<b>106,070</b>	<b>59,702</b>
<b>32,812</b>	<b>52,518</b>
<b>146,417</b>	<b>29,886</b>
<b>669,857</b>	<b>540,200</b>
<b>86,356</b>	<b>92,120</b>
<b>(54,800)</b>	<b>(54,800)</b>
<b>(54,800)</b>	<b>(54,800)</b>
<b>31,556</b>	<b>37,320</b>
<b>-</b>	<b>(346,318)</b>
<b>2,769,217</b>	<b>3,109,807</b>
<b>\$ 2,800,773</b>	<b>\$ 2,800,809</b>

See Accompanying Auditors' Report and Notes to the Financial Statements.

## TOWN OF COLDWATER, MISSISSIPPI

### COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACUTAL GENERAL AND SPECIAL REVENUE FUNDS For the Year Ended September 30, 2005

	GENERAL FUND			SPECIAL REVENUE FUNDS	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
<b>REVENUES</b>					
Taxes	\$ 98,846	\$ 104,034	\$ 5,188	\$ 88,726	\$ 88,726
License and Permits	35,000	40,537	5,537	-	-
Intergovernmental	240,700	255,381	14,681	142,500	88,496
Charges for Services	72,306	72,294	(12)	-	-
Fines and Forfeits	50,000	37,231	(12,769)	-	-
Interest Income	20,000	22,233	2,233	-	-
Miscellaneous	14,500	17,161	2,661	-	-
<b>TOTAL REVENUES</b>	<b>531,352</b>	<b>548,871</b>	<b>17,519</b>	<b>231,226</b>	<b>177,222</b>
<b>EXPENDITURES</b>					
General Government	237,521	184,074	53,447	-	-
Public Safety	205,205	165,736	39,469	42,600	26,214
Public Works	-	-	-	80,141	106,070
Culture and Recreation	31,480	27,149	4,331	8,500	5,663
Capital Outlay	-	-	-	143,865	146,417
<b>TOTAL EXPENDITURES</b>	<b>474,206</b>	<b>376,959</b>	<b>97,247</b>	<b>275,106</b>	<b>284,364</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>57,146</b>	<b>171,912</b>	<b>114,766</b>	<b>(43,880)</b>	<b>(107,142)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In (Out)	-	(54,800)	(54,800)	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>(54,800)</b>	<b>(54,800)</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ 57,146</b>	<b>117,112</b>	<b>\$ 59,966</b>	<b>\$ (43,880)</b>	<b>(107,142)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>2,039,460</b>			<b>656,494</b>
<b>PRIOR PERIOD ADJUSTMENT</b>		<b>-</b>			<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 2,156,572</b>			<b>\$ 549,352</b>

See Accompanying Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACUTAL  
GENERAL AND SPECIAL REVENUE FUNDS  
For the Year Ended September 30, 2005**

Variance Favorable (Unfavorable)	TOTALS (Memorandum Only)	
	2005	2004
-	192,760	186,342
-	40,537	37,326
(54,004)	343,877	246,140
-	72,294	71,785
-	37,231	38,074
-	22,233	22,883
-	17,161	16,537
	<u>726,093</u>	<u>619,087</u>
(54,004)		
-	184,074	228,754
16,386	191,950	166,232
(25,929)	106,070	59,702
2,837	32,812	52,518
(2,552)	146,417	29,887
	<u>661,323</u>	<u>537,093</u>
(9,258)		
(63,262)	64,770	81,994
-	<u>(54,800)</u>	<u>(54,800)</u>
-	<u>(54,800)</u>	<u>(54,800)</u>
<u>\$ (63,262)</u>	9,970	27,194
	2,695,954	2,691,708
	<u>-</u>	<u>9,069</u>
	<u>2,705,924</u>	<u>2,727,971</u>

See Accompanying Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS-ENTERPRISE FUND  
For The Year Ended September 30, 2005 and 2004**

