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FINANCIAL STATEMENTS
CITY OF BALDWIN, MISSISSIPPI

Year Ended September 30, 2019

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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 the City of Baldwin, Mississippi as of and for the year ended September 30, 2019, 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, 2019, 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.

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 and the schedule of the City's contributions on page 43 through 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 March 27, 2021 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, Wilmon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
March 27, 2021

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2019

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, 2019. 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 \$9,483,264. Of this amount, \$0 may be used to meet the City of Baldwin's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$8,343,930, of which \$0 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 \$387,919, an increase of \$80,588 in comparison to the prior year. Approximately 71% of the combined fund balances, \$276,087, is considered unassigned and is available for spending at the City of Baldwin's discretion.
- The City of Baldwin's total debt is \$7,641,665. New debt of \$7,765,787 was issued in the current fiscal year. Debt in the amount of \$4,734,793 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 \$9,483,264 at the close of the most recent fiscal year.

A large portion, 100 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 1,142,047	\$ 1,096,416	\$ 3,499,207	\$ 1,984,865	\$ 4,641,254	\$ 3,081,281
Capital Assets	<u>3,825,000</u>	<u>3,810,428</u>	<u>13,274,197</u>	<u>10,821,819</u>	<u>17,099,197</u>	<u>14,632,247</u>
Total Assets	4,967,047	4,906,844	16,773,404	12,806,684	21,740,451	17,713,528
Deferred Outflows	<u>64,006</u>	<u>47,231</u>	<u>19,317</u>	<u>13,787</u>	<u>83,323</u>	<u>61,018</u>
Total Deferred Outflows	64,006	47,231	19,317	13,787	83,323	61,018
Current and Other Liabilities	144,825	335,959	984,612	1,095,821	1,129,437	1,431,780
Long-Term Liabilities	<u>2,860,307</u>	<u>2,937,344</u>	<u>7,997,171</u>	<u>4,771,543</u>	<u>10,857,478</u>	<u>7,708,887</u>
Total Liabilities	3,005,132	3,273,303	8,981,783	5,867,364	11,986,915	9,140,667
Deferred Inflows	<u>271,621</u>	<u>224,437</u>	<u>81,974</u>	<u>65,512</u>	<u>353,595</u>	<u>289,949</u>
Total Deferred Inflows	271,621	224,437	81,974	65,512	353,595	289,949
Net Position						
Net Investment in Capital Assets	3,434,980	3,332,448	6,022,552	6,689,129	9,457,532	10,021,577
Restricted	75,017	190,242	0	0	75,017	190,242
Unrestricted (Deficit)	<u>(1,755,697)</u>	<u>(2,066,355)</u>	<u>1,706,412</u>	<u>198,466</u>	<u>(49,285)</u>	<u>(1,867,889)</u>
Total Net Position	<u>\$ 1,754,300</u>	<u>\$ 1,456,335</u>	<u>\$ 7,728,964</u>	<u>\$ 6,887,595</u>	<u>\$ 9,483,264</u>	<u>\$ 8,343,930</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of our business-type activities was \$1,706,412 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 9.14% of the City of Baldwin's revenue comes from sales tax and 10.66% from property taxes, with 25.19% of all revenue coming from some type of tax. (See Table A-2) Another 47.26% comes from fees charged for services, 24.77% 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 337,518	\$ 310,081	\$ 2,724,861	\$ 2,668,660	\$ 3,062,379	\$ 2,978,741
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	292,896	0	1,312,260	0	1,605,156	0
General Revenues:						
Property Taxes	807,738	831,155	0	0	807,738	831,155
Sales Tax	592,397	647,616	0	0	592,537	647,616
Other Taxes	232,121	218,431	0	0	232,121	218,431
Intergovernmental Revenues	79,707	79,176	0	0	79,707	79,176
Gain (Loss) on Sale of Assets	0	(6,433)	0	0	0	(6,433)
Investment Income	1,858	892	5,201	3,696	7,059	4,588
Other	<u>49,079</u>	<u>54,866</u>	<u>44,000</u>	<u>38,286</u>	<u>93,079</u>	<u>93,152</u>
Total Revenues	2,393,454	2,135,784	4,086,322	2,710,642	6,479,776	4,846,426
Expenses						
General Government	494,602	538,986	0	0	494,602	538,986
Public Safety	1,180,410	1,226,583	0	0	1,180,410	1,226,583
Public Works	604,819	590,615	0	0	604,819	590,615
Culture & Recreation	33,598	54,015	0	0	33,598	54,015
Health & Welfare	0	0	0	0	0	0
Tourism	116,529	247,887	0	0	116,529	247,887
Interest on Long-Term Debt	15,531	19,833	0	0	15,531	19,833
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>2,894,953</u>	<u>2,746,732</u>	<u>2,894,953</u>	<u>2,746,732</u>
Total Expenses	<u>2,445,489</u>	<u>2,677,919</u>	<u>2,894,953</u>	<u>2,746,732</u>	<u>5,340,442</u>	<u>5,424,651</u>
Excess (Deficit) of Revenue Over Expenses	(52,035)	(542,135)	1,191,369	(36,090)	1,139,334	(578,225)
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	297,965	(192,135)	841,369	(386,090)	1,139,334	(578,225)
Net Position – Beginning	<u>1,456,335</u>	<u>1,648,470</u>	<u>6,887,595</u>	<u>7,273,685</u>	<u>8,343,930</u>	<u>8,922,155</u>
Net Position – Ending	<u>\$ 1,754,300</u>	<u>\$ 1,456,335</u>	<u>\$ 7,728,964</u>	<u>\$ 6,887,595</u>	<u>\$ 9,483,264</u>	<u>\$ 8,343,930</u>

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$297,965, thereby accounting for 26 percent of the total increase in the net position of the City. Key elements are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax (25%), property taxes (29%), charges for services (14%) and other taxes (15%).

The largest expense categories for the City's governmental activities are public safety (48%), public works (25%) and general government (20%).

