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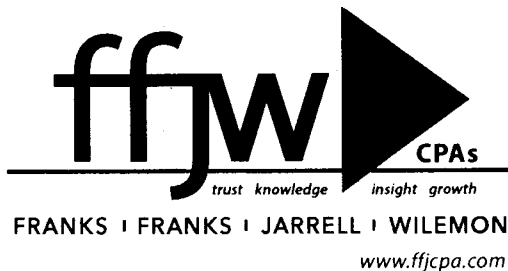
FINANCIAL STATEMENTS
CITY OF BALDWIN, MISSISSIPPI
Year Ended September 30, 2015

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Baldwin, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Baldwin, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baldwin, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, during 2015, the City of Baldwin, Mississippi implemented new accounting standards prescribed by GASB Statement No. 68 for its pension plan, a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–11, the schedule of the City's proportionate share of the net pension liability on page 45 and the schedule of the City's contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baldwin, Mississippi's basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2016 on our consideration of the City of Baldwin, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Baldwin, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Jarrell + Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
Tupelo, Mississippi
July 19, 2016

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2015

This section of the City of Baldwin's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2015. Please read it in conjunction with the City of Baldwin financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,419,479. Of this amount, \$453,736 may be used to meet the City of Baldwin ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$11,379,679, of which \$2,780,958 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Baldwin governmental funds reported combined ending fund balances of \$340,227, an increase of \$127,652 in comparison to the prior year. Approximately 33% of the combined fund balances, \$112,795, is considered unassigned and is available for spending at the City of Baldwin's discretion.
- The City of Baldwin's total debt is \$3,276,195. New debt in the amount of \$202,027 was issued in the current fiscal year. Debt in the amount of \$502,503 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Baldwin.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Baldwin's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Baldwin's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Baldwin has two Governmental Fund types: General and Special Revenue.

Proprietary Fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and includes the Water, Sewer and Gas System Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major Governmental Funds, each of which are added together and presented in single columns in the basic financial statements.

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the City of Baldwin's financial statements, including the portion of the City of Baldwin they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Baldwin's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the city that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the city operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City of Baldwin as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Baldwin's net position and how they have changed. Net position—the difference between the City of Baldwin's assets and liabilities—is one way to measure the City of Baldwin's financial health, or position.

- Over time, increases or decreases in the city of Baldwin's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Baldwin, the reader should consider additional non-financial factors such as changes in the City of Baldwin's property tax base.
- *Governmental activities* –Most of the City of Baldwin's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Baldwin charges fees to customers to help it cover the costs of certain services it provides. The City of Baldwin's water, sewer and gas systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Baldwin's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Baldwin exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF BALDWIN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Baldwin has two types of funds:

- **Governmental funds**—most of the City of Baldwin's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Baldwin's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Baldwin utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the City of Baldwin charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—Enterprise Funds. The City of Baldwin's Enterprise Funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of Proprietary Funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Baldwin's assets exceeded liabilities by \$9,419,479 at the close of the most recent fiscal year.

A large portion, 94 percent, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BALDWIN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

City of Baldwin's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 946,729	\$ 912,661	\$ 2,924,620	\$ 3,182,233	\$ 3,871,349	\$ 4,094,894
Noncurrent Assets	<u>3,296,740</u>	<u>3,323,219</u>	<u>8,800,421</u>	<u>8,701,652</u>	<u>12,097,161</u>	<u>12,024,871</u>
Total Assets	4,243,469	4,235,880	11,725,041	11,883,885	15,968,510	16,119,765
Deferred Outflows	<u>376,234</u>	<u>0</u>	<u>121,574</u>	<u>0</u>	<u>497,808</u>	<u>0</u>
Total Deferred Outflows	376,234	0	121,574	0	497,808	0
Current and Other Liabilities	334,809	423,649	619,689	851,294	954,498	1,274,943
Long-Term Liabilities	<u>2,398,212</u>	<u>318,001</u>	<u>3,508,062</u>	<u>3,147,142</u>	<u>5,906,274</u>	<u>3,465,143</u>
Total Liabilities	2,733,021	741,650	4,127,751	3,998,436	6,860,772	4,740,086
Deferred Inflows	<u>140,626</u>	<u>0</u>	<u>45,441</u>	<u>0</u>	<u>186,067</u>	<u>0</u>
Total Deferred Inflows	140,626	0	45,441	0	186,067	0
Net Position:						
Net Investment in Capital Assets	2,969,742	2,949,203	5,851,224	5,498,997	8,820,966	8,448,200
Restricted	144,777	150,521	0	0	144,777	150,521
Unrestricted	<u>(1,368,463)</u>	<u>394,506</u>	<u>1,822,199</u>	<u>2,386,452</u>	<u>453,736</u>	<u>2,780,958</u>
Total Net Position	<u>\$ 1,746,056</u>	<u>\$ 3,494,230</u>	<u>\$ 7,673,423</u>	<u>\$ 7,885,449</u>	<u>\$ 9,419,479</u>	<u>\$ 11,379,679</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$453,736 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$1,822,199 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Baldwin generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position. Approximately 11.75% of the City of Baldwin's revenue comes from sales tax and 11.39% from property taxes, with 27.31% of all revenue coming from some type of tax. (See Table A-2) Another 62.35% comes from fees charged for services, 7.22% from capital grants and contributions and the balance is from intergovernmental revenue, investment earnings and other miscellaneous receipts.

