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TOWN OF COLDWATER, MISSISSIPPI

AUDIT REPORT
September 30, 2019

TOWN OF COLDWATER, MISSISSIPPI

ANNUAL FINANCIAL REPORT Year Ended September 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Town of Coldwater
Town of Coldwater, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information, of Town of Coldwater, Mississippi as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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.

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

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

Opinion

In our opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the governmental activities,

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the business-type activities, and the aggregated discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Coldwater, Mississippi as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

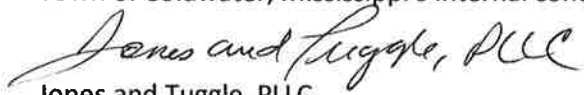
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coldwater, Mississippi basic financial statements. The Roster of Publicly Elected Officials and the Supplementary Information, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Financial Statements and Schedules contained in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information section is fairly stated in all material respects in relation to the financial statements as a whole.

The statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020, on our consideration of the Town of Coldwater, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Coldwater,

Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Coldwater, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jones and Tuggle, PLLC".

Jones and Tuggle, PLLC.

Memphis, Tennessee

July 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Coldwater financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performances.

FINANCIAL HIGHLIGHTS

- . The Town's net assets increased by \$117,101
- . Total General Revenues were \$724,713
- . Total Business-type revenues (sales of water and sewer) \$282,180
- . Expenses for the Town were \$1,139,631

OVERVIEW OF FINANCIAL STATEMENT

These statements consist of two types of financial statements:

Government-wide financial statements – These financial statements are designed to provide the reader with an overview of the Town's finances, similar to what you'd find in a private business. The statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The state of new assets presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as revenues are received or expenditures are made; therefore, some of the expenses reported might reflect payments we've made during this fiscal year related to projects or activities from a prior fiscal year. Likewise, some of the revenues reported may reflect funding we've secured for activities or projects that we're contemplating for the future.

Governmental Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over monies that have been earmarked for specific activities of projects. The financial statements do not include any of the "business" type funds, which are our water and sewer fund. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. We currently have the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (2)

GOVERNMENT WIDE FINANCIAL ANALYSIS

The largest portion of the Town's net assets can be found in fixed assets and investments less any encumbrance. The Town uses these capital assets to provide services; therefore, these assets may not be available for future spending.

Below are a summary and a prior year comparison of the Town's net assets:

	FYE 9/30/2019	FYE 9/30/2018
Current assets	\$ 1,139,255	\$ 1,312,656
Capital assets, net	2,142,171	2,065,999
Total Assets	<u>\$ 3,281,426</u>	<u>\$ 3,378,655</u>
Current liabilities	\$ 989,716	\$ 971,068
Long-term debt outstanding	121,026	282,088
Total Liabilities	<u>\$ 1,110,742</u>	<u>\$ 1,253,156</u>
Net assets		
Invested in capital assets, net of related debt	\$ 1,972,171	\$ 1,815,999
Unrestricted	197,339	296,161
Total Net assets	<u>\$ 2,169,510</u>	<u>\$ 2,112,160</u>
Revenue		
Taxes & others	\$ 738,690	\$ 690,788
Charges for services	465,565	248,760
Interest income	2,020	1,792
Total Revenues	<u>\$ 1,206,275</u>	<u>\$ 941,340</u>
Expenses		
Primary government	\$ 856,650	\$ 902,721
Business-type (Water fund)	282,981	229,352
Component unit (Cemetery)	8,042	8,187
Total Expenses	<u>\$ 1,147,673</u>	<u>\$ 1,140,260</u>

The Town of Coldwater had a reasonable financial year for the period ending September 30, 2019. A Town's function is not to produce a profit, but we must maintain a level of revenues in excess of expenditures in order to maintain the overall financial health and viability of the Town.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued (3)

We rely upon our citizens, first for shopping in the Town of Coldwater because a percentage of our revenues come from sales taxes and secondly, we rely on the businesses and taxpayers for the prompt payments of property, vehicle ad valorem, personal and utility taxes. As with the prior year, we have seen a decrease in sales tax due to the economy. Expenses increased due to fuel cost and other economic difficulties.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The millage rate is at 30.25 mills for this fiscal year. Budget restraints will remain in place indefinitely. Upon reviewing the income and expenditures for the prior year, the Board of Aldermen decided to increase the present millage rate. Coldwater participated in or applied for several grant programs. The sustainability of our community relies heavily upon our taxpayers and funding from other sources.