Business-type Activities

Business-type activities increased the City's net position by \$841,369, thereby accounting for 74 percent of the total increase in the net position of the City for the year ended September 30, 2019.

Charges for services are the major revenue categories for the enterprise funds. Total business-type charges for services revenues are comprised of \$2,724,861 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 \$276,087. 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 13 percent of total fund expenditures. The fund balance of the City's general fund increased by \$176,963 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 \$106,458, 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 \$7,728,964.

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 2018-19 general fund operating budget decreased by approximately \$31,171 during the current fiscal year.

The City's tax millage for the 2019 fiscal year was unchanged from the prior year.

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, 2019, amounted to \$17,099,197, net of accumulated depreciation of \$14,275,912. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 282,614	\$ 282,614	\$ 244,816	\$ 244,816	\$ 527,430	\$ 527,430
Plant, Buildings & Improvements	2,673,177	2,673,177	20,911,485	18,124,175	23,584,662	20,797,352
Machinery & Equipment	1,911,205	1,634,510	930,420	930,420	2,841,625	2,564,930
Infrastructure	2,357,364	2,357,364	0	0	2,357,364	2,357,364
Construction in Progress	0	0	2,064,028	1,790,400	2,064,028	1,790,400
Accumulated Depreciation	<u>(3,399,360)</u>	<u>(3,137,237)</u>	<u>(10,876,552)</u>	<u>(10,267,992)</u>	<u>(14,275,912)</u>	<u>(13,405,229)</u>
Total	\$ <u>3,825,000</u>	\$ <u>3,810,428</u>	\$ <u>13,274,197</u>	\$ <u>10,821,819</u>	\$ <u>17,099,197</u>	\$ <u>14,632,247</u>

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At year-end, the city had \$7,641,665 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation						
Bonds	\$ 105,000	\$ 155,000	\$ 0	\$ 0	\$ 105,000	\$ 155,000
CAP Loans	267,761	297,364	0	0	267,761	297,364
Promissory Notes	0	0	7,251,645	4,132,690	7,251,645	4,132,690
Capital Lease						
Payable	17,259	25,616	0	0	17,259	25,616
Total	<u>\$ 390,020</u>	<u>\$ 477,980</u>	<u>\$ 7,251,645</u>	<u>\$ 4,132,690</u>	<u>\$ 7,641,665</u>	<u>\$ 4,610,670</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 2020 budget. The total budgeted appropriation for the City general fund operations is \$2,393,948. This is a decrease of \$85,519 from the prior year budget. The decrease is primarily related to capital outlay in the public safety and public works departments.

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.

BASIC FINANCIAL STATEMENTS

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit	\$ 425,494	\$ 1,444,159	\$ 1,869,653
Money Market, CD's	68,356	829,143	897,499
Due From Other Governments	52,690	-	52,690
Accounts Receivable, net of allowance for doubtful accounts of \$36,365	-	310,495	310,495
Court Fines Receivable, net of allowance for doubtful accounts of \$422,355	232,598	-	232,598
Property Taxes Receivable	388,207	-	388,207
Other Receivable	-	-	-
Utility Deposits	140	929	1,069
Restricted Assets:			
Cash and Cash Equivalents - Restricted	-	889,043	889,043
Internal Balances	(25,438)	25,438	-
Capital Assets:			
Land	282,614	244,816	527,430
Construction in Progress	-	2,064,028	2,064,028
Plant, Buildings and Improvements	2,673,177	20,911,485	23,584,662
Machinery and Equipment	1,911,205	930,420	2,841,625
Infrastructure	2,357,364	-	2,357,364
Accumulated Depreciation	(3,399,360)	(10,876,552)	(14,275,912)
TOTAL ASSETS	\$ 4,967,047	\$ 16,773,404	\$ 21,740,451
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows - Pensions	64,006	19,317	83,323
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 64,006	\$ 19,317	\$ 83,323

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 133,323	\$ 497,453	\$ 630,776
Accrued Compensated Absences	11,502	5,656	17,158
Customer Deposits	-	481,503	481,503
Net Pension Liability	2,470,287	745,526	3,215,813
Long-Term Liabilities:			
Due Within One Year	88,367	226,723	315,090
Due in More Than One Year	301,653	7,024,922	7,326,575
TOTAL LIABILITIES	\$ 3,005,132	\$ 8,981,783	\$ 11,986,915
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows - Pensions	271,621	81,974	353,595
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 271,621	\$ 81,974	\$ 353,595
<u>NET POSITION (DEFICIT):</u>			
Net Investment in Capital Assets	\$ 3,434,980	\$ 6,022,552	\$ 9,457,532
Restricted for:			
Cemetery	224	-	224
Fire Insurance Rebate	59,531	-	59,531
Police/Narcotics	5,150	-	5,150
Tourism	10,112	-	10,112
Unrestricted (Deficit)	(1,755,697)	1,706,412	(49,285)
TOTAL NET POSITION	\$ 1,754,300	\$ 7,728,964	\$ 9,483,264