	2005	2004
<b>Operating Revenues:</b>		
Meter Sales	\$ 107,585	\$ 107,830
Sewer Charges	95,090	94,517
Transfer	54,800	54,800
Late Charges and Connection Fees	13,904	11,542
<b>Total Operating Revenues</b>	<b>271,379</b>	<b>268,689</b>
<b>Operating Expenses:</b>		
Personnel Costs	77,424	86,546
Materials and Supplies	16,584	15,065
Professional Services	56,996	32,250
Repair and Maintenance	15,053	27,998
Other Expenses	48,486	24,008
Depreciation Expense	59,285	53,449
<b>Total Operating Expenses</b>	<b>273,828</b>	<b>239,316</b>
<b>Net Operating Income</b>	<b>(2,449)</b>	<b>29,373</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Income	5,434	1,517
Interest Expense	(29,165)	(32,827)
<b>Total Nonoperation Revenues</b>	<b>(23,731)</b>	<b>(31,310)</b>
<b>Net Income</b>	<b>(26,180)</b>	<b>(1,937)</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>381,421</b>
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<b>1,050,131</b>	<b>670,647</b>
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 1,023,951</b>	<b>\$ 1,050,131</b>

See Accompanying Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**COMBINED STATEMENT OF CASH FLOWS ENTERPRISE FUND  
For the Year Ended September 30, 2005 and 2004**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Operating Income</b>	\$ (2,449)	\$ 29,373
<b>Adjustments To Reconcile Operating Income</b>		
<b>To Net Cash Provided By Operating Activities:</b>		
<b>Depreciation</b>	52,166	53,449
<b>Changes In Assets and Liabilities:</b>		
<b>(Increase) Decrease In Accounts Receivable</b>	(10,700)	15,642
<b>(Increase) Decrease In Accrued Interest Receivable</b>	-	-
<b>(Increase) Decrease In Prepaid Expenses</b>	-	(694)
<b>(Increase) Decrease In Due From Other Funds</b>	(10,287)	92,905
<b>Increase (Decrease) In Accounts Payable</b>	(11,021)	21,162
<b>Increase (Decrease) In Customer Deposits</b>	(516)	(1,088)
<b>Increase (Decrease) In Due To Other Funds</b>	11,943	(42,538)
<b>Net Cash Provided By Operating Activities</b>	29,136	168,211
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
<b>Interest Expense</b>	(29,165)	(32,827)
<b>Interest On Investments</b>	5,434	1,517
<b>Net Cash Provided By Investing Activities</b>	(23,731)	(31,310)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
<b>Payment Of Long-Term Debt and Interest</b>	(70,885)	(98,375)
<b>Construction In Progress Transferred To CDBG</b>	-	(122,593)
<b>Net Cash Used By Capital and Related Financing Activities</b>	(70,885)	(220,968)
<b>Net Change In Cash and Cash Equivalents</b>	(65,480)	(84,067)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS - BEGINNING OF YEAR</b>	762,701	846,768
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS - END OF YEAR</b>	\$ 697,221	\$ 762,701

See Accompanying Auditors' Report and Notes to the Financial Statements.

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2005

**Note 1 - Summary of Significant Accounting Policies**

The Town of Coldwater operates under an alderman—mayor form of government. The accounting policies of the Town of Coldwater conform to generally accepted accounting principles as applicable to governments except as discussed in note 7. The following is a summary of the more significant policies:

- A. **Reporting Entity** - The financial statements of the Town consist of all the funds of the Town.
- B. **Fund Accounting** - The accounts of the Town are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.
- C. **Fixed Assets and Long Term Liabilities** - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. All Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The Town has adopted the accounting policy of not capitalizing “infrastructure” general fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the Town). No depreciation has been provided on general fixed assets.

All assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Fixed assets used in proprietary funds (water and sewer) are accounted for in the fund itself. Depreciation has been provided on these assets over estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Distribution Systems	25 years
Equipment	5 years

TOWN OF COLDWATER, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2005

(Continued)

**Note 1 - Summary of Significant Accounting Policies (Continued)**

- D. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Long-term liabilities of the Proprietary Funds are accounted for in the fund itself.

Additional information concerning fixed assets and long—term liabilities are provided in Notes 2 and 3.

- E. **Basis of Accounting** - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

All governmental funds and expendable trust funds are accounted for using modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

- F. **Total Columns** - Total columns on the financial statements 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.

- G. **Bank Deposits and Investments** - Bank deposits and investments constituting short term certificates of deposit are entirely insured or collateralized with securities held by the bank or by the bank's agent in the bank's name as of September 30, 2005 and during the year then ended.

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2005**

(Continued)

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Investments are stated at cost - a schedule of investment is included as part of the supplementary information of this report.

**H. Budget** - for governmental funds, receipts are budgeted on the cash basis. Expenditures are budgeted on the modified cash basis of accounting. The budget for all proprietary type funds is adopted on the accrual basis of accounting. This is consistent with the applicable laws of the State of Mississippi for municipalities.

Prior to the August board meeting, the Town Clerk submits to the Mayor and Board a proposed operating budget for the fiscal year commencing the following October 1. Public hearings are conducted at the Town Hall for citizens of the Town to make comments on the proposed revenue sharing expenditures. The budget is formally adopted at the September board meeting. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

**I. Statement of Cash Flows** - For purposes of the Statement of Cash Flows, cash equivalents are all short term investments (including restricted assets) that are highly liquid, readily convertible to known amounts of cash, and have a maturity date of no longer than three months when purchased.

**J. Estimates**-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Fixed Assets**

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>9/30/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2005</u>
Land	\$ 9,900	\$ -	\$ -	\$ 9,900
Building	206,009	-	-	206,009
Equipment	252,231	-	-	252,231
Vehicles	136,994	-	-	136,994
Home Project	340,494	-	-	340,494
Bridge	427,893	-	-	427,893
Improvements	736,648	-	-	736,648
	<u>\$ 2,110,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,110,169</u>

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2005**  
**(Continued)**

**Note 2 - Fixed Assets (Continued)**

A summary of proprietary fund property, plant and equipment at September 30, 2005 follows:

Water Distribution System	\$ 1,938,544
Land	1,790
Equipment	81,745
Vehicles	9,616
Total	<u>2,031,695</u>
Accumulated depreciation	<u>(876,174)</u>
NET FIXED ASEST	<u><u>\$ 1,155,521</u></u>
Depreciation expense	<u><u>\$59,285</u></u>

**Note 3 - Changes in Long-Term Debt**

**Water and Sewer System:**

Note Payable to the Mississippi Department of Economic and Community Development to finance improvements to the Town's water system. The note is payable in semi-annual installments of \$ 12,516.54 on January and July 1 each year through July 1, 2013 at 3.7% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2005:

Note payable at October 1, 2005	\$ 173,166
Note payable at September 30, 2005	\$ 141,744

The annual requirement to amortize the note outstanding as of September 30, 2005 including interest payments are as follows:  
September 30,

2006	\$ 18,842
2007	19,546
2008	20,276
2009	21,033
2010	21,819
Thereafter	40,228
Total	<u><u>\$ 141,744</u></u>

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2005**

(Continued)

**Note 3 - Changes in Long-Term Debt (Continued)**

Note payable to the Mississippi Department of Environmental Quality to finance improvements to the Town's sewer system. The note is payable in monthly installments of \$4,566.69 at 3 % interest per annum. The annual requirements to amortize the note outstanding as of September 30, 2005 are as follows:

Note payable at October 1, 2004		<b>\$704,122</b>
Note payable at September 30, 2005		<b>\$ 699,979</b>
2006	\$	35,182
2007		36,252
2008		37,355
2009		38,491
2010		39,662
Thereafter		483,037
Total	<u>\$</u>	<u>669,979</u>