The town received a \$62,450 grant from the Delta Regional Authority via the North Delta Planning and Development District in October of 2017. The town also received a \$449,650 grant from the State of Mississippi Community Development Block Grant Fund in February of 2019. These grants were obtained for the purpose of modifying and upgrading the North and South Lagoons.

Some of the major components of the upgrade will be: administrative, and engineering cost, surveying, force mains, a bead filtration unit, a floating baffle curtains,, manhole/wetwell interior coating, erosion control blanket, effluent pump station, new lift pumps, borrow excavation, electrical construction, gravity lines, pinch valve and bypass assembly. In addition, an ammonia nitrogen removal basin. The notice to proceed date is September 16, 2019

BUDGETARY HIGHLIGHTS

The Town's fiscal operating budget for the General Fund and Water and Sewer Fund are presented and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The Town endeavors to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, occasionally it is necessary for the Town to amend its budget from time to time during the fiscal year. For FY 2019, there were no substantial adjustments required, therefore no revisions were necessary.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued (4)

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS:

Currently, there are no pending litigations for the Town of Coldwater for this fiscal year.

CONTACT:

If you have any questions concerning this report, please contact the Mayor's Office, Town of Coldwater, and P. O. Box 352, Coldwater, MS 38618. Telephone: 662-662-7241 or email: cole2796@gmail.com.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
For the Year Ended SEPTEMBER 30, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash	\$ 196,494	\$ 218,284	\$ 414,778	\$ 31,182
Investments (cash equivalents)	609,864	133,971	743,835	29,405
Receivables (net of allowance for uncollectable)				
Utility Bills	100	4,306	4,406	-
Due from other funds	-	(23,764)	(23,764)	2,051
Total Current Assets	806,458	332,797	1,139,255	62,638
Fixed Assets (net of accumulated depreciation) (Note 3)	1,721,337	420,834	2,142,171	-
Total Assets	\$ 2,527,795	\$ 753,631	\$ 3,281,426	\$ 62,638
DEFERRED OUTFLOW OF RESOURCES				
Total Deferred Outflow of Resources	\$ 7,100	\$ 427	\$ 7,527	\$ -
LIABILITIES AND FUND EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 13,067	\$ 3,962	\$ 17,029	\$ 600
Current Portion of Long-Term Debt (Note 4 and 5)	85,000	59,003	144,003	
Accrued Interest Payable	-	5,088	5,088	
Due To Other Funds	81,632	6,166	87,798	-
Net Pension Liability	682,965	41,121	724,086	
Payables From Restricted Assets:				
Customer Deposits	-	11,712	11,712	-
Total current liabilities	862,664	127,052	989,716	600
Non-Current Liabilities				
General Obligation Bond (Note 5)	85,000	-	85,000	-
General Obligation Warrants Payable (Note 4)	-	36,026	36,026	-
Total non-current liabilities	85,000	36,026	121,026	-
Total Liabilities	947,664	163,078	1,110,742	600
DEFERRED INFLOW OF RESOURCES				
Total Deferred Inflow of Resources	8,207	494	8,701	-

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

STATEMENT OF NET POSITION (Continued)
For the Year Ended SEPTEMBER 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Net Position				
Contributed Capital	-	349,918	349,918	-
Investment In General Fixed Assets	1,551,337	420,834	1,972,171	-
Retained Earnings				
Unreserved	-	-	-	-
Non-spendable	-	-	-	-
Reserved For Prepaid Expenses	-	-	-	-
Restricted	-	-	-	-
Fire department rebates	16,233	-	16,233	-
Committed				
Park Fund	30,443	-	30,443	-
Street Fund	11,798	-	11,798	-
Unassigned	(30,787)	(180,266)	(211,053)	62,038
Total Fund Equity	1,579,024	590,486	2,169,510	62,038