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, 2019

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FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT		
						Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 494,602	\$ 192,727	\$ -	\$ -	\$ 192,727	\$ (301,875)	\$ -	\$ (301,875)
Public Safety	1,180,410	128,780	-	249,191	377,971	(802,439)	-	(802,439)
Public Works	604,819	-	-	42,500	42,500	(562,319)	-	(562,319)
Culture and Recreation	33,598	16,011	-	-	16,011	(17,587)	-	(17,587)
Tourism	116,529	-	-	1,205	1,205	(115,324)	-	(115,324)
Interest on Long-Term Debt	15,531	-	-	-	-	(15,531)	-	(15,531)
TOTAL GOVERNMENTAL ACTIVITIES	2,445,489	337,518	-	292,896	630,414	(1,815,075)	-	(1,815,075)
Business-Type Activities:								
Water, Sewer & Gas System	2,894,953	2,724,861		1,312,260	4,037,121	-	1,142,168	1,142,168
TOTAL BUSINESS-TYPE ACTIVITIES	2,894,953	2,724,861	-	1,312,260	4,037,121	-	1,142,168	1,142,168
TOTAL PRIMARY GOVERNMENT	\$ 5,340,442	\$ 3,062,379	\$ -	\$ 1,605,156	\$ 4,667,535	\$ (1,815,075)	\$ 1,142,168	\$ (672,907)
GENERAL REVENUES:								
Taxes:								
Property Taxes, Levied for General Purposes						\$ 690,872	\$ -	\$ 690,872
Property Taxes, Levied for Special Revenue Purposes						116,866	-	116,866
Sales Taxes						592,537	-	592,537
County Pro Rata Taxes						134,677	-	134,677
Licenses and Permits						33,061	-	33,061
In Lieu Taxes						97,444	-	97,444
Intergovernmental Revenues						24,205	-	24,205
Homestead Reimbursement						55,502	-	55,502
Service Charges and Penalties						-	33,810	33,810
Investment Earnings						1,858	5,201	7,059
Miscellaneous						16,018	10,190	26,208
Transfers						350,000	(350,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS						2,113,040	(300,799)	1,812,241
CHANGE IN NET POSITION						297,965	841,369	1,139,334
NET POSITION--BEGINNING						1,456,335	6,887,595	8,343,930
NET POSITION--ENDING						\$ 1,754,300	\$ 7,728,964	\$ 9,483,264

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

CITY OF BALDWIN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 359,402	\$ 66,092	\$ 425,494
Money Market, CD's	68,356	-	68,356
Due From Other Governments	38,790	13,900	52,690
Due From Other Funds	93,181	35,958	129,139
Utility Deposits	140	-	140
TOTAL ASSETS	\$ 559,869	\$ 115,950	\$ 675,819
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 127,225	\$ 6,098	\$ 133,323
Due to Other Funds	151,183	3,394	154,577
TOTAL LIABILITIES	278,408	9,492	287,900
<u>FUND BALANCES:</u>			
Nonspendable:			
Cemetery Trust Fund	224	-	224
Restricted for:			
Police/Narcotics	5,150	-	5,150
Tourism	-	10,112	10,112
Fire Insurance Rebate	-	59,531	59,531
Committed to:			
Library	-	36,815	36,815
Unassigned	276,087	-	276,087
TOTAL FUND BALANCES	281,461	106,458	387,919
TOTAL LIABILITIES AND FUND BALANCES	\$ 559,869	\$ 115,950	\$ 675,819

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, 2019

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	387,919
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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.		3,825,000
--	--	-----------

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(390,020)
--	--	-----------

Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		(11,502)
--	--	----------

Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(2,470,287)
--	--	-------------

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.		64,006
Deferred inflows of resources related to defined benefit pension plan.		(271,621)

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.		388,207
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Accrual of court fine revenues to qualify as financial resources.		232,598
---	--	---------

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">1,754,300</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, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
General Property Taxes	\$ 664,086	\$ 116,866	\$ 780,952
Sales and Tourism Taxes	521,317	71,220	592,537
Licenses and Permits	33,061	-	33,061
In Lieu of Taxes	97,444	-	97,444
Intergovernmental Revenues	183,831	30,553	214,384
Charges for Services	139,432	-	139,432
Rentals	69,306	-	69,306
Fines and Forfeits	75,848	-	75,848
Interest Income	1,503	355	1,858
Grant Income	291,691	1,205	292,896
Miscellaneous Revenues	10,933	5,085	16,018
TOTAL REVENUES	<u>2,088,452</u>	<u>225,284</u>	<u>2,313,736</u>
EXPENDITURES:			
Current:			
General Government	423,242	-	423,242
Public Safety	1,065,366	244,398	1,309,764
Public Works	605,480	-	605,480
Culture and Recreation	-	23,611	23,611
Tourism	-	117,560	117,560
Debt Service	103,491	-	103,491
TOTAL EXPENDITURES	<u>2,197,579</u>	<u>385,569</u>	<u>2,583,148</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,127)</u>	<u>(160,285)</u>	<u>(269,412)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from Other Funds	286,090	63,910	350,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>286,090</u>	<u>63,910</u>	<u>350,000</u>
NET CHANGE IN FUND BALANCES	<u>176,963</u>	<u>(96,375)</u>	<u>80,588</u>
FUND BALANCES - Beginning	<u>104,498</u>	<u>202,833</u>	<u>307,331</u>
FUND BALANCES - Ending	<u>\$ 281,461</u>	<u>\$ 106,458</u>	<u>\$ 387,919</u>

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	80,588
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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.		276,695
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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.		(262,123)
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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.		26,786
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Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		52,932
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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.		(778)
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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.		35,905
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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.		-
This amount represents long-term debt repayments.		87,960

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>297,965</u>
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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, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
General Property Taxes	\$ 694,498	\$ 694,498	\$ 664,086	\$ (30,412)
Sales and Use Taxes	550,000	550,000	521,836	(28,164)
Licenses and Permits	26,100	38,300	33,061	(5,239)
In Lieu of Taxes	100,000	100,000	97,408	(2,592)
Penalties and Interest	500	500	-	(500)
Intergovernmental Revenues	215,200	270,702	475,522	204,820
Charges for Services	200,500	200,500	139,432	(61,068)
Rentals	69,000	69,000	69,306	306
Fines and Forfeits	117,329	117,329	75,848	(41,481)
Interest Income	300	300	1,503	1,203
Miscellaneous Revenues	27,500	16,500	10,933	(5,567)
TOTAL REVENUES	2,000,927	2,057,629	2,088,935	31,306
EXPENDITURES:				
Current:				
General Government	490,281	490,281	423,242	67,039
Public Safety	1,261,850	1,230,679	1,065,366	165,313
Public Works	583,860	583,860	605,480	(21,620)
Debt Service	103,609	103,609	103,491	118
TOTAL EXPENDITURES	2,439,600	2,408,429	2,197,579	210,850
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(438,673)	(350,800)	(108,644)	242,156
OTHER FINANCING SOURCES (USES):				
Proceeds from Disposition of Fixed Assets	-	-	-	-
Proceeds from Debt Issuance	-	-	-	-
Transfers (to) from Other Funds	350,000	350,000	286,090	(63,910)
TOTAL OTHER FINANCING SOURCES (USES)	350,000	350,000	286,090	(63,910)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (88,673)	\$ (800)	\$ 177,446	\$ 178,246