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

Changes in the City of Baldwin's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 326,378	\$ 318,881	\$ 3,177,126	\$ 3,524,725	\$ 3,503,504	\$ 3,843,606
Operating Grants & Contributions	0	61,050	0	0	0	61,050
Capital Grants & Contributions	113,026	0	292,778	432,685	405,804	432,685
General Revenues:						
Property Taxes	640,040	632,580	0	0	640,040	632,580
Sales Tax	660,517	649,676	0	0	660,517	649,676
Other Taxes	234,266	242,993	0	0	234,266	242,993
Intergovernmental Revenues	58,045	53,384	0	0	58,045	53,384
Investment Income	252	136	1,340	1,335	1,592	1,471
Other	<u>46,163</u>	<u>59,746</u>	<u>69,292</u>	<u>51,396</u>	<u>115,455</u>	<u>111,142</u>
Total Revenues	2,078,687	2,018,446	3,540,536	4,010,141	5,619,223	6,028,587
Expenses						
General Government	524,927	475,523	0	0	524,927	475,523
Public Safety	1,173,109	1,091,596	0	0	1,173,109	1,091,596
Public Works	531,088	503,212	0	0	531,088	503,212
Culture & Recreation	40,724	40,791	0	0	40,724	40,791
Health & Welfare	0	61,050	0	0	0	61,050
Other Functions	165,592	145,455	0	0	165,592	145,455
Interest on Long-Term Debt	16,528	14,460	0	0	16,528	14,460
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>2,845,194</u>	<u>2,956,770</u>	<u>2,845,194</u>	<u>2,956,770</u>
Total Expenses	2,451,968	2,332,087	2,845,194	2,956,770	5,297,162	5,288,857
Excess (Deficit) of Revenue Over Expenses	(373,281)	(313,641)	695,342	1,053,371	322,061	739,730
Transfers	<u>350,000</u>	<u>350,000</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	(23,281)	36,359	345,342	703,371	322,061	739,730
Net Position – Beginning, as previously stated	3,494,230	3,457,871	7,885,449	7,199,097	11,379,679	10,656,968
Prior Period Adjustment	<u>(1,724,893)</u>	<u>0</u>	<u>(557,368)</u>	<u>(17,019)</u>	<u>(2,282,261)</u>	<u>(17,019)</u>
Net Position – Beginning, as restated	<u>1,769,337</u>	<u>3,457,871</u>	<u>7,328,081</u>	<u>7,182,078</u>	<u>9,097,418</u>	<u>10,639,949</u>
Net Position – Ending	\$ <u>1,746,056</u>	\$ <u>3,494,230</u>	\$ <u>7,673,423</u>	\$ <u>7,885,449</u>	\$ <u>9,419,479</u>	\$ <u>11,379,679</u>

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities decreased the City's net position by \$23,281, thereby accounting for zero percent of the total increase in the net position of the City. Key elements of this decrease are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax (32%), property taxes (31%), charges for services (16%) and other taxes (11%).

The largest expense categories for the City's governmental activities are public safety (48%), public works (22%) and general government (21%).

Business-type Activities

Business-type activities increased the City's net position by \$345,342, thereby accounting for 100 percent of the total growth in the net position of the City for the year ended September 30, 2015.

Charges for services are the major revenue categories for the enterprise funds. Total business-type charges for services revenues are comprised of \$3,177,126 for the water, sewer and gas system.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$112,795. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total unassigned fund balance represents 6 percent of total fund expenditures. The fund balance of the City's general fund increased by \$111,205 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$212,533, which will be used for future expenditures.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$7,673,423.

CITY OF BALDWIN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2014-15 general fund operating budget remained constant with no change in total budgeted expenditures.

The City's tax millage for the 2015 fiscal year increased by 3 mills.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$12,097,161, net of accumulated depreciation of \$11,279,282. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Baldwin's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 282,614	\$ 282,614	\$ 244,816	\$ 244,816	\$ 527,430	\$ 527,430
Plant, Buildings & Improvements	2,321,473	2,321,473	16,406,878	16,065,639	18,728,351	18,387,112
Machinery & Equipment	1,475,633	1,359,962	809,649	585,739	2,285,282	1,945,701
Infrastructure	1,835,380	1,835,380	0	0	1,835,380	1,835,380
Construction in Progress	0	0	0	0	0	0
Accumulated Depreciation	<u>(2,618,360)</u>	<u>(2,476,210)</u>	<u>(8,660,922)</u>	<u>(8,194,542)</u>	<u>(11,279,282)</u>	<u>(10,670,752)</u>
Total	\$ <u>3,296,740</u>	\$ <u>3,323,219</u>	\$ <u>8,800,421</u>	\$ <u>8,701,652</u>	\$ <u>12,097,161</u>	\$ <u>12,024,871</u>

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At year-end, the city had \$3,276,195 in bonds, notes and capital leases outstanding. More detailed information about the City of Baldwin's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Baldwin's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Obligation Bonds	\$ 295,000	\$ 335,000	\$ 900,000	\$ 935,000	\$ 1,195,000	\$ 1,270,000
Promissory Notes	0	11,698	2,049,197	2,267,655	2,049,197	2,279,353
Capital Lease Payable	<u>31,998</u>	<u>27,318</u>	<u>0</u>	<u>0</u>	<u>31,998</u>	<u>27,318</u>
Total	\$ <u>326,998</u>	\$ <u>374,016</u>	\$ <u>2,949,197</u>	\$ <u>3,202,655</u>	\$ <u>3,276,195</u>	\$ <u>3,576,671</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2016 budget. The total budgeted appropriation for the City general fund operations is \$2,775,643. This is an increase of \$352,493 from the prior year budget. The increase is primarily related to capital outlay in the public works department.

CONTACTING THE CITY OF BALDWIN FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Baldwin finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Baldwin's Finance Department, P.O. Box 40 Baldwin, MS 38824.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 451,742	\$ 1,661,127	\$ 2,112,869
Money Market, CD's	67,915	823,786	891,701
Due From Other Governments	46,555	-	46,555
Accounts Receivable, net of allowance for doubtful accounts of \$32,844	-	348,765	348,765
Court Fines Receivable, net of allowance for doubtful accounts of \$189,512	120,807	-	120,807
Property Taxes Receivable	213,642	-	213,642
Due From Other Funds	45,928	90,513	136,441
Utility Deposits	140	429	569
Capital Assets:			
Land	282,614	244,816	527,430
Plant, Buildings and Improvements	2,321,473	16,406,878	18,728,351
Machinery and Equipment	1,475,633	809,649	2,285,282
Infrastructure	1,835,380	-	1,835,380
Accumulated Depreciation	<u>(2,618,360)</u>	<u>(8,660,922)</u>	<u>(11,279,282)</u>
TOTAL ASSETS	\$ <u>4,243,469</u>	\$ <u>11,725,041</u>	\$ <u>15,968,510</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows - Pensions	<u>376,234</u>	<u>121,574</u>	<u>497,808</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>376,234</u>	\$ <u>121,574</u>	\$ <u>497,808</u>