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

GENERAL GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Units
Primary Government							
Government Activities							
General Government	\$ 272,158	\$ -	\$ -	\$ -	\$ (272,158)	\$ -	\$ -
Public Safety	389,897	-	-	-	(389,897)	-	-
Public Works	192,748	199,682	-	-	6,934	6,934	-
Other Financing Sources	0	-	-	-	0	0	-
Culture and Recreation	1,847	-	-	-	(1,847)	-	-
Total governmental activities:	856,650	199,682	-	-	(656,968)	(656,968)	-
Business-type Activities							
Water Fund	282,981	265,883	-	62,450	-	45,352	-
Total Business Activities	282,981	265,883	-	62,450	-	45,352	-
Total Primary Government	1,139,631	465,565	-	62,450	(656,968)	45,352	(611,616)
Component Units							
Cemetery Fund	8,042	10,327	-	-	-	-	2,285
Total Component Units	\$ 8,042	\$ 10,327	\$ -	\$ -	-	-	2,285
General revenue							
Taxes					119,311	-	119,311
License and Permits					62,853	-	62,853
Intergovernmental					430,303	-	430,303
Fines and Forfeits					26,881	9,597	36,478
Interest Income					2,020	-	2,020
Miscellaneous					83,045	6,700	89,745
Total General Revenues					724,413	16,297	740,710
Change in Net Assets					67,445	61,649	129,094
Net Assets at Beginning of Year					1,450,042	602,367	2,052,409
Prior Period adjustment - Pension Adjustment					61,537	(73,530)	(11,993)
Net Assets at End of Year					\$ 1,579,024	\$ 590,486	\$ 2,169,510
							\$ 62,038

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

BALANCE SHEET- GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	General Fund	Non-Major Governmental Funds	Total
<u>ASSETS</u>			
Cash and cash equivalent	\$ 743,543	\$ 62,815	\$ 806,358
Due From Other Funds	-	-	-
Accounts Receivable-Utilities	100	-	100
Total Assets	\$ 743,643	\$ 62,815	\$ 806,458
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 13,067	\$ -	\$ 13,067
Due To Other Funds	81,632	-	81,632
Total Liabilities	94,699	-	94,699
Fund Balance:			
Unreserved	648,944	62,815	711,759
Total Liability and Fund Balance	\$ 743,643	\$ 62,815	\$ 806,458

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

For the Year Ended September 30, 2019

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 711,759

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:

Land	89,486	
Building and improvements	2,747,272	
Equipment	428,852	
Vehicles	445,915	
Infrastructure	427,893	
Accumulated depreciation	<u>(2,418,081)</u>	1,721,337

Deferred outflow of resources 7,100

Long-term liabilities are not due and payable in the current period and,
therefor, are not reported in the funds:

Net pension liability	(682,965)
General obligation and revenue bonds	(170,000)
Deferred inflow of resources-pension	<u>(8,207)</u>

Net Assets of Governmental Activities \$ 1,579,024

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019

	General Fund	Fire Department Fund	Park Fund	Street Fund	Total
REVENUES					
Taxes	\$ 119,311	\$ 6,029	\$ -	\$ 135,949	\$ 261,289
License and Permits	62,853	-	-	-	62,853
Charges for Services	199,682	-	-	-	199,682
Fines and Forfeits	26,881	-	-	-	26,881
Interest Income	2,020	-	-	-	2,020
Intergovernmental	278,427	9,898	-	-	288,325
Miscellaneous	83,045	-	-	-	83,045
Total Revenues	772,218	15,927	-	135,949	924,095
EXPENDITURES					
Personnel	413,591	-	-	8,479	422,070
Supplies	23,005	565	-	3,602	27,172
Other Services and Charges	250,797	10,787	1,847	44,817	308,248
Capital Outlay	13,742	-	-	-	13,742
Total Expenditures	701,135	11,352	1,847	56,898	771,232
Excess Of Revenues Over (Under)					
Expenditures	71,083	4,575	(1,847)	79,051	152,863
FUND BALANCE - BEGINNING					
OF YEAR Restated	741,613	14,088	30,443	(51,923)	734,221
Prior Period Adjustment	(163,752)	4,984	(7,198)	(9,358)	(175,324)
FUND BALANCE - END					
OF YEAR	\$ 648,944	\$ 23,647	\$ 21,398	\$ 17,770	\$ 711,760

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

For the Year Ended September 30, 2019

Net Change in Fund Balance - Total Governmental Funds \$ 152,863

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statements of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. (85,418)