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

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2019

<u>ASSETS</u>	
<u>Current Assets</u>	
Cash on Deposit	\$ 1,444,159
Money Market, CDs	829,143
Accounts Receivable, net of allowance for doubtful accounts of \$36,365	310,495
Due from Other Funds	25,438
Total Current Assets	<u>2,609,235</u>
<u>Noncurrent Assets</u>	
Restricted Assets:	
Cash and Cash Equivalents - Restricted	889,043
Capital Assets:	
Buildings, Vehicles and Equipment	21,841,905
Land	244,816
Construction in Progress	2,064,028
Less: Accumulated Depreciation	(10,876,552)
Total Noncurrent Assets	<u>14,163,240</u>
<u>Other Assets</u>	
Utility Deposits	929
Total Other Assets	<u>929</u>
TOTAL ASSETS	\$ <u>16,773,404</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows - Pensions	\$ 19,317
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>19,317</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 497,453
Customer Deposits	481,503
Notes, Bonds and Capital Leases Payable - Due Within One Year	226,723
Total Current Liabilities	<u>1,205,679</u>
<u>Noncurrent Liabilities</u>	
Net Pension Liability	745,526
Accrued Compensated Absences	5,656
Notes, Bonds and Capital Leases Payable	
Less Current Portion	7,024,922
Total Noncurrent Liabilities	<u>7,776,104</u>
TOTAL LIABILITIES	\$ <u>8,981,783</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows - Pensions	\$ 81,974
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>81,974</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,022,552
Unrestricted	1,706,412
TOTAL NET POSITION	\$ <u>7,728,964</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, 2019

OPERATING REVENUES

Charges for Services	\$ 2,724,861
Service Charges and Penalties	33,810
Other Receipts	10,190
Total Operating Revenues	<u>2,768,861</u>

Less: Gas Purchased	<u>822,109</u>
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Net Income Before Operating Expenses	<u>1,946,752</u>
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OPERATING EXPENSES

Personnel Services	416,371
Contractual Services	408,530
Supplies	242,186
Depreciation	608,560
Bad Debts	(1,372)
Other Services	113,910
Total Operating Expenses	<u>1,788,185</u>

Operating Income	<u>158,567</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest Income	5,201
Grant Income - Capital	1,312,260
Interest and Fiscal Charges	<u>(284,659)</u>

Total Non-Operating Revenues (Expenses)	<u>1,032,802</u>
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Income (Loss) before Operating Transfers	1,191,369
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Operating Transfers (Out)	<u>(350,000)</u>
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CHANGE IN NET POSITION	841,369
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NET POSITION - OCTOBER 1,	<u>6,887,595</u>
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NET POSITION - SEPTEMBER 30,	<u><u>\$ 7,728,964</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 2,762,635
Cash Payments for Gas Purchases	(821,659)
Cash Payments for Personnel Services	(397,582)
Cash Payments for Contractual Services	(380,687)
Cash Payments for Supplies	(241,302)
Cash Payments for Other Services	(113,894)
Net Cash Provided By (Used In) Operating Activities	<u>807,511</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating Transfers - In from (Out) to Other Funds	(312,157)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(312,157)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition Fixed Assets	(3,120,833)
Proceeds from Issuance of Long-term Debt	7,765,787
Principal Paid on Bonds, Notes and Capital Lease Payables	(4,646,832)
Interest Paid on Bonds, Notes and Capital Lease Payables	(284,659)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>1,025,723</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	5,201
Net Cash Provided By (Used In) Investing Activities	<u>5,201</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,526,278
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>1,636,067</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 3,162,345</u></u>

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

Operating Income (Loss)	\$ 158,567
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Depreciation	608,560
Net Pension Expense	16,031
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(25,907)
Increase (Decrease) in Accounts Payable - operating activities	29,193
Increase (Decrease) in Accrued Compensated Absences	2,758
Increase in Customer Deposits	18,309
Total Adjustments	<u>648,944</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 807,511</u></u>

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

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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 is 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, 2019

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 purpose, 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, 2019

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, 2019

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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019 are:

Investments:

Certificates of Deposit	\$ 897,499
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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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Obligation and Revenue 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.

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:

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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.
- **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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Restricted/Unrestricted Net Position

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then use unassigned amounts.

Interfund Transfers

The principal purpose of interfund transfers is to provide reimbursement for shared costs between funds, funding for debt service and operations. All transfers are routine and consistent with the activities of the fund making the transfer.

Financial Instruments

The carrying amount of cash, investments, accounts and other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments.

NOTE 2 - Deposits and Investments

Deposits

The carrying amount of the City's total demand deposits with financial institutions at September 30, 2019, was \$1,869,653, and the bank balance was \$2,866,263. The collateral for public entities' deposits in financial institutions is 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 funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions is held in the name of the Mississippi 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 City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 - Deposits and Investments (continued)

Investments

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the City's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

Credit risk: The City and its component units are allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; 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 any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute.

Concentration of credit risk: The City complies with the State statute regarding investments; as a result, concentration risk is limited.