Note Payable to the Mississippi Department of Economic and Community Development to finance the improvement to the sewer system lagoon. The note is payable in monthly installments of \$641.66 through February 1, 2014 at 2% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2005:

Note payable at October 1, 2004	<b>\$ 117,921</b>
Note payable at September 30, 2005	<b>\$ 112,601</b>

The annual requirement to amortize all notes outstanding as of September 30, 2005 including interest payments are as follows:  
September 30,

2006	\$	5,505
2007		5,616
2008		5,730
2009		5,845
2010		5,904
Thereafter		84,001
Total	<u>\$</u>	<u>112,601</u>

**TOWN OF COLDWATER, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2005**  
**(Continued)**

**Note 3 - Changes in Long—Term Debt (Continued)**

**General Fund:**

General Fund Note Payable to the Mississippi Department of Economic and Community Development to finance the construction of a new bridge. The note is payable in monthly installments of \$1,056.97 through February 1, 2014 at 4% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2005:

Note payable at October 1, 2004	\$96,552
Note payable at September 30, 2005	\$87,682

The annual requirement to amortize all notes outstanding as of September 30, 2005 including interest payments are as follows:  
September 30,

2006	\$	9,324
2007		9,704
2008		10,099
2009		10,510
2010		10,939
Thereafter		37,106
<b>Total</b>	<b>\$</b>	<b><u>87,682</u></b>

**Note 4 - Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. The taxes are levied as of January 1 and are due on or before February 1.

The millage rate for the year was 30.65 mills, allocated as follows:

General Fund	16.00 mills
Parks Fund	2.00 mills
Fire Department Fund	.25 mills
Street Repair Fund	<u>12.40 mills</u>
<b>TOTAL</b>	<b><u>30.65 mills</u></b>

The distribution of taxes to funds is in accordance with prescribed tax levies and the ad valorem tax assessments are with prescribed limitations.

**TOWN OF COLDWATER, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2005**  
**(Continued)**

**Note 5 - Defined Pension Plan**

**Plan Description - The Town of Coldwater 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 maybe 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 Town of Coldwater 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 Town of Coldwater's contributions to PERS for the years ending September 30, 2005 and 2004 were \$19,226 and \$20,242 respectively, equal to the required contribution for each year.**

**Note 6 - Infrastructure Assets**

**The Town of Coldwater, Mississippi has not complied with the terms of GASB 34, as a result certain general infrastructure assets in the governmental activities and, the depreciation expense on those assets have not been recorded.**

**Note 7 – Prior Period Adjustment**

**This adjustment was necessary to properly allocate the fund balance between the general fund and the special revenue fund and to correct the prior year retained earning.**

**TOWN OF COLDWATER, MISSISSIPPI**

**SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES**

**TOWN OF COLDWATER, MISSISSIPPI**

**GENERAL FUND**

**COMPARATIVE BALANCE SHEET**

**September 30, 2005 and 2003**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,255,505	2,568,972
Property Taxes Receivable	33,200	33,200
Sales Tax Receivable	2,375	18,349
Franchise Tax Receivable	-	-
Due From Other Funds	48,588	46,797
Accrued Interest Receivable	-	18,363
Prepaid Expenses	-	4,887
<b>TOTAL ASSETS</b>	<u><u>2,339,668</u></u>	<u><u>2,690,568</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	33,145	57,561
Due To Other Funds	<u>149,951</u>	<u>106,821</u>
<b>Total Liabilities</b>	183,096	164,382
 <b>Fund Balance</b>		
Reserve For Prepaid Expenses	-	4,787
Unreserved - Undesignated	<u>2,156,572</u>	<u>2,521,299</u>
<b>Total Fund Balance</b>	<u>2,156,572</u>	<u>2,526,086</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 2,339,668</u></u>	<u><u>\$ 2,690,468</u></u>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**GENERAL FUND**