Debts proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets.
Repayment of debt is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. -

Change in Net Assets of Governmental Activities \$ 67,445

BUDGETARY COMPARISON**GENERAL FUND***For the Year Ended September 30, 2019*

	Budgeted Amount			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes	\$ 320,651	\$ 320,651	\$ 119,311	\$ (201,340)
License and Permits	3,000	3,000	62,853	59,853
Intergovernmental	152,500	152,500	278,427	125,927
Charges for Services	107,520	107,520	199,682	92,162
Fines and Forfeits	20,000	20,000	26,881	6,881
Interest Income	7,000	7,000	2,020	(4,980)
Miscellaneous	30,000	30,000	83,045	53,045
TOTAL REVENUES	640,671	640,671	772,219	131,548
<u>EXPENDITURES</u>				
General Government	309,228	309,228	239,267	69,961
Public Safety	351,465	351,465	339,576	11,889
Public Works	75,000	75,000	75,000	0
Culture and Recreation	90,000	90,000	50,000	40,000
TOTAL EXPENDITURES	825,693	825,693	703,843	121,850
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(185,022)	(185,022)	68,376	9,698
FUND BALANCE - BEGINNING OF YEAR			741,613	
FUND BALANCE - END OF YEAR			\$ 809,989	

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

STATEMENT OF NET POSITION- PROPRIETARY FUND
For the Year Ended September 30, 2019

ASSETS	
Current Assets	
Cash	
Investments	\$ 218,284
Accounts Receivable	133,971
Due from other funds	4,306
	<u>(23,764)</u>
Total Current Assets	332,797
Fixed Assets	
Property, Plant and Equipment	2,341,550
Less: Accumulated Depreciation	<u>(1,920,716)</u>
Net Fixed Assets	<u>420,834</u>
TOTAL ASSETS	<u>\$ 753,631</u>
DEFERRED OUTFLOW OF RESOURCES:	
Total Deferred Outflows of Resources	<u><u>\$ 427</u></u>
LIABILITIES, CONTRIBUTED CAPITAL AND RETAINED EARNINGS	
Current Liabilities	
Accounts Payable	\$ 3,962
Current Portion of Long-Term Debt (Note 4)	49,417
Accrued Interest Payable	5,088
Due To Other Funds	6,166
Net Pension Liability	<u>41,121</u>
Total Current Liabilities	105,754
Long-Term Liabilities	
Note Payable (Note 4)	45,612
Customer Deposits	<u>11,712</u>
Total Long-Term Liabilities	<u>57,324</u>
Total Liabilities	<u><u>163,078</u></u>
DEFERRED INFLOWS OF RESOURCES:	
Total Deferred Inflows of Resources	<u><u>494</u></u>

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

STATEMENT OF NET POSITION- PROPRIETARY FUND (Continued)
For the Year Ended September 30, 2019

Contributed Capital and Net Position	
Contributed Capital	349,918
Investment in general fixes assets	420,834
Net Position	<u>(180,266)</u>
Total Contributed Capital Retained Earnings	<u>590,486</u>
TOTAL LIABILITIES, CONTRIBUTED CAPITAL	
AND NET POSITION	<u><u>\$ 754,058</u></u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITIONS-
PROPRIETARY FUND**

For the Year Ended September 30, 2019

Operating Revenues:	
Meter Sales	\$ 139,366
Sewer Charges	75,136
Late Charges and Connection Fees	<u>67,678</u>
Total Operating Revenues	282,180
Operating Expenses:	
Personnel Costs	75,140
Materials and Supplies	9,676
Professional Services	45,301
Repair and Maintenance	41,042
Other Expenses	42,377
Depreciation Expense	<u>63,900</u>
Total Operating Expenses	<u>277,436</u>
Net Operating Income	4,744
Non-Operating Revenues (Expenses)	
CDBG Grant	62,450
Interest Expense	<u>(5,545)</u>
Total Non-Operating Revenues (Expenses)	<u>56,905</u>
Net Income	61,649
Net Position - Beginning of Year, Restated	602,367
Prior Period Adjustment	<u>(73,530)</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 590,486</u>