Custodial credit risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the City's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The City's investments are insured or registered, or are securities held by the City or its agent in the City's name.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 - FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2019:

Primary Government:

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>09-30-19</u>
Capital Assets, not being depreciated:				
Land	\$ 282,614	\$ 0	\$ 0	\$ 282,614
Construction-in-progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	282,614	0	0	282,614
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	2,673,177	0	0	2,673,177
Infrastructure	2,357,364	0	0	2,357,364
Machinery and Equipment	<u>1,634,510</u>	<u>276,695</u>	<u>0</u>	<u>1,911,205</u>
Total Capital Assets being depreciated:	6,947,665	276,695	0	7,224,360
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,234,584)	(61,843)	0	(1,296,427)
Machinery and Equipment	(1,188,348)	(120,703)	0	(1,309,051)
Infrastructure	<u>(714,305)</u>	<u>(79,577)</u>	<u>0</u>	<u>(793,882)</u>
Total Accumulated Depreciation	(3,137,237)	(262,123)	0	(3,399,360)
Total Capital Assets, depreciated, net Governmental Activities	<u>3,527,814</u>	<u>14,572</u>	<u>0</u>	<u>3,542,386</u>
Capital Assets, net	<u>\$ 3,810,428</u>	<u>\$ 14,572</u>	<u>\$ 0</u>	<u>\$ 3,825,000</u>

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, 2019

NOTE 3 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2019 follows:

	Balance <u>10-01-18</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>09-30-19</u>
Capital Assets, not being depreciated:				
Land	\$ 244,816	\$ 0	\$ 0	\$ 244,816
Construction-in-progress	<u>1,718,200</u>	<u>2,891,588</u>	<u>(2,608,760)</u>	<u>2,064,028</u>
Total Capital Assets, not being Depreciated:	2,026,016	2,891,588	(2,608,760)	2,308,844
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	18,124,175	178,550	2,608,760	20,911,485
Machinery and Equipment	<u>930,420</u>	<u>0</u>	<u>0</u>	<u>930,420</u>
Total Capital Assets being depreciated:	19,054,595	178,550	2,608,760	21,841,905
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(9,638,319)	(530,421)	0	(10,168,740)
Machinery and Equipment	<u>(629,673)</u>	<u>(78,139)</u>	<u>0</u>	<u>(707,812)</u>
Total Accumulated Depreciation	<u>(10,267,992)</u>	<u>(608,560)</u>	<u>0</u>	<u>(10,876,552)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>8,786,603</u>	<u>(430,010)</u>	<u>2,608,760</u>	<u>10,965,353</u>
Capital Assets, net	\$ <u>10,812,619</u>	\$ <u>2,461,578</u>	\$ <u>0</u>	\$ <u>13,274,197</u>

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	\$ 78,094
Public Safety	112,070
Public Works	61,972
Culture and Recreation	<u>9,987</u>
Total Depreciation Expense – Governmental Activities	\$ <u>262,123</u>
Depreciation Expense for Water, Sewer and Gas	\$ <u>608,560</u>

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 4 - RECEIVABLES

Receivables at September 30, 2019, 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 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2019:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/18	\$ 4,585,054	\$ 25,616	\$ 4,610,670
Add: Bonds and Other Long-Term Debt Acquired	7,765,787	0	7,765,787
Less: Bonds and Other Long-Term Debt Retired	<u>4,726,435</u>	<u>8,357</u>	<u>4,734,792</u>
Bonds and Other Long-Term Debt at 9/30/19	\$ <u>7,624,406</u>	\$ <u>17,259</u>	\$ <u>7,641,665</u>

Bonds and other long-term debt at September 30, 2019 are comprised of the following issues:

General Obligation and Revenue 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	\$ 105,000
\$5,609,000 Revenue Bond due in 35 annual payments of \$211,404 through September 30, 2054; interest at 1.625 percent	<u>5,609,000</u>
	\$ <u>5,714,000</u>

Notes Payable:

\$638,549 Note due in 237 monthly installments of \$3,189 through October 2030; interest at 1.75 percent	\$ 385,240
\$325,000 Note due in 120 monthly installments of \$3,153 through September 2027; interest at 3.10 percent	267,761
\$1,610,110 Note due in 236 monthly installments of \$8,220 through June 1, 2034; interest at 1.95 percent	<u>1,257,405</u>

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 5 - LONG-TERM DEBT (continued)

	\$ <u>1,910,406</u>
Capital Leases Payable:	
\$33,798 Capital Lease Payable due in 4 annual installments of \$8,908 through December 21, 2020; interest at 2.15 percent	\$ <u>17,259</u>
 Total Debt	 \$ <u>7,641,665</u>

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, 2019 including interest payments of \$2,066,039 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 88,367	\$ 12,974	\$ 226,722	\$ 121,580	\$ 315,089	\$ 134,554
2021	94,515	9,638	230,707	117,597	325,222	127,235
2022	31,785	6,054	234,762	113,541	266,547	119,595
2023	32,799	5,040	238,888	109,425	271,687	114,465
2024	33,834	4,005	249,640	98,681	283,474	102,686
2025 – 2029	108,720	9,364	1,274,538	466,976	1,383,258	476,340
2030 – 2034	0	0	1,146,224	347,952	1,146,224	347,952
2035 – 2039	0	0	856,451	266,446	856,451	266,446
2040 – 2044	0	0	857,508	199,571	857,508	199,571
Thereafter	0	0	1,936,205	177,195	1,936,205	177,195
	<u>\$ 390,020</u>	<u>\$ 47,075</u>	<u>\$ 7,251,645</u>	<u>\$ 2,018,964</u>	<u>\$ 7,641,665</u>	<u>\$ 2,066,039</u>

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2019, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 93,181	\$ 151,183
Special Revenue Fund:		
Fire Truck Maintenance Fund	0	3,394
Library O&M Fund	35,958	0
Tourism Fund	0	0
Enterprise Fund:		
Water, Sewer, and Gas System Fund	<u>115,225</u>	<u>89,787</u>
	<u>\$ 244,364</u>	<u>\$ 244,364</u>

NOTE 7 - 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 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description – City of Baldwin, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who 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

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent 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 2.5 percent 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 that 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.

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. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent 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 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Employee membership data related to the Plan, as of June 30, 2019 was as follows:

Retirees and Survivors	104,973
Terminated Vested Employees	16,578
Inactive Nonvested Members	52,763
Active Members	<u>150,687</u>
Total	<u><u>325,001</u></u>

Contributions - At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the City of Baldwin is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Baldwin's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$193,852, \$196,751 and \$196,435, respectively, equal to the required contributions for each year.