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
For the Year Ended September 30, 2005**

	<u>Budget</u>	<u>2005 Actual</u>	Variance (Unfavorable) Favorable	<u>2004 Actual</u>
<b>REVENUES</b>				
Taxes	\$ 98,846	\$ 104,034	\$ 5,188	92,870
License and Permits	35,000	40,537	5,537	37,326
Intergovernmental	240,700	255,381	14,681	246,140
Charges For Services	72,306	72,294	(12)	71,785
Fines and Forfeits	50,000	37,231	(12,769)	38,074
Interest Income	20,000	22,233	2,233	22,883
Miscellaneous	14,500	17,161	2,661	16,537
<b>TOTAL REVENUES</b>	<b>531,352</b>	<b>548,871</b>	<b>17,519</b>	<b>525,615</b>
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Personnel Costs	103,679	98,583	5,096	97,727
Materials and Supplies	3,450	5,292	(1,842)	1,939
Other Services and Charges	130,392	134,999	(4,607)	129,091
<b>Total General Government</b>	<b>237,521</b>	<b>238,874</b>	<b>(1,353)</b>	<b>228,757</b>
<b>Public Safety:</b>				
Personnel Costs	156,455	120,143	36,312	118,394
Materials and Supplies	13,500	10,680	2,820	9,502
Other Services and Charges	35,250	34,913	337	27,704
<b>Total Public Safety</b>	<b>205,205</b>	<b>165,736</b>	<b>39,469</b>	<b>155,600</b>
<b>Culture &amp; Recreation</b>				
Personnel Cost	2,900	2,900	-	-
Material and Supplies	4,132	3,272	860	-
Other Services and Charges	24,448	20,977	3,471	-
<b>Total Culture &amp; Recreation</b>	<b>31,480</b>	<b>27,149</b>	<b>4,331</b>	<b>-</b>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**GENERAL FUND**

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN BALANCE – BUDGET AND ACTUAL  
For the Year Ended September 30, 2005  
(Continued)**

	<u>Budget</u>	<u>2005 Actual</u>	Variance (Unfavorable) Favorable	<u>2004 Actual</u>
<b>TOTAL CURRENT EXPENDITURES</b>	442,726	431,759	38,116	384,357
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	88,626	117,112	43,304	141,258
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers Out	<u>-</u>	<u>(54,800)</u>	<u>(54,800)</u>	<u>(54,800)</u>
<b>Total Other Financing Sources</b>	<u>-</u>	<u>(54,800)</u>	<u>(54,800)</u>	<u>(54,800)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 88,626</u>	62,312	<u>\$ (11,496)</u>	86,458
<b>FUND BALANCE - BEGINNING OF YEAR</b>		2,526,086		2,386,777
<b>Prior Period Adjustment</b>		<u>(5,647)</u>		<u>52,842</u>
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 2,582,751</u>		<u>\$ 2,526,077</u>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS**

**For the Year Ended September 30, 2005 and 2004**

	<b>Fire Department Fund</b>	<b>CDBG Fund</b>	<b>Park Fund</b>	<b>Street Fund</b>	<b>TOTALS MEMORANDUM ONLY</b>	
					<b>2005</b>	<b>2004</b>
<b>ASSETS</b>						
Cash	\$ 44,594	\$ -	\$ 147,382	\$ 357,376	\$ 549,352	\$ 524,752
Due From Other Funds	-	-	-	-	-	6,702
<b>Total Assets</b>	<b>\$ 44,594</b>	<b>\$ -</b>	<b>\$ 147,382</b>	<b>\$ 357,376</b>	<b>\$ 549,352</b>	<b>\$ 531,454</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 530
Due To Other Funds (Note 6)	-	-	-	-	-	46,798
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,328</b>
<b>Fund Balance:</b>						
Unreserved	44,594	-	147,382	357,376	549,352	182,177
<b>Total Liability and Fund Balance</b>	<b>\$ 44,594</b>	<b>\$ -</b>	<b>\$ 147,382</b>	<b>\$ 357,376</b>	<b>\$ 549,352</b>	<b>\$ 229,505</b>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUNDS  
For The Year Ended September 30, 2005**