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 53,414	\$ 117,837	\$ 171,251
Accrued Compensated Absences	7,681	5,510	13,191
Checks Issued in Excess of Deposits	53,481	-	53,481
Due to Investors	22,228	-	22,228
Due to Other Governments	6,489	-	6,489
Due to Other Funds	136,441	-	136,441
Customer Deposits	-	368,135	368,135
Net Pension Liability	2,126,289	687,072	2,813,361
Long-Term Liabilities:			
Due Within One Year	62,756	133,717	196,473
Due in More Than One Year	264,242	2,815,480	3,079,722
TOTAL LIABILITIES	\$ 2,733,021	\$ 4,127,751	\$ 6,860,772
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows - Pensions	140,626	45,441	186,067
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 140,626	\$ 45,441	\$ 186,067
<u>NET POSITION (DEFICIT):</u>			
Net Investment in Capital Assets	\$ 2,969,742	\$ 5,851,224	\$ 8,820,966
Restricted for:			
Cemetery	4,054	-	4,054
Fire Insurance Rebate	129,878	-	129,878
Police/Narcotics	10,845	-	10,845
Unrestricted (Deficit)	(1,368,463)	1,822,199	453,736
TOTAL NET POSITION	\$ 1,746,056	\$ 7,673,423	\$ 9,419,479

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

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
PRIMARY GOVERNMENT							
Government Activities:							
General Government	\$ 524,927	\$ 174,895	\$ -	\$ -	\$ (350,032)	\$ -	\$ (350,032)
Public Safety	1,173,109	143,040	-	113,026	(917,043)	-	(917,043)
Public Works	531,088	-	-	-	(531,088)	-	(531,088)
Culture and Recreation	40,724	8,443	-	-	(32,281)	-	(32,281)
Other Functions	165,592	-	-	-	(165,592)	-	(165,592)
Interest on Long-Term Debt	16,528	-	-	-	(16,528)	-	(16,528)
TOTAL GOVERNMENTAL ACTIVITIES	2,451,968	326,378	-	113,026	(2,012,564)	-	(2,012,564)
Business-Type Activities:							
Water, Sewer & Gas System	2,845,194	3,177,126	-	292,778	-	624,710	624,710
TOTAL BUSINESS-TYPE ACTIVITIES	2,845,194	3,177,126	-	292,778	-	624,710	624,710
TOTAL PRIMARY GOVERNMENT	\$ 5,297,162	\$ 3,503,504	\$ -	\$ 405,804	\$ (2,012,564)	\$ 624,710	\$ (1,387,854)

GENERAL REVENUES:

Taxes:							
Property Taxes, Levied for General Purposes	\$	539,592	\$	-	\$	539,592	
Property Taxes, Levied for Special Revenue Purposes		100,448		-		100,448	
Sales Taxes		660,517		-		660,517	
County Pro Rata Taxes		114,074		-		114,074	
Licenses and Permits		31,132		-		31,132	
In Lieu Taxes		97,506		-		97,506	
Gasoline Taxes & Other Taxes		22,686		-		22,686	
Homestead Reimbursement		58,045		-		58,045	
Penalties and Late Fees		-		59,588		59,588	
Gain (Loss) on Disposition of Fixed Assets		(1,789)		(3,362)		(5,151)	
Investment Earnings		252		1,340		1,592	
Miscellaneous		16,820		13,066		29,886	
Transfers		350,000		(350,000)		-	
TOTAL GENERAL REVENUES AND TRANSFERS		1,989,283		(279,368)		1,709,915	
CHANGE IN NET POSITION		(23,281)		345,342		322,061	
NET POSITION--BEGINNING, as previously stated		3,494,230		7,885,449		11,379,679	
PRIOR PERIOD ADJUSTMENT		(1,724,893)		(557,368)		(2,282,261)	
NET POSITION--BEGINNING, as restated		1,769,337		7,328,081		9,097,418	
NET POSITION--ENDING		\$ 1,746,056		\$ 7,673,423		\$ 9,419,479	

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

**CITY OF BALDWIN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 241,468	\$ 210,274	\$ 451,742
Money Market, CD's	67,915	-	67,915
Due From Other Governments	35,100	11,455	46,555
Due From Other Funds	24,849	21,079	45,928
Utility Deposits	140	-	140
TOTAL ASSETS	\$ 369,472	\$ 242,808	\$ 612,280
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable and Accrued Expenses	\$ 47,988	\$ 5,426	\$ 53,414
Checks Issued in Excess of Deposits	53,481	-	53,481
Due to Investors	22,228	-	22,228
Due to Other Governments	6,489	-	6,489
Due to Other Funds	111,592	24,849	136,441
TOTAL LIABILITIES	241,778	30,275	272,053
<u>FUND BALANCES:</u>			
Nonspendable:			
Cemetery Trust Fund	4,054	-	4,054
Restricted for:			
Police/Narcotics	10,845	-	10,845
Fire Insurance Rebate	-	129,878	129,878
Committed to:			
Library	-	21,935	21,935
Tourism	-	60,720	60,720
Unassigned	112,795	-	112,795
TOTAL FUND BALANCES	127,694	212,533	340,227
TOTAL LIABILITIES AND FUND BALANCES	\$ 369,472	\$ 242,808	\$ 612,280

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

CITY OF BALDWIN, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	340,227
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		3,296,740
--	--	-----------

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(326,998)
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Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		(7,681)
--	--	---------

Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(2,126,289)
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Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.

Deferred outflows of resources related to defined benefit pension plan.		376,234
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Deferred inflows of resources related to defined benefit pension plan.		(140,626)
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Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		213,642
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Accrual of court fine revenues to qualify as financial resources.		120,807
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">1,746,056</div>
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The accompanying notes are an integral part of these financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
General Property Taxes	\$ 568,668	\$ 100,448	\$ 669,116
Sales and Tourism Taxes	519,713	140,804	660,517
Licenses and Permits	31,132	-	31,132
In Lieu of Taxes	97,506	-	97,506
Intergovernmental Revenues	166,702	28,103	194,805
Charges for Services	144,995	-	144,995
Rentals	38,343	-	38,343
Fines and Forfeits	121,416	-	121,416
Interest Income	193	59	252
Miscellaneous Revenues	16,658	162	16,820
TOTAL REVENUES	1,705,326	269,576	1,974,902
EXPENDITURES:			
Current:			
General Government	449,163	-	449,163
Public Safety	1,038,542	49,735	1,088,277
Public Works	429,231	-	429,231
Culture and Recreation	-	25,801	25,801
Other Functions	-	165,592	165,592
Debt Service	84,295	12,001	96,296
TOTAL EXPENDITURES	2,001,231	253,129	2,254,360
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(295,905)	16,447	(279,458)
OTHER FINANCING SOURCES (USES):			
Proceeds from Debt Issuance	32,750	-	32,750
Gain (Loss) on Disposition of Fixed Assets	24,360	-	24,360
Transfers from Other Funds	350,000	-	350,000
TOTAL OTHER FINANCING SOURCES (USES)	407,110	-	407,110
NET CHANGE IN FUND BALANCES	111,205	16,447	127,652
FUND BALANCES - Beginning	16,489	196,086	212,575
FUND BALANCES - Ending	\$ 127,694	\$ 212,533	\$ 340,227