For the year ended September 30, 2019, the City of Baldwin's total payroll for all employees was \$1,319,593. Total covered payroll was \$1,200,767. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the City of Baldwin reported a liability of \$3,215,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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. The City of Baldwin's

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

proportionate share used to calculate the September 30, 2019 net pension liability was 0.018280 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.001422 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the City of Baldwin recognized pension expense of \$173,882. At September 30, 2019, the City of Baldwin reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,902	\$ 3,461
Net difference between projected and actual earnings on pension plan investments	-	35,183
Changes of assumptions	31,528	-
Changes in the proportion and differences between the City of Baldwin's contributions and proportionate share of contributions	-	314,951
City of Baldwin contributions subsequent to the measurement date	49,893	-
Total	\$ 83,323	\$ 353,595

The \$49,893 of deferred outflows of resources resulting from the City of Baldwin's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2020	\$ (120,501)
2021	(174,915)
2022	(39,431)
2023	14,682
Total	\$ (320,165)

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
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 (17.40%). 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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Sensitivity to 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 calculated 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%	\$4,003,475
Current discount rate	7.75%	\$3,215,813
1% increase	8.75%	\$2,240,153

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

NOTE 9 - 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 \$483 less than cash revenues.

NOTE 10 - 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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 10 - RISK MANAGEMENT (continued)

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2019, 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.

NOTE 11 - 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>
Fire Truck Maintenance Fund:			
Public Safety			
Personnel Services	\$ 14,300	\$ 19,158	\$ 4,858
Other Services & Charges	\$ 33,000	\$ 35,700	\$ 2,700

NOTE 12 – TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses for economic development purposes. The abatements may be granted to any business located within or promising to locate within the city limits. The abatements are negotiated on an individual basis. Each abatement is for 10 years. The City had two tax abatement agreements with one entity as of September 30, 2019.

The City had three types of abatements, none of which provides for the abatement of school or state tax levies:

- Section 27-31-101 – New enterprise exemptions
- Section 27-31-105 – Expanded enterprise exemptions
- Section 27-31-104 – Fee in lieu of tax agreements

All entities had tax abatements listed under the above listed statutes.

Category	Amount of taxes abated during the fiscal year
New and expanded industrial enterprises	\$797

NOTE 13 - 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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years
For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Baldwin's proportion of net pension liability (%)	0.018280%	0.019702%	0.020215%	0.018485%	0.018200%
B. Baldwin's proportionate share of net pension liability	\$ 3,215,813	\$ 3,277,028	\$ 3,360,419	\$ 3,301,883	\$ 2,813,361
C. Baldwin's covered employee payroll	\$ 1,200,767	\$ 1,249,217	\$ 1,247,211	\$ 1,214,962	\$ 1,133,723
D. Baldwin's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	267.81%	262.33%	269.43%	271.77%	248.15%
E. Plan fiduciary net position as a percentage of total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the Town has only presented information for the years in which information is available.

The notes to the required supplementary information are an integral part of this schedule.

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Last 10 Fiscal Years
For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 193,852	\$ 196,751	\$ 196,435	\$ 191,356	\$ 178,563	\$ 184,891
B. Contributions in relation to statutorily required contributions	\$ 193,852	\$ 196,751	\$ 196,435	\$ 191,356	\$ 178,563	\$ 184,891
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$0	\$ -
D. Baldwin's covered employee payroll	\$ 1,200,767	\$ 1,249,217	\$ 1,247,211	\$ 1,214,962	\$ 1,133,723	\$ 1,173,892
E. Contributions as a percentage of covered employee payroll	16.14%	15.75%	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the Town has only presented information for the years in which information is available.

Note A - The 2019 Contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

The notes to the required supplementary information are an integral part of this schedule.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

PENSION SCHEDULES

A. Changes of assumptions.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**CITY OF BALDWIN, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

PENSION SCHEDULES (continued)

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF BALDWIN, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2019 and 2018

	GENERAL	
	SEPTEMBER	SEPTEMBER
	30, 2019	30, 2018
<u>ASSETS</u>		
Cash on Deposit	\$ 359,402	\$ 231,582
Money Market, CD's	68,356	68,220
Due From Other Governments	38,790	49,693
Due From Other Funds	93,181	-
Utility Deposits	140	140
	<hr/>	<hr/>
Total Assets	\$ 559,869	\$ 349,635
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 127,225	\$ 142,035
Due to Other Funds	151,183	103,102
	<hr/>	<hr/>
Total Liabilities	278,408	245,137
	<hr/>	<hr/>
<u>Fund Balance</u>		
Restricted for:		
Police/Narcotics	5,150	18,653
Nonspendable:		
Cemetery Trust Fund	224	224
Unassigned	276,087	85,621
	<hr/>	<hr/>
Total Fund Balance	281,461	104,498
	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 559,869	\$ 349,635
	<hr/>	<hr/>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2019**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Ad Valorem Taxes	\$ 694,498	\$ 664,086	\$ (30,412)
Privilege Licenses and Fees	18,300	15,456	(2,844)
Road Maintenance	120,000	123,583	3,583
Sales Tax	550,000	521,836	(28,164)
State Aid	5,000	4,746	(254)
Homestead Reimbursement	55,502	55,502	-
Fines and Forfeits	117,329	75,848	(41,481)
TVA In-Lieu Tax	50,000	46,896	(3,104)
PCEPA In-Lieu Tax	50,000	50,512	512
School Tax Collection Fees	145,000	123,421	(21,579)
Concessions & Park Commission	13,000	16,011	3,011
Miscellaneous	8,500	7,915	(585)
Cable Franchise Fees	20,000	17,605	(2,395)
Museum Income	42,500	-	(42,500)
Interest Income	300	1,503	1,203
Penalties and Interest	500	-	(500)
Chamber Reimbursement	8,000	3,018	(4,982)
Grant Income	90,200	291,691	201,491
Rent Income	69,000	69,306	306
Total revenues	<u>2,057,629</u>	<u>2,088,935</u>	<u>31,306</u>
EXPENDITURES			
General Government			
Personnel Services	265,950	264,338	1,612
Supplies	25,600	23,344	2,256
Other Services and Charges	183,731	135,560	48,171
Capital Outlay	15,000	-	15,000
Total	<u>490,281</u>	<u>423,242</u>	<u>67,039</u>
Public Safety			
Personnel Services	990,650	836,454	154,196
Supplies	93,700	88,704	4,996
Other Services and Charges	83,629	76,347	7,282
Capital Outlay	62,700	63,861	(1,161)
Total	<u>1,230,679</u>	<u>1,065,366</u>	<u>165,313</u>
Public Works			
Personnel Services	358,860	337,278	21,582
Supplies	62,500	54,435	8,065
Other Services and Charges	162,500	156,170	6,330
Capital Outlay	-	57,597	(57,597)
Total	<u>583,860</u>	<u>605,480</u>	<u>(21,620)</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, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Debt service			
Principal Retirement	88,078	87,960	118
Interest and Fiscal Charges	<u>15,531</u>	<u>15,531</u>	<u>-</u>
Total	<u>103,609</u>	<u>103,491</u>	<u>118</u>
Total expenditures	<u>2,408,429</u>	<u>2,197,579</u>	<u>210,850</u>
Excess (Deficit) revenues over (under) expenditures	<u>(350,800)</u>	<u>(108,644)</u>	<u>242,156</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Gain (Loss) on Disposition of Fixed Assets	-	-	-
Proceeds from Debt Issuance	-	-	-
Transfers (to) from Other Funds	<u>350,000</u>	<u>286,090</u>	<u>(63,910)</u>
Total other financing sources (uses)	<u>350,000</u>	<u>286,090</u>	<u>(63,910)</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	(800)	177,446	178,246
Fund balances at October 1, 2018	<u>104,498</u>	<u>104,498</u>	<u>-</u>
Fund balances at September 30, 2019	\$ <u><u>103,698</u></u>	281,944	\$ <u><u>178,246</u></u>
Adjustments To GAAP Basis:			
Less: Accrued revenue		<u>(483)</u>	
Fund Balance GAAP September 30, 2019		\$ <u><u>281,461</u></u>	