	Fire Department Fund	CDBG Fund	Park Fund	Street Fund	TOTALS (MEMORANDUM ONLY)	
					2005	2004
<b>REVENUES:</b>						
CDBG Project	\$ -	\$ 34,980	\$ -	\$ -	\$ 34,980	\$ -
Property Taxes	1,755	-	12,612	74,359	88,726	93,471
Homestead Exemption	-	-	-	-	-	-
Intergovernmental	88,496	-	-	-	88,496	-
Contributions	-	-	-	-	-	-
<b>Total Revenues</b>	<u>90,251</u>	<u>34,980</u>	<u>12,612</u>	<u>74,359</u>	<u>212,202</u>	<u>93,471</u>
<b>EXPENDITURES:</b>		-				
Personnel	12,670	-	-	20,840	33,510	23,018
Supplies	866	-	-	6,175	7,041	7,153
Other Services and Charges	12,678	34,980	5,663	79,055	132,376	92,681
Capital Outlay	101,886	-	-	44,531	146,417	29,886
<b>Total Expenditures</b>	<u>128,100</u>	<u>34,980</u>	<u>5,663</u>	<u>150,601</u>	<u>319,344</u>	<u>152,738</u>
Excess Of Revenues Over (Under)						
Expenditures	(37,849)	-	6,949	(76,242)	(107,142)	(59,267)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	58,783	-	140,433	457,278	656,494	304,934
Prior Period Adjustment	-	-	-	-	-	(18,000)
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 20,934</u>	<u>\$ -</u>	<u>\$ 147,382</u>	<u>\$ 381,036</u>	<u>\$ 549,352</u>	<u>\$ 227,667</u>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**FIDUCIARY FUND  
Expendable Trust – Cemetery**

**COMPARATIVE BALANCE SHEET  
September 30, 2005 and 2003**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 60,208	\$ 39,139
Investments	26,360	25,917
Accrued Interest Receivable	532	532
Due From Other Funds	<u>7,921</u>	<u>7,921</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 95,021</u></u>	<u><u>\$ 73,509</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts Payable	<u>\$ 172</u>	<u>\$ 246</u>
<b>Total Liabilities</b>	172	246
<b>Fund Balance:</b>		
Unreserved	<u>94,849</u>	<u>73,263</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 95,021</u></u>	<u><u>\$ 73,509</u></u>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**FIDUCIARY FUND**  
**Expendable Trust - Cemetery**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED  
EARNINGS –BUDGED AND ACTUAL  
For The Year Ended September 30, 2005  
With Comparative Amounts for the Year Ended September 30, 2003**

	<b>Budget</b>	<b>2005 Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2004 Actual</b>
<b>Revenues:</b>				
Lot Sales	\$ 5,000	\$ 6,500	\$ 1,500	\$ 7,500
Interest Income	400	442	42	229
Donations	5,000	22,788	-	5,115
Dirt Removal Fee	300	390	90	390
<b>Total Revenues</b>	<b>10,700</b>	<b>30,120</b>	<b>1,632</b>	<b>13,234</b>
<b>Expenditures:</b>				
Supplies	4,700	-	-	499
Other Services and Charges	6,000	8,534	(2,534)	2,609
<b>Total Expenditures</b>	<b>10,700</b>	<b>8,534</b>	<b>(2,534)</b>	<b>3,108</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>21,586</b>	<b>\$ (902)</b>	<b>10,126</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>73,263</b>		<b>63,137</b>
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 94,849</b>		<b>\$ 73,263</b>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**WATER AND SEWER ENTERPRINSE FUND  
COMPARATIVE BALANCE SHEET  
For The Year ended September 30, 2005**