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

CITY OF BALDWIN, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 127,652
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	89,003
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(202,359)
Governmental Funds do not report contributed capital assets because they do not provide current financial resources. However, in the statement of activities the fair values of contributed capital assets is recorded as capital contributions.	113,026
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.	(26,149)
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.	(29,076)
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.	21,624
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the (increase) decrease in accrual of compensated absences.	1,768
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.	(165,788)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	
This amount represents long-term debt proceeds.	(32,750)
This amount represents long-term debt repayments.	79,768
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(23,281)</u>

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

CITY OF BALDWIN, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2015

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
General Property Taxes	\$ 572,555	\$ 572,555	\$ 568,668	\$ (3,887)
Sales and Use Taxes	565,000	565,000	529,606	(35,394)
Licenses and Permits	41,500	41,500	31,132	(10,368)
In Lieu of Taxes	102,000	102,000	97,748	(4,252)
Penalties and Interest	500	500	-	(500)
Intergovernmental Revenues	361,045	361,045	166,702	(194,343)
Charges for Services	154,300	154,300	144,995	(9,305)
Rentals	38,000	38,000	38,343	343
Fines and Forfeits	103,500	103,500	121,416	17,916
Interest Income	100	100	193	93
Miscellaneous Revenues	23,750	25,250	16,658	(8,592)
TOTAL REVENUES	1,962,250	1,963,750	1,715,461	(248,289)
EXPENDITURES:				
Current:				
General Government	567,947	617,947	449,163	168,784
Public Safety	1,095,775	1,109,475	1,038,542	70,933
Public Works	680,571	616,871	429,231	187,640
Debt Service	78,857	78,857	84,295	(5,438)
TOTAL EXPENDITURES	2,423,150	2,423,150	2,001,231	421,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(460,900)	(459,400)	(285,770)	173,630
OTHER FINANCING SOURCES (USES):				
Gain (Loss) on Disposition of Fixed Assets	500	500	24,360	23,860
Proceeds from Debt Issuance	-	40,000	32,750	(7,250)
Transfers (to) from Other Funds	350,000	350,000	350,000	-
TOTAL OTHER FINANCING SOURCES (USES)	350,500	390,500	407,110	16,610
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (110,400)	\$ (68,900)	\$ 121,340	\$ 190,240

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

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 2,484,913
Accounts Receivable, net of allowance for doubtful accounts of \$32,844	348,765
Due from Other Funds	90,513
Total Current Assets	<u>2,924,191</u>
<u>Noncurrent Assets</u>	
Water, Sewer, and Gas System	17,216,527
Buildings, Vehicles and Equipment	244,816
Land	(8,660,922)
Less: Accumulated Depreciation	<u>8,800,421</u>
Total Noncurrent Assets	<u>8,800,421</u>
<u>Other Assets</u>	
Utility Deposits	429
Total Other Assets	<u>429</u>
TOTAL ASSETS	\$ <u>11,725,041</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows - Pensions	121,574
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>121,574</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 117,837
Refundable Meter Deposits	368,135
Notes, Bonds and Capital Leases Payable - Due Within One Year	133,717
Total Current Liabilities	<u>619,689</u>
<u>Noncurrent Liabilities</u>	
Net Pension Liability	687,072
Accrued Compensated Absences	5,510
Notes, Bonds and Capital Leases Payable	
Less Current Portion	<u>2,815,480</u>
Total Noncurrent Liabilities	<u>3,508,062</u>
TOTAL LIABILITIES	\$ <u>4,127,751</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows - Pensions	45,441
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>45,441</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	5,851,224
Unrestricted	<u>1,822,199</u>
TOTAL NET POSITION	\$ <u>7,673,423</u>

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

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

OPERATING REVENUES

Charges for Services	\$ 3,177,126
Service Charges and Penalties	59,588
Other Receipts	13,066
Total Operating Revenues	<u>3,249,780</u>

Less: Gas Purchased	<u>1,006,749</u>
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Net Income Before Operating Expenses	<u>2,243,031</u>
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OPERATING EXPENSES

Personnel Services	437,977
Contractual Services	488,433
Supplies	238,656
Depreciation	498,268
Bad Debts	1,481
Other Services	92,974
Total Operating Expenses	<u>1,757,789</u>

Operating Income	<u>485,242</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest Income	1,340
Gain (Loss) on Sale of Asset	(3,362)
Grant Income - Capital	292,778
Interest and Fiscal Charges	<u>(80,656)</u>

Total Non-Operating Revenues (Expenses)	<u>210,100</u>
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Income (Loss) before Operating Transfers	695,342
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Operating Transfers (Out)	<u>(350,000)</u>
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CHANGE IN NET POSITION	345,342
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NET POSITION - OCTOBER 1, as previously stated	7,885,449
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PRIOR PERIOD ADJUSTMENT	<u>(557,368)</u>
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NET POSITION - OCTOBER 1, as restated	<u>7,328,081</u>
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NET POSITION - SEPTEMBER 30	\$ <u><u>7,673,423</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 3,212,765
Cash Payments for Gas Purchases	(996,448)
Cash Payments for Personnel Services	(387,411)
Cash Payments for Contractual Services	(468,823)
Cash Payments for Supplies	(247,225)
Cash Payments for Other Services	(93,145)
Net Cash Provided By (Used In) Operating Activities	<u>1,019,713</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating Transfers - In from (Out) to Other Funds	(343,860)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(343,860)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition Fixed Assets	(853,293)
Capital Grant Contributions	292,778
Proceeds from Notes Payable	169,277
Principal Paid on Bonds, Notes and Capital Lease Payables	(422,735)
Interest Paid on Bonds, Notes and Capital Lease Payables	(81,907)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(895,880)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	1,340
Net Cash Provided By (Used In) Investing Activities	<u>1,340</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(218,687)
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>2,703,600</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>\$ 2,484,913</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	\$ 485,242
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities	
Depreciation	498,268
Net Pension Expense	53,571
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(40,561)
Increase (Decrease) in Accounts Payable - operating activities	22,652
Increase (Decrease) in Accrued Compensated Absences	(3,005)
Increase in Customer Deposits	3,546
Total Adjustments	<u>534,471</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,019,713</u>

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

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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.