CITY OF BALDWIN, MISSISSIPPI
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019

				<u>TOTALS</u>	
	<u>FIRE TRUCK MAINTENANCE</u>	<u>LIBRARY OPERATION AND MAINTENANCE</u>	<u>TOURISM FUND</u>	<u>SEPTEMBER 30, 2019</u>	<u>SEPTEMBER 30, 2018</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 65,235	\$ 857	\$	\$ 66,092	\$ 165,753
Due from Other Governments	-	-	13,900	13,900	120
Due from Other Funds	-	35,958	-	35,958	39,821
	<u>-</u>	<u>35,958</u>	<u>-</u>	<u>35,958</u>	<u>39,821</u>
Total Assets	\$ <u>65,235</u>	\$ <u>36,815</u>	\$ <u>13,900</u>	\$ <u>115,950</u>	\$ <u>205,694</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 2,310	\$ -	\$ 3,788	\$ 6,098	\$ 2,861
Due to Other Funds	3,394	-	-	3,394	-
Total Liabilities	<u>5,704</u>	<u>-</u>	<u>3,788</u>	<u>9,492</u>	<u>2,861</u>
<u>Fund Balances</u>					
Restricted for:					
Fire Insurance Rebate	59,531	-	-	59,531	173,122
Tourism	-	-	10,112	10,112	(1,757)
Committed to:					
Library	-	36,815	-	36,815	31,468
	<u>-</u>	<u>36,815</u>	<u>-</u>	<u>36,815</u>	<u>31,468</u>
Total Fund Balances	<u>59,531</u>	<u>36,815</u>	<u>10,112</u>	<u>106,458</u>	<u>202,833</u>
Total Liabilities and Fund Balances	\$ <u>65,235</u>	\$ <u>36,815</u>	\$ <u>13,900</u>	\$ <u>115,950</u>	\$ <u>205,694</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, 2019

	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	\$ 78,000	\$ 87,908	\$ 9,908	\$ 27,000	\$ 28,958	\$ 1,958	\$ -	\$ -	\$ -	\$ 105,000	\$ 116,866	\$ 11,866
Fire Protection	20,000	19,459	(541)	-	-	-	-	-	-	20,000	19,459	(541)
Lee County	12,000	11,094	(906)	-	-	-	-	-	-	12,000	11,094	(906)
Grants	-	-	-	-	-	-	-	1,205	1,205	-	1,205	1,205
Interest Income	500	355	(145)	-	-	-	-	-	-	500	355	(145)
Miscellaneous Income	-	5,085	5,085	-	-	-	-	-	-	-	5,085	5,085
Tourism Tax	-	-	-	-	-	-	150,000	57,440	(92,560)	150,000	57,440	(92,560)
Total revenues	110,500	123,901	13,401	27,000	28,958	1,958	150,000	58,645	(91,355)	287,500	211,504	(75,996)
EXPENDITURES												
Public Safety												
Personnel Services	14,300	19,158	(4,858)	-	-	-	-	-	-	14,300	19,158	(4,858)
Supplies	50,000	27,398	22,602	-	-	-	-	-	-	50,000	27,398	22,602
Other Services and Charges	33,000	35,700	(2,700)	-	-	-	-	-	-	33,000	35,700	(2,700)
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	13,200	155,236	(142,036)	-	-	-	-	-	-	13,200	155,236	(142,036)
Culture & Recreation												
Personnel Services	-	-	-	12,550	11,840	710	-	-	-	12,550	11,840	710
Supplies	-	-	-	500	149	351	-	-	-	500	149	351
Other Services and Charges	-	-	-	13,950	11,622	2,328	-	-	-	13,950	11,622	2,328
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Tourism												
Personnel Services	-	-	-	-	-	-	64,050	58,610	5,440	64,050	58,610	5,440
Supplies	-	-	-	-	-	-	15,000	7,487	7,513	15,000	7,487	7,513
Other Services and Charges	-	-	-	-	-	-	70,950	51,463	19,487	70,950	51,463	19,487
Capital Outlay	-	-	-	-	-	-	-	6,906	(6,906)	-	6,906	(6,906)
Total	110,500	237,492	(126,992)	27,000	23,611	3,389	150,000	124,466	25,534	287,500	385,569	(98,069)
Total expenditures	110,500	237,492	(126,992)	27,000	23,611	3,389	150,000	124,466	25,534	287,500	385,569	(98,069)
Excess (deficit) revenues over (under) expenditures	-	(113,591)	(113,591)	-	5,347	5,347	-	(65,821)	(65,821)	-	(174,065)	(174,065)
OTHER FINANCING SOURCES (USES)												
Transfers (to) from Other Funds	-	-	-	-	-	-	-	63,910	(63,910)	-	63,910	(63,910)
Proceeds from Debt Issuance	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	63,910	(63,910)	-	63,910	(63,910)
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	-	(113,591)	(113,591)	-	5,347	5,347	-	(1,911)	(129,731)	-	(110,155)	(237,975)
Fund balances at October 1, 2018	173,122	173,122	-	25,872	31,468	5,596	21,414	(1,757)	(23,171)	220,408	202,833	(17,575)
Fund balances at September 30, 2019	\$ 173,122	59,531	\$ (113,591)	\$ 25,872	36,815	\$ 10,943	\$ 21,414	\$ (3,668)	\$ (152,902)	\$ 220,408	92,678	\$ (255,550)
Adjustments to GAAP Basis:												
Less: Accrued revenue		-			-			13,780			13,780	
Fund balance GAAP September 30, 2019	\$	\$ 59,531		\$	\$ 36,815		\$	\$ 10,112		\$	\$ 106,458	