	2005	2004
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	318,726	\$ 389,496
Investments	378,495	373,205
Accounts Receivable	32,696	21,996
Due From Other Funds	103,278	92,991
Accrued Interest Receivable	1,539	1,539
Prepaid Expenses	1,389	1,389
<b>Total Current Assets</b>	836,123	880,616
<b>Fixed Assets</b>		
Property, Plant and Equipment	2,031,696	2,026,606
Less: Accumulated Depreciation	-876,174	818,919
<b>Net Fixed Assets</b>	1,155,522	1,207,687
<b>TOTAL ASSETS</b>	\$ 1,991,645	\$ 2,088,303
<b><u>LIABILITIES, CONTRIBUTED CAPITAL AND RETAINED EARNINGS</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 18,536	\$ 29,553
Current Portion of Long-Term Debt (Note 3)	59,529	57,974
Accrued Interest Payable	5,088	5,088
Due To Other Funds	11,943	-
<b>Total Current Liabilities</b>	95,096	92,615
<b><u>Long-Term Liabilities</u></b>		
Note Payable (Note 3)	864,795	937,237
Customer Deposits	7,804	8,320
<b>Total Long-Term Liabilities</b>	872,599	945,557
<b>Total Liabilities</b>	967,695	1,038,172
<b><u>Contributed Capital and Retained Earnings</u></b>		
Contributed Capital	349,918	349,918
Retained Earnings	674,032	700,213
<b>Total Contributed Capital Retained Earnings</b>	1,023,950	1,050,131
<b>TOTAL LIABILITIES, CONTRIBUTED CAPITAL AND RETAINED EARNINGS</b>	\$ 1,991,645	\$ 2,088,303

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS-  
BUDGETED AND ACTUAL-ENTERPRISE FUND**

**For The Year Ended September 30, 2005**

**With Comparative Amounts for the Year Ended September 30, 2003**

	<u>Budget</u>	<u>2005 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2004 Actual</u>
<b>Operating Revenues:</b>				
Meter Sales	130,000	\$ 107,585	\$ (22,415)	\$ 107,830
Sewer Charges	115,000	95,090	(19,910)	94,517
Interest	10,000	-	(10,000)	-
Transfer	-	54,800	54,800	54,800
Grant	650,000	-	(650,000)	-
Late Charges and Connection Fees	13,000	13,904	904	11,542
<b>Total Operating Revenues</b>	<u>918,000</u>	<u>271,379</u>	<u>(646,621)</u>	<u>268,689</u>
<b>Operating Expenses:</b>				
Personnel Costs	113,682	77,424	36,258	86,546
Materials and Supplies	18,350	16,584	1,766	15,065
Professional Services	-	56,996	(56,996)	32,250
Repair and Maintenance	-	15,053	(15,053)	27,998
Other Expenses	48,350	48,486	(136)	24,008
Capital Outlay	737,533	-	737,533	-
Depreciation Expense	-	59,285	(59,285)	53,449
<b>Total Operating Expenses</b>	<u>917,915</u>	<u>273,828</u>	<u>644,087</u>	<u>239,316</u>
<b>Net Operating Income</b>	<u>\$ 85</u>	<u>(2,449)</u>	<u>\$ (2,534)</u>	<u>29,373</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income		5,434		1,517
Interest Expense		(29,165)		(32,827)
<b>Total Nonoperation Revenues</b>		<u>(23,731)</u>		<u>(31,310)</u>
<b>Net Income</b>		<u>(26,180)</u>		<u>(1,937)</u>
<b>Prior Period Adjustment</b>		-		381,421
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>		<u>1,050,131</u>		<u>670,647</u>
<b>RETAINED EARNINGS - END OF YEAR</b>		<u>\$ 1,023,951</u>		<u>\$ 1,050,131</u>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**SCHEDULE OF INVESTMENTS – ALL FUNDS  
For The Year Ended September 30, 2005**