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

STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Revenues:	
Water and Sewer Fees	\$ 329,650
Restoration Fees	51,381
Late Charges	9,597
Other Charges	62,450
Total Operating Revenues	<u>453,078</u>
Operating Expenses:	
Personnel Costs	75,140
Material and Supplies	19,933
Professional Services	45,301
Repair and Manietnance	30,785
Other Charges	44,046
Depreciation	63,900
Total Operating Expenses	<u>279,105</u>
Net Cash Provided by Operating Activities	173,973
CASH FLOWS FROM CAPITAL AND RELATED ITEMS:	
Financing Activities:	
Payment on long-term debt	(49,469)
Interest Expense	(5,545)
Interest Income	-
Net Cash Provided By Capital and Related Financing Activities	<u>(55,014)</u>
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>165,536</u>
CASH AND EQUIVALENTS-END OF YEAR	<u><u>\$ 284,495</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Note 1 - Summary of Significant Accounting Policies

The Town of Coldwater operates under an alderman—mayor form of government. The accounting policies of the Town of Coldwater conform to generally accepted accounting principles as applicable to governments except as discussed in Note 6. The following is a summary of the more significant policies:

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town has established a capitalization threshold of \$500. All purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related asset. Property, plant, and equipment of the primary government, as well as the proprietary fund, are depreciated using the straight-line method over the following estimated useful lives as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Fixed Assets and Long-Term Liabilities (Continued) -

Infrastructure	50 years
Building	40 years
Distribution system	25 years
Improvement	20 years
Heavy Equipment	10 years
Other equipment	5 years
Vehicles	5 years

Long-term liabilities of the Governmental and Proprietary Funds are accounted for in the funds themselves. Additional information concerning fixed assets and long-term liabilities are provided in Notes 2 and 3.

- D. 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 the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Major revenues susceptible to accrual include sales tax and property taxes levied and due in the current year even though a portion of the taxes may be collected in the subsequent year. Penalty on sales taxes and interest on delinquent taxes are considered measurable when paid and are recognized as revenue at that time. Intergovernmental revenues received as reimbursement for specific purposes or projects are recognized in the period the expenditures are incurred. Intergovernmental revenue received but not yet earned

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued) - is recorded as deferred revenue. Property and sales taxes received prior to the time they are due are also recorded as deferred revenue. In subsequent periods, when the Town has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Revenue from land sale contracts receivable is deferred until the receivables are collected. Expenditures are recorded when the fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The water fund which accounts for the activities associated with operating water and sewer system for the Town Proprietary funds distinguish operating revenues and expenses from non-operating 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 of the water and sewer enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

E. FASB Application

Proprietary Fund Types: These fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

NOTES TO THE FINANCIAL STATEMENTS*For the Year Ended September 30, 2019**(Continued)**Note 1 - Summary of Significant Accounting Policies (Continued)***F. FASB Application (Continued)**

Enterprise Funds: These funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) to provide certain goods and services to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes or monitoring capital maintenance, accountability, or other purposes. The Town accounts for its water and sewer in the Water and Sewer Fund which meets the criteria of a major fund and has been reported as such in the proprietary fund statements.

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

- G. Bank Deposits and Investments** - Bank deposits and investments constituting short term certificates of deposit are entirely insured or collateralized with securities held by the bank or by the bank's agent in the bank's name as of September 30, 2019 and during the year then ended. Investments are stated at cost - a schedule of investment is included as part of the supplementary information of this report.
- H. Budget** - Governmental fund receipts are budgeted on the cash basis. Expenditures are budgeted on the modified cash basis of accounting. The budget for all proprietary type funds is adopted on the accrual basis of accounting. This is consistent with the applicable laws of the State of Mississippi for municipalities.

Prior to the August board meeting, the Town Clerk submits to the Mayor and Board a proposed operating budget for the fiscal year commencing the following October 1. Public hearings are conducted at the Town Hall for citizens of the Town to make comments on the proposed revenue sharing expenditures. The budget is formally adopted before September 15. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
 (Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

- I. Statement of Cash Flows - For purposes of the Statement of Cash Flows, cash equivalents are all short-term investments (including restricted assets) that are highly liquid, readily convertible to known amounts of cash, and have a maturity date of no longer than three months when purchased.
- J. Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- K. Fund equity- Fund Balance.

Fund equity is generally the difference between assets and liabilities. Government-wide and proprietary funds statements report fund equity as retained earnings. Fund equity of governmental fund statements are reported as fund balance.