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Nonmajor funds, where applicable, are aggregated and presented in a single column.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. This is a nonmajor governmental fund.

The City reports the following major proprietary funds:

The Water, Sewer and Gas Fund – This fund is used to account for the City's water and sewer treatment and distribution system as well as the gas distribution system. This fund is responsible for water and gas delivery to the residents of the City of Baldwin.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water, charges for sewer treatment and sale of gas. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

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.

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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- (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 deposits are protected through a collateral pool administered by the State Treasurer.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Depositary 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 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, 2015 are:

Investments:

Certificates of Deposit	\$ 891,701
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These certificates of deposit are classified as cash and cash equivalents on the financial statements since they have a maturity of three months or less.

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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines, the provision for uncollectible proprietary fund accounts receivable, and the defined benefit pension plan liability. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposit accounts and certificates of deposit with an original maturity of three months or less from the date of acquisition.

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

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.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Baldwin's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Baldwin's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS). For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees' Retirement System of Mississippi (PERS). Investments are reported at fair value.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2015:

Primary Government:

	<u>Balance</u> <u>10-01-14</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>09-30-15</u>
Capital Assets, not being depreciated:				
Land	\$ 282,614	\$ 0	\$ 0	\$ 282,614
Total Capital Assets, not being Depreciated:	282,614	0	0	282,614
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	2,321,473	0	0	2,321,473
Infrastructure	1,835,380	0	0	1,835,380
Machinery and Equipment	1,359,962	202,029	(86,358)	1,475,633
Total Capital Assets being depreciated:	5,516,815	202,029	(86,358)	5,632,486
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(994,118)	(58,692)	0	(1,052,810)
Machinery and Equipment	(1,037,755)	(84,969)	60,209	(1,062,515)
Infrastructure	(444,337)	(58,698)	0	(503,035)
Total Accumulated Depreciation	(2,476,210)	(202,359)	60,209	(2,618,360)
Total Capital Assets, depreciated, net Governmental Activities	3,040,605	(330)	(26,149)	3,014,126
Capital Assets, net	\$ 3,323,219	\$ (330)	\$ (26,149)	\$ 3,296,740

The City's capitalization threshold is \$1,000 for general fixed assets and \$5,000 for infrastructure assets. The City retroactively applied these thresholds to all general fixed assets in service at September 30, 2004 pursuant to GASB requirements. Donated assets are recorded at fair market value.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2015 follows:

	Balance 10-01-14	Additions	Transfers	Balance 09-30-15
Capital Assets, not being depreciated:				
Land	\$ 244,816	\$ 0	\$ 0	\$ 244,816
Total Capital Assets, not being Depreciated:	244,816	0	0	244,816
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	16,065,639	341,239	0	16,406,878
Machinery and Equipment	585,739	259,160	(35,250)	809,649
Total Capital Assets being depreciated:	16,651,378	600,399	(35,250)	17,216,527
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(7,805,342)	(439,442)	0	(8,244,784)
Machinery and Equipment	(389,200)	(58,826)	31,888	(416,138)
Total Accumulated Depreciation	(8,194,542)	(498,268)	31,888	(8,660,922)
Total Capital Assets, depreciated, net Business-type Activities	8,456,836	102,131	(3,362)	8,555,605
Capital Assets, net	\$ 8,701,652	\$ 102,131	\$ (3,362)	\$ 8,800,421

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

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

Governmental Activities:	
General Government	\$ 44,559
Public Safety	76,045
Public Works	66,832
Culture and Recreation	14,923
Total Depreciation Expense – Governmental Activities	\$ 202,359
Depreciation Expense for Water, Sewer and Gas	\$ 498,268

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - RECEIVABLES

Receivables at September 30, 2015, consisted primarily of 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.

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables.

NOTE 4 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2015:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/14	\$ 3,549,353	\$ 27,318	\$ 3,576,671
Add: Bonds and Other Long-Term Debt Acquired	169,277	32,750	202,027
Less: Bonds and Other Long-Term Debt Retired	<u>474,433</u>	<u>28,070</u>	<u>502,503</u>
Bonds and Other Long-Term Debt at 9/30/15	<u>\$ 3,244,197</u>	<u>\$ 31,998</u>	<u>\$ 3,276,195</u>

Bonds and other long-term debt at September 30, 2015 are comprised of the following issues:

General Obligation Bonds:

\$600,000 Public Improvement Bonds due in annual installments of \$30,000 to \$55,000 through July 1, 2021; interest at 5.75 percent to 4.10 percent \$ 295,000

Revenue Bonds:

\$1,180,000 Combined Water, Sewer and Gas System Revenue Bond due in annual installments of \$25,000 to \$70,000 through June 1, 2032; interest at 3.7 percent to 4.7 percent \$ 900,000

Notes Payable:

\$638,549 Note due in 237 monthly installments of \$3,189 through October 2030; interest at 1.75 percent \$ 506,929

\$1,610,110 Note due in 236 monthly installments of \$8,220 through June 1, 2034; interest at 1.95 percent 1,542,268
\$ 2,049,197

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 4 - LONG-TERM DEBT (continued)

Capital Leases Payable:

\$26,717 Capital Lease Payable due in 4 annual installments of \$6,982 through June 4, 2016; interest at 3.00 percent \$ 6,982

\$32,750 Capital Lease Payable due in 36 monthly installments of \$982 through January 1, 2018; interest at 5.00 percent 25,016
\$ 31,998