OTHER SUPPLEMENTARY INFORMATION

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2019

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. City Clerk	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
Richard Alexander	Code Officer	Travelers Casualty and Surety Co.	50,000

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2019

	BALANCE OUTSTANDING October 1, 2018	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2019
		ISSUED	REDEEMED	
<u>General Obligation Bonds</u>				
Public Improvement Bonds	\$ 155,000	\$ 50,000		\$ 105,000
<u>Revenue Bonds</u>				
Water System Improvement Bond	-	5,609,000	-	5,609,000
<u>Notes Payable - State of Mississippi</u>				
Note Payable - Three Rivers	297,364		29,603	267,761
Note Payable -Hancock bank	1,330,627		73,222	1,257,405
Proprietary Fund-SRF	2,385,599	2,156,787	4,542,386	-
Proprietary Fund-SRF	416,464		31,224	385,240
<u>Capital Lease Payable</u>				
Capital Lease - Hancock Bank	25,616		8,357	17,259
TOTAL	\$ 4,610,670	\$ 7,765,787	\$ 4,734,792	\$ 7,641,665

City of Baldwin
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
Community Facilities Loans and Grants Cluster-Cluster		
United States Department of Agriculture		
Community Facilities Loans and Grants	10.766	127,815
Total Community Facilities Loans and Grants		127,815
Total United States Department of Agriculture		127,815
Total Community Facilities Loans and Grants Cluster-Cluster		127,815
Other Programs		
United States Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	4,185,968
Total Water and Waste Disposal Systems for Rural Communities	*#	4,185,968
Total United States Department of Agriculture		4,185,968
Total Other Programs		4,185,968
Total Expenditures of Federal Awards		\$ 4,313,783

The accompanying notes are an integral part of this schedule.

SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Baldwin, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

LOAN PROGRAMS:

The loan balance at September 30, 2019 for CFDA 10.760 is \$5,609,000.

- Loan Program

* - Major Program

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, 2019, 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 March 27, 2021.

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 preceding paragraph 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 questioned costs that we consider to be material weaknesses as findings 2019-1, 2019-2, 2019-3 and 2019-4.

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 questioned costs as findings 2019-1, 2019-2, and 2019-4.

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 questioned costs. 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, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
March 27, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Board of Aldermen
City of Baldwin, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Baldwin, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Baldwin, Mississippi's major federal programs for the year ended September 30, 2019. City of Baldwin, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Baldwin, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baldwin, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Baldwin, Mississippi's compliance

Opinion on Each Major Federal Program

In our opinion, the City of Baldwin, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City of Baldwin, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Baldwin, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baldwin, Mississippi's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
March 27, 2021

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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, 2019, and have issued our report dated March 27, 2021. 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 finding and recommendation and your response are included in the Schedule of Findings and Questioned Costs as Finding No. 2019-1, 2019-2, and 2019-4.

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, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
March 27, 2021

**CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2019**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
 Material weakness identified? X Yes No
 Significant deficiency identified
 not considered to be a material weakness? X Yes None reported
Noncompliance material to financial statements
 noted? X Yes No

Federal Awards

Internal Control over major programs:
 Material weakness identified? Yes X No
 Significant deficiency identified
 not considered to be a material weakness? Yes X None reported
Type of auditors' report issued on compliance
 for major programs: Unmodified
Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? Yes X No

Identification of major program:

CFDA Number(s) Name of Federal Program or Cluster

10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

**CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2019**

SECTION 2 - FINANCIAL STATEMENT FINDINGS:

Finding No. 2019-1 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. 2019-2 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, 2019.

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 QUESTIONED COSTS
SEPTEMBER 30, 2019**

Finding No. 2019-3 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.

Finding No. 2019-4 Purchase Law (Material Weakness, Noncompliance)

Criteria: The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The City is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

Effect: The City did not obtain competitive quotes or bids on one purchase from a vendor during the year as required by state statutes.

Recommendation: The City should implement adequate internal controls over all state purchase laws to ensure that the City strictly adheres to the purchase laws in all departments in the City.

Response: The City will take steps necessary to ensure that controls over purchasing are revised to ensure future compliance.

SECTION 3 – FEDERAL AWARD FINDINGS

None

**Findings 2019-1, 2019-2 and 2019-3 were findings in the prior year.*

**Findings 2019-1, 2019-2, 2019-3 and 2019-4 are material weaknesses.*

**Findings 2019-1, 2019-2 and 2019-4 are noncompliance findings.*