Government-wide and proprietary funds' net positions are classified into three components. "Investment in capital assets, net of related debt" consists of capital assets of accumulated depreciation and reduced by outstanding debt used to finance purchase or construction of those assets. "Restricted" net positions are noncapital net positions that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the Town. "Unrestricted net positions are remaining net positions that do not meet the definition of the other two categories.

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year 2019. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The statement provides that funds balance be reported and classified in the following manner based on the relative strength of the constraints that control how specific amounts can be spent:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (e.g. inventories, prepaid) or (b) legally or contractually required to remain intact (e.g. endowments).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

K. Fund equity – Fund Balance (continued)

Restricted fund balance includes amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation, (e.g. State and Federal Grants Funds). Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

Committed funds balance includes amounts formally constrained for a specific purpose by a government using its highest level of decision-making authority. The commitment of these funds can only be changed by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance includes amounts a government intends to use for a particular purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. With the exception of the General Fund, this is the residual fund balance of the classification of all government funds with positive balances.

Unassigned fund balance represents general fund amounts not classified elsewhere.

Note 2 - Property Taxes

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

The millage rate for the year was 30.25 mills, allocated as follows:

General Fund	15.00 mills
Park Fund	2.00 mills
Bond Repayment	13.00 mills
Fire Department Fund	<u>.25 mills</u>
TOTAL	<u>30.25</u> mills

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 3 – Budget Process

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to August 1st, the Town Clerk and Chief Administrative Officer submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- B. Public notice is given of the Town's budget meetings being open to the public, so that public hearings are conducted at Town Hall to obtain taxpayer comments.
- C. Prior to September 15th, the budget is legally enacted through adoption by the Mayor and Town Aldermen.
- D. The budget is formally revised during the year and properly amended by the Mayor and Town Aldermen.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget revenue and expenditures on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 4 - Fixed Assets

A summary of changes in general fixed assets follows:

Governmental activities:

	Balance 9/30/2012	Additions	Deletions	Balance 9/30/2013
Non Depreciable Assets:				
Land	\$ 89,486	\$ -	\$ -	\$ 89,486
Depreciable Assets:				
Building	1,700,422	-	-	1,700,422
Equipment	428,852	-	-	428,852
Vehicles	445,915	-	-	445,915
Bridge	427,893	-	-	427,893
Improvements	1,046,850	-	-	1,046,850
Construction in progress	-	-	-	-
	<u>4,049,932</u>	<u>-</u>	<u>-</u>	<u>4,049,932</u>
Less accumulated depreciation for				
Building	375,102	31,465	-	406,567
Improvements	903,078	45,395	-	948,473
Equipment	428,852	-	-	428,852
Vehicles	445,915	-	-	445,915
Bridge	179,717	8,558	-	188,275
	<u>2,332,664</u>	<u>85,418</u>	<u>-</u>	<u>2,418,082</u>
Governmental activities capital assets, net	<u>\$ 1,806,754</u>	<u>\$ 85,418</u>	<u>\$ -</u>	<u>\$ 1,721,336</u>
Business-type activities:				
Non Depreciable Assets:				
Land	\$ 1,790	\$ -	\$ -	\$ 1,790
Depreciable Assets:				
Water Distribution System	1,999,546	-	-	1,999,546
Equipment	81,746	-	-	81,746
Well	213,528	-	-	213,528
Sewer Machine	35,324	-	-	35,324
Vehicles	9,616	-	-	9,616
Total capital assets	<u>2,339,760</u>	<u>-</u>	<u>-</u>	<u>2,339,760</u>
Less accumulated depreciation for:				
Water Distribution system	1,484,258	298,170	-	1,782,428
Equipment	107,342	21,330	-	128,672
Vehicles	9,616	-	-	9,616
Total accumulated depreciation	<u>1,601,216</u>	<u>319,500</u>	<u>-</u>	<u>1,920,716</u>
Business-type activities capital assets, net	<u>\$ 740,334</u>	<u>\$ 319,500</u>	<u>\$ -</u>	<u>\$ 420,834</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 5 - Changes in Long-Term Debt

General Fund:

The Town of Coldwater has an obligation to the Peoples Bank bearing interest at 4%. The loan is payable in monthly installment of \$69,991.59 Including interest.