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, 2015 including interest payments of \$803,943 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 62,756	\$ 13,885	\$ 133,717	\$ 74,182	\$ 196,473	\$ 88,067
2017	56,325	11,235	140,599	70,700	196,924	81,935
2018	52,917	8,893	142,517	69,642	195,434	78,535
2019	50,000	6,744	144,472	66,182	194,472	72,926
2020	50,000	4,594	151,464	60,319	201,464	64,913
2021 – 2025	55,000	2,406	813,562	251,140	868,562	253,546
2026 – 2030	0	0	929,399	141,237	929,399	141,237
2031 – 2034	0	0	493,467	22,784	493,467	22,784
	<u>\$ 326,998</u>	<u>\$ 47,757</u>	<u>\$ 2,949,197</u>	<u>\$ 756,186</u>	<u>\$ 3,276,195</u>	<u>\$ 803,943</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2015, were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 24,849	\$ 111,592
Special Revenue Fund:		
Fire Truck Maintenance Fund		24,849
Library O&M Fund	21,079	
Enterprise Fund:		
Water, Sewer, and Gas System Fund	<u>90,513</u>	<u>0</u>
	<u>\$ 136,441</u>	<u>\$ 136,441</u>

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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- Employees of the City of Baldwin are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided- For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3% compounded for each fiscal year thereafter.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Employee membership data related to the Plan, as of June 30, 2015 was as follows:

Retirees and Survivors	96,338
Terminated Vested Employees	19,005
Inactive Nonvested Members	118,021
Active Members	<u>157,215</u>
Total	<u>390,579</u>

Contributions- The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Baldwin is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2015, the City of Baldwin's total payroll for all employees was \$1,243,889. Total covered payroll was \$1,133,723. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions- At September 30, 2015, the City of Baldwin reported a liability of \$2,813,361 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Baldwin's proportion of the net pension liability was based on a projection of the City of Baldwin's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City of Baldwin's proportion was 0.0182%.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

For the year ended September 30, 2015, the City of Baldwin recognized pension expense of \$219,359. At September 30, 2015, the City of Baldwin reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 43,296	\$ 0
City Pension Contributions Subsequent to the Measurement Date	47,538	0
Changes of Assumptions	242,362	0
Net Difference Between Projected and Actual Investment Earnings on Investments	164,612	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	186,067
Total	\$ <u>497,808</u>	\$ <u>186,067</u>

The \$47,538 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2016	\$ 77,767
2017	77,767
2018	67,515
2019	41,154
Total	\$ <u>264,203</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with male rates set forward one year.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	(0.50)%
Total	100.00%	

Discount Rate-The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Baldwin's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate-The following presents the City of Baldwin's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City of Baldwin's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$3,708,268
Current discount rate	7.75%	\$2,813,361
1% increase	8.75%	\$2,070,756

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Plan Fiduciary Net Position-Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

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 \$10,135 less 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 employer's 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, 2015, 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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Any expenditure over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level of budgetary control are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
Tourism Fund:			
Tourism			
Supplies	\$ 5,000	\$ 21,465	\$ 16,465
Other Services and Charges	75,000	78,179	3,179

NOTE 11 - COMMITMENTS

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 12 - NEW ACCOUNTING STANDARD AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Implementation resulted in a direct decrease of \$2,282,261 to net position.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 19, 2016, the date on which the financial statements were available to be issued. On February 18, 2016, the City issued a road improvement bond in the amount of \$450,000 to make improvements on Frontage Road.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF BALDWIN, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2015 and 2014

	GENERAL	
	SEPTEMBER	SEPTEMBER
	30, 2015	30, 2014
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 241,468	\$ 179,534
Money Market, CD's	67,915	67,881
Due From Other Governments	35,100	45,235
Due From Other Funds	24,849	79,544
Utility Deposits	140	140
	<u> </u>	<u> </u>
Total Assets	\$ <u>369,472</u>	\$ <u>372,334</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 47,988	\$ 72,724
Checks Issued in Excess of Deposits	53,481	74,529
Due to Investors	22,228	10,527
Due to Other Governments	6,489	6,279
Due to Other Funds	111,592	191,786
Total Liabilities	<u>241,778</u>	<u>355,845</u>
 <u>Fund Balance</u>		
Restricted for:		
Police/Narcotics	10,845	62,585
Nonspendable:		
Cemetery Trust Fund	4,054	4,076
Assigned	-	69,400
Unassigned	112,795	(119,572)
Total Fund Balance	<u>127,694</u>	<u>16,489</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	\$ <u>369,472</u>	\$ <u>372,334</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2015**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 572,555	\$ 568,668	\$ (3,887)
Privilege Licenses and Fees	26,500	17,811	(8,689)
Road Maintenance	100,000	103,911	3,911
Sales Tax	565,000	529,606	(35,394)
State Aid	11,000	4,746	(6,254)
Homestead Reimbursement	58,045	58,045	-
Fines and Forfeits	103,500	121,416	17,916
TVA In-Lieu Tax	56,000	47,766	(8,234)
PCEPA In-Lieu Tax	46,000	49,982	3,982
School Tax Collection Fees	125,000	117,298	(7,702)
Concessions & Park Commission	10,300	8,443	(1,857)
Miscellaneous	17,250	16,658	(592)
Cable Franchise Fees	15,000	13,321	(1,679)
Museum Income	19,000	19,254	254
Interest Income	100	193	93
Penalties and Interest	500	-	(500)
Chamber Reimbursement	8,000	-	(8,000)
Grant Income - Police	42,000	-	(42,000)
Grant Income - Small Munic.	150,000	-	(150,000)
Rent Income	38,000	38,343	343
Total revenues	<u>1,963,750</u>	<u>1,715,461</u>	<u>(248,289)</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	261,009	256,940	4,069
Supplies	22,750	21,341	1,409
Other Services and Charges	184,188	166,832	17,356
Capital Outlay	150,000	4,050	145,950
Total	<u>617,947</u>	<u>449,163</u>	<u>168,784</u>
Public Safety			
Personnel Services	868,275	804,369	63,906
Supplies	96,500	78,648	17,852
Other Services and Charges	80,700	70,572	10,128
Capital Outlay	64,000	84,953	(20,953)
Total	<u>1,109,475</u>	<u>1,038,542</u>	<u>70,933</u>
Public Works			
Personnel Services	317,321	294,639	22,682
Supplies	64,000	50,526	13,474
Other Services and Charges	93,750	84,066	9,684
Capital Outlay	141,800	-	141,800
Total	<u>616,871</u>	<u>429,231</u>	<u>187,640</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, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Debt service			
Principal Retirement	63,608	68,070	(4,462)
Interest and Fiscal Charges	15,249	16,225	(976)
Total	<u>78,857</u>	<u>84,295</u>	<u>(5,438)</u>
Total expenditures	<u>2,423,150</u>	<u>2,001,231</u>	<u>421,919</u>
Excess (Deficit) revenues over (under) expenditures	<u>(459,400)</u>	<u>(285,770)</u>	<u>173,630</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Gain (Loss) on Disposition of Fixed Assets	500	24,360	23,860
Proceeds from Debt Issuance	40,000	32,750	(7,250)
Transfers (to) from Other Funds	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total other financing sources (uses)	<u>390,500</u>	<u>407,110</u>	<u>16,610</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	(68,900)	121,340	190,240
Fund balances at October 1, 2014	<u>16,489</u>	<u>16,489</u>	<u>-</u>
Fund balances at September 30, 2015	\$ <u>(52,411)</u>	137,829	\$ <u>190,240</u>
Adjustments To GAAP Basis:			
Less: Accrued revenue		<u>(10,135)</u>	
Fund Balance GAAP September 30, 2015		\$ <u>127,694</u>	