<b>GENERAL FUND</b>		
Certificate of Deosit dated 9/30/03. Due 12/31/05	3.70%	<u>\$ 2,089,047</u>
<b>Total General Fund</b>		<b>2,089,047</b>
<b>WATER AND SEWER FUND:</b>		
Certificate of Deosit dated 8/26/03. Due 9/07/05	1.05%	258,400
Certificate of Deposit dated 8/26/03. Due 11/26/05	2.25%	37,103
Certificate of Deposit dated 8/26/03. Due 11/26/05	2.25%	<u>82,992</u>
<b>Total Water and Sewer Fund</b>		<b>378,495</b>
<b>EXPENDABLE TRUST FUND:</b>		
Certificate of Deposit dated 8/26/03. Due 11/26/05	3.25%	<u>26,360</u>
<b>Total Expendable Trust Fund</b>		<u>26,360</u>
<b>TOTAL INVESTMENTS</b>		<b><u><u>\$ 2,493,902</u></u></b>

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**TOWN OF COLDWATER, MISSISSIPPI**

**SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS  
For The Year Ended September 30, 2005**

<b><u>Name and Position</u></b>	<b><u>Surety</u></b>	<b><u>Amount</u></b>
Jessie Edward Mayor	Mississippi Municipal Bond Program	\$ 25,000
Vernon Jackson Vice Mayor	Mississippi Municipal Bond Program	12,000
Mary Jackson City Clerk	The St. Paul Surety	100,000
Ella Cummings Deputy Clerk	The St. Paul Surety	50,000
Larry Hulette Chief of Police	The St. Paul Surety	50,000
Larry Estep Police Officer	The St. Paul Surety	25,000
Michael Bingham Police Officer	The St. Paul Surety	25,000
Sandra Bonner Police Officer	The St. Paul Surety	25,000
Gregory Means Alderman	Mississippi Municipal Bond Program	12,000
Harold Davis Alderman	Mississippi Municipal Bond Program	12,000
Sherman Riley Alderman	Mississippi Municipal Bond Program	12,000
Donzella Jefferies Alderman	Mississippi Municipal Bond Program	12,000

See Accompanying Independent Auditors' Report and Notes to the Financial Statements.

**JONES AND TUGGLE**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and  
Board of Alderman  
Town of Coldwater, Mississippi

We have audited the general purpose financial statements of Town of Coldwater, Mississippi, as of and for the year ended September 30, 2005, and have issued our report thereon dated March 15, 2006. We conducted our audit in accordance with generally accepted auditing standards 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 Town of Coldwater, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Coldwater, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would

To the Honorable Mayor and  
Board of Alderman  
Page 2

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

be material in relation to the general purpose 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Alderman, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "James And Luggie". The signature is written in a cursive, flowing style.

March 15, 2006

**JONES AND TUGGLE**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE  
LAWS AND REGULATIONS**

To The Honorable Mayor and Board of  
Aldermen Coldwater, Mississippi

We have audited the general purpose financial statements of the Town of Coldwater, Mississippi, as of and for the year ended September 30, 2005, and have issued our report thereon dated March 15, 2006. 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*.

As required by the state legal compliance and audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing and opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The result of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Coldwater, Mississippi had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire.

This report is intended for the information of the Town's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



March 15, 2006

**TOWN OF COLDWATER, MISSISSIPPI**

**LISTING OF ALL CITY OFFICIALS**

<b><u>Name and Position</u></b>	<b><u>Title</u></b>	<b><u>Years in Town Government</u></b>
Jessie Edward	Mayor	16
Vernon Jackson	Vice Mayor	5
Mary Jackson	City Clerk	16
Ella Cummings	Deputy Clerk	18
Larry Hulette	Chief of Police	3
James Minor	City Attorney	2
Edward T. Davis	City Engineer	13
Gregory Means	Alderman	1
Harold Davis	Alderman	3
Sherman Riley	Alderman	4
Donzella Jefferies	Alderman	1