Principle and interest payment for the years following September 30, 2019, are as follow:

	<u>Principal</u>	<u>Interest</u>
2020	85,000	5,142
2021	85,000	1,645
	<u>\$ 170,000</u>	<u>\$ 6,787</u>

Change in long-term debt

Balance at 9/30/18	\$ 250,000
Additions	-
Payments	(80,000)
Balance at 9/30/19	<u>\$ 170,000</u>

Proprietary Fund:

General Obligation Bond:

Town of Coldwater has an unsecured obligation to Mississippi Development Authority bearing interest at 2.00%. The loan is payable in monthly installments of \$617, including interest.

Principal and interest payments for the years following September 30, 2019, are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 7,618	\$ 480
2021	7,057	341
2022	7,200	198
2023	6,004	54
	<u>\$ 27,879</u>	<u>\$ 1,073</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 5 - Changes in Long-Term Debt

Proprietary Fund:

Town of Coldwater has an obligation to Mississippi Department of Environmental Quality bearing interest at 3 %. The loan is collateralized by Treatment Plant.

Principal and interest payments for the years following September 30, 2013, are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 53,518	\$ 1,283
2021	13,632	68
	<u>\$ 67,150</u>	<u>\$ 1,351</u>

Change in long-term debt

Balance at 9/30/18	\$ 155,735
Additions	-
Payments	<u>(60,706)</u>
Balance at 9/30/19	<u>\$ 95,029</u>

Note 6 - Defined Pension Plan

(1) Plan Description

The Public Employees' Retirement System of Mississippi (PERS or the System) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. The System administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

For the cost-sharing plan 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 entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age 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. A member may elect a reduced retirement allowance payable for life with the provision that,

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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 and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

(2) Basis of Presentation

The Schedule of Employer Allocations and Schedule of Collective Pension Amounts (the Schedules) present amounts that are elements of the financial statements of the System or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the System or its participating employers. The Schedules are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Such preparation requires management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ.

(3) Employer Allocations

GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, requires participating employers to recognize their proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. These Schedules are prepared to provide employers with their calculated proportionate share. Contributions from the employers are recognized when legally due, based on statutory requirements. The employer allocation percentages presented in the Schedule of Employer Allocations are based on the ratio of each employer's actual contribution to the System's total actual contributions for the fiscal year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

The current year employer contributions used in the Schedule of Employer Allocations for 2019 are a component of total employer contributions presented in the Systems audited financial statements. The reconciliation of employer contributions is as follows for the year ended June 30, 2019:

Total current year employer contributions per Schedule of Employer Allocations	\$ 42,220
Timing differences	26
Fees from Optional Retirement Plan *	466
Miscellaneous	16
Total employer contributions per audited financial statements	<u>\$ 42,729</u>

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2019 were as follows:

Total pension liability	\$ 1,885,069
Plan fiduciary net position	<u>1,160,984</u>
Employer's net pension liability	<u>\$ 724,086</u>

(a) Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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 ending June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

(a) Actuarial Assumptions (Continued)

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic	27.00%	4.90%
International Equity	22.00	4.75
Global Equity	12.00	5.00
Debt Securities	20.00	1.50
Real Estate	10.00	4.00
Private equity	8.00	6.25
Cash Equilient	1.00	0.25
Total	<u>100.00%</u>	

(b) 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 and that employer contributions will be made at the current employer contribution rate. 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.

The following table requires disclosure of the sensitivity net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of (7.75%) percent, as well as what the System's 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:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

(b) Discount Rate (Continued)

	1% decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	<u>\$ 951,836</u>	<u>\$ 724,086</u>	<u>\$ 536,098</u>

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at June 30, 2018	<u>\$ 1,810,031</u>	<u>\$ 1,131,905</u>	<u>\$ 678,126</u>
Changes for the year:			
Service cost	28,666	-	28,666
Interest	137,065	-	137,065
Different between actual and expected expense	-	-	-
Change in assumptions	9,523	-	9,523
Contribution - employer	-	(42,729)	42,729
Contribution - employee	-	(23,912)	23,912
Net investment income		(70,026)	70,026
Benefit payments, including refunds of employee contributions	(1,428)	(1,428)	-
Administrative expense	-	696	(696)
Other changes	-	(190)	(190)
Net Changes	<u>173,826</u>	<u>(137,588)</u>	<u>311,034</u>
Balance at June 30, 2019	<u>\$ 1,983,857</u>	<u>\$ 994,317</u>	<u>\$ 989,160</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. Effective July1, 2017 , 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. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years. The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2019.