CITY OF BALDWIN, MISSISSIPPI
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

				<u>TOTALS</u>	
	<u>FIRE TRUCK MAINTENANCE</u>	<u>LIBRARY OPERATION AND MAINTENANCE</u>	<u>TOURISM FUND</u>	<u>SEPTEMBER 30, 2015</u>	<u>SEPTEMBER 30, 2014</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 155,937	\$ 856	\$ 53,481	\$ 210,274	\$ 181,676
Due from Other Governments	-	-	11,455	11,455	11,770
Due from Other Funds	-	21,079	-	21,079	21,786
Total Assets	\$ <u>155,937</u>	\$ <u>21,935</u>	\$ <u>64,936</u>	\$ <u>242,808</u>	\$ <u>215,232</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 1,210	\$ -	\$ 4,216	\$ 5,426	\$ 12,949
Due to Other Funds	<u>24,849</u>	<u>-</u>	<u>-</u>	<u>24,849</u>	<u>6,197</u>
Total Liabilities	<u>26,059</u>	<u>-</u>	<u>4,216</u>	<u>30,275</u>	<u>19,146</u>
<u>Fund Balances</u>					
Restricted for:					
Fire Insurance Rebate	129,878	-	-	129,878	87,936
Committed to:					
Library	-	21,935	-	21,935	22,642
Tourism	<u>-</u>	<u>-</u>	<u>60,720</u>	<u>60,720</u>	<u>85,508</u>
Total Fund Balances	<u>129,878</u>	<u>21,935</u>	<u>60,720</u>	<u>212,533</u>	<u>196,086</u>
Total Liabilities and Fund Balances	\$ <u>155,937</u>	\$ <u>21,935</u>	\$ <u>64,936</u>	\$ <u>242,808</u>	\$ <u>215,232</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, 2015

	FIRE TRUCK MAINTENANCE			LIBRARY OPERATION & MAINTENANCE			TOURISM FUND			TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES												
Ad Valorem Taxes	\$ 75,000	\$ 75,354	\$ 354	\$ 26,900	\$ 25,094	\$ (1,806)	\$ -	\$ -	\$ -	\$ 101,900	\$ 100,448	\$ (1,452)
Fire Protection	19,000	17,940	(1,060)	-	-	-	-	-	-	19,000	17,940	(1,060)
Lee County	10,000	10,163	163	-	-	-	-	-	-	10,000	10,163	163
Grants	523,000	-	(523,000)	-	-	-	-	-	-	523,000	-	(523,000)
Interest Income	50	59	9	-	-	-	-	-	-	50	59	9
Miscellaneous Income	-	162	162	-	-	-	-	-	-	-	162	162
Tourism Tax	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	627,050	103,678	(523,372)	26,900	25,094	(1,806)	147,468	141,119	(6,349)	801,418	269,891	(531,527)
EXPENDITURES												
Public Safety												
Personnel Services	10,657	9,728	929	-	-	-	-	-	-	10,657	9,728	929
Supplies	50,000	20,006	29,994	-	-	-	-	-	-	50,000	20,006	29,994
Other Services and Charges	21,400	20,001	1,399	-	-	-	-	-	-	21,400	20,001	1,399
Debt Service	13,400	12,001	1,399	-	-	-	-	-	-	13,400	12,001	1,399
Capital Outlay	531,593	-	531,593	-	-	-	-	-	-	531,593	-	531,593
Culture & Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Personnel Services	-	-	-	11,150	11,077	73	-	-	-	11,150	11,077	73
Supplies	-	-	-	400	195	205	-	-	-	400	195	205
Other Services and Charges	-	-	-	15,350	14,529	821	-	-	-	15,350	14,529	821
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Tourism												
Personnel Services	-	-	-	-	-	-	67,468	65,948	1,520	67,468	65,948	1,520
Supplies	-	-	-	-	-	-	5,000	21,465	(16,465)	5,000	21,465	(16,465)
Other Services and Charges	-	-	-	-	-	-	75,000	78,179	(3,179)	75,000	78,179	(3,179)
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total	627,050	61,736	565,314	26,900	25,801	1,099	147,468	165,592	(18,124)	801,418	253,129	548,289
Total expenditures	627,050	61,736	565,314	26,900	25,801	1,099	147,468	165,592	(18,124)	801,418	253,129	548,289
Excess (deficit) revenues over (under) expenditures	-	41,942	41,942	-	(707)	(707)	-	(24,473)	(24,473)	-	16,762	16,762
OTHER FINANCING SOURCES (USES)												
Proceeds from Debt Issuance	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	-	41,942	41,942	-	(707)	(707)	-	(24,473)	(24,473)	-	16,762	16,762
Fund balances at October 1, 2014	87,936	87,936	-	22,642	22,642	-	85,508	85,508	-	196,086	196,086	-
Fund balances at September 30, 2015	\$ 87,936	\$ 129,878	\$ 41,942	\$ 22,642	\$ 21,935	\$ (707)	\$ 85,508	\$ 61,035	\$ (24,473)	\$ 196,086	\$ 212,848	\$ 16,762
Adjustments to GAAP Basis:												
Less: Accrued revenue	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance GAAP September 30, 2015	\$ -	\$ 129,878	\$ -	\$ -	\$ 21,935	\$ (315)	\$ -	\$ 60,720	\$ (315)	\$ -	\$ 212,533	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended September 30, 2015**

	<u>2015</u>
A. Baldwin's proportion of net pension liability (%)	0.018200%
B. Baldwin's proportionate share of net pension liability	\$2,813,361
C. Baldwin's covered employee payroll	\$1,133,723
D. Baldwin's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	248.15%
E. Plan fiduciary net position as a percentage of total pension liability	61.70%

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$178,563	\$184,891
B. Contributions in relation to statutorily required contributions	\$178,563	\$184,891
C. Contribution deficiency (excess)	\$0	\$0
D. Baldwin's covered employee payroll	\$1,133,723	\$1,173,892
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%

CITY OF BALDWIN, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2015

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2015

NAME	POSITION	COMPANY	BOND
Nan Nanney	City Clerk	Brierfield	\$ 50,000
Michael James	Mayor	Scott Insurance Agency	50,000
Angela Hasting	Water Dept. Clerk	Brierfield	50,000
Lynn Miley	Water Dept. Clerk	Brierfield	50,000
Mariea Burress	Court Clerk	Travelers Casualty and Surety Co.	50,000
Lora Stubbs	Police Dept. Clerk	Travelers Casualty and Surety Co.	50,000
Troy Agnew	Police Chief	Travelers Casualty and Surety Co.	50,000
Ted Trollinger	Park Director	Travelers Casualty and Surety Co.	50,000
Lori Tucker	Asst. to Mayor	Travelers Casualty and Surety Co.	50,000
Tom Nelson	Alderman	Scott Insurance Agency	50,000
Lynda Conlee	Alderman	Scott Insurance Agency	50,000
Leonardo Bowdry	Alderman	Scott Insurance Agency	50,000
Ricky Massengill	Alderman	Scott Insurance Agency	50,000
Barbara Kohleim	Alderman	Scott Insurance Agency	50,000

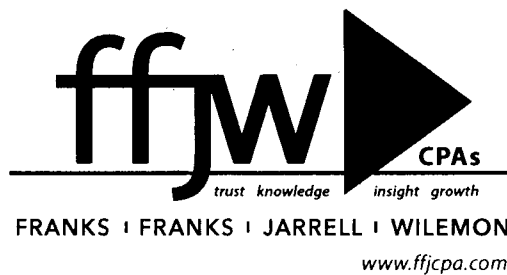
CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2015

	BALANCE OUTSTANDING October 1, 2014	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2015
		ISSUED	REDEEMED	
<u>General Obligation Bonds</u>				
Public Improvement Bonds	\$ 335,000	\$ -	\$ 40,000	\$ 295,000
<u>Revenue Bonds</u>				
Combined Water, Sewer and Gas System	935,000	-	35,000	900,000
<u>Other Long Term Debt</u>				
Notes Payable - State of Mississippi				
Proprietary Fund-SRF	1,731,611	169,277	358,620	1,542,268
Capital Lease Payable	613	-	613	-
Capital Lease Payable	-	32,750	7,734	25,016
Capital Lease Payable	26,705	-	19,723	6,982
Note Payable - State of Mississippi				
Proprietary Fund-SRF	536,044	-	29,115	506,929
Note Payable - F&M Bank				
Fire Truck Maintenance Fund	11,698	-	11,698	-
TOTAL	\$ 3,576,671	\$ 202,027	\$ 502,503	\$ 3,276,195

OTHER REPORTS

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

Honorable Mayor and Board of Aldermen
City of Baldwin, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baldwin, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Baldwin, Mississippi's basic financial statements and have issued our report thereon dated July 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Baldwin, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baldwin, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Baldwin, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2015-1, 2015-2 and 2015-3 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Baldwin, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2015-1 and 2015-2

City of Baldwin, Mississippi's Response to Findings

City of Baldwin, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Baldwin, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
Tupelo, Mississippi
July 19, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman
City of Baldwin, Mississippi

We have audited the basic financial statements of the City of Baldwin, Mississippi, as of and for the year ended September 30, 2015, and have issued our report dated July 19, 2016. 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 the *Government Auditing Standards*.

As required by the State legal compliance 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 an 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 results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the accompanying schedule of findings and responses as items 2015-1 and 2015-2.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City'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.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
Tupelo, Mississippi
July 19, 2016

**CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2015**

FINANCIAL STATEMENT FINDINGS:

Finding No. 2015-1 Fixed Assets (Material Weakness, Noncompliance)

Criteria: The City is required, by state statutes, to maintain adequate subsidiary records substantiating the existence, completeness and valuation of its fixed assets.

Effect: The City did not conduct a complete annual inventory of its fixed assets as needed to maintain proper accountability. The City maintains a listing of fixed assets; however, the listing was found to be incomplete during our audit. Several assets were observed that did not have inventory control tags, and several assets were purchased that were not added to the inventory listing.

Recommendation: The City should conduct an annual year-end inventory observation of its fixed assets as required by state statutes. The City should also implement a system of controls that ensures all new assets purchased are charged to the proper capital outlay accounts, properly tagged and added to the inventory listing as soon as they are placed into service.

Response: The City will review the current internal controls over fixed assets and implement changes as needed to ensure compliance with state statutes. An annual inventory will be performed near year-end to ensure all assets are properly tagged and accounted for.

Finding No. 2015-2 Budget (Material Weakness, Noncompliance)

Criteria: The City is required, by state statutes, to prepare a budget for all funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi Code Ann. (1972), requires the City Clerk to prepare a budget report to be presented to the governing authority at the regular meetings each month for monitoring budget status.

Effect: The city had budget overages in two expenditure categories for the year ended September 30, 2015.

Recommendation: The City should ensure that all expenditures are within the final amended budget amounts.

Response: The City will take necessary steps to ensure that budgets are amended prior to budget overages occurring.

**CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2015**

Finding No. 2015-3 Segregation of Duties (Material Weakness)

Criteria: The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

Effect: The City's internal control did not provide for adequate segregation of duties in relation to the utility systems. Specifically, most employees have the capability of adding and deleting accounts, downloading meter readings, billings, adjustments, collections, deposits, and posting of payments. There is no clear defined segregation of duties between the utility personnel. The City's size and number of personnel limit the segregation of duties.

Recommendation: The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult, however, the City should strengthen segregation of duties in all areas possible.

Response: The City will analyze the accounting system and establish procedures that provide clear segregation of duties.

Findings 2015-1 and 2015-2 were both findings in the prior year.