	Measurement Period	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred outflows of resources:						
Difference between expected and actual experience	2016	3.48	\$ 2,348	\$ -	\$ (2,348)	\$ -
	2018	3.9	654	-	(225)	428
			3,001	-	(2,573)	428.35
Changes of assumptions	2017	3.37	404	-	(295)	109
	2019	3.76	-	9,523	(2,533)	6,990
			404	9,523	(2,828)	7,099
			<u>\$ 3,405</u>	<u>\$ 9,523</u>	<u>\$ (5,401)</u>	<u>\$ 7,527</u>
Deferred inflows of resources						
Net difference between projected and actual earnings on investment	2015	5.00	\$ 9,067	\$ -	\$ 9,307	\$ 18,374
	2016	5.00	(25,421)	-	12,710	5,663
	2017	5.00	34,718	-	(11,572)	10,435
	2018	5.00	12,198	-	(50)	35,294
	2019	5.00	-	(16,529)	3,306	(1,075)
			30,562	(16,529)	13,701	27,734
Difference between expected and actual experience	2017	3.37	2,527	-	(1,845)	682
			2,527	-	(1,845)	682
Changes in assumptions	2016	3.48	331	-	(331)	-
			331	-	(331)	-
			<u>\$ 33,420</u>	<u>\$ (16,529)</u>	<u>\$ 11,525</u>	<u>\$ 28,416</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The collective deferred outflows of resources and deferred inflows of resources reported in the table above will be amortized in the collective proportionate share of pension expense as follows:

Year Ended June 30,	
2020	3,623
2021	(10,254)
2022	2,152
2023	3,306
Total	<u>\$ (1,174)</u>

The table below provides a summary of the collective deferred outflows and inflows as of June 30, 2019 (measurement date):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 428	\$ 779
Changes in assumptions	7,099	-
Net difference between projected and actual earnings on plan investments	-	7,922
Employer contribution subsequent to the measurement date	-	-
Total	<u>\$ 7,527</u>	<u>\$ 8,701</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 6 - Defined Pension Plan (Continued)

(6) Allocable Plan Pension Expense

The components of allocable plan pension expense, which excludes amounts attributable to employer-paid members contributions for the year ended June 30, 2019, comprises the following:

Service cost	\$ 28,666
Interest on the total pension liability	137,065
Member contributions	(23,912)
Projected earnings on plan investments	(86,555)
Administrative expense	696
Other	190
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience	466
Difference between expected and actual earning on investment	10,842
Changes in assumptions	2,450
	<u>\$ 69,907</u>

The employer proportionate share of the collective pension expense is equal to the collective pension expense multiplied by the employer's allocation percentage for fiscal year ended June 30, 2019, as shown in the schedule of Employer Allocations.

Note 7 - Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000. As of September 30, 2019, the Town had unsecured funds in the amount of \$151,773. The State of Mississippi Treasury Department oversees the collateralization process for all institutions approved as a public depository in the Statewide Public Funds Collateral Program. On a daily basis, the Treasury monitors collateralization requirements maintained for all of the institutions holding public funds. By using this method, we can provide a better level of assurance to our public entities that their funds are properly safeguarded.

Note 8 - Compensated Absences

The Town does not recognize compensated absences because the leave does not carry over to the next year.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 9 – Interfund Receivable and Payables

<u>Due From:</u>	<u>Due To:</u>	<u>Amount</u>
Water Fund	General Fund	54,800
General Fund	Other Funds	(15,255)
General Fund	Clearing Fund	(36,907)
General Fund	Water Fund	1,448
W/S Operation	Water Fund	25,000
Water Fund	Clearing Fund	(50,012)
Water Fund	AP Clearing	(6,166)

Note 10 – Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year and settlements have not exceeded insurance coverage for each of the past three fiscal years.

Note 11 – Prior Period Adjustments

The net asset of the general fund and the enterprise fund was decreased by \$82,630 and \$958,618 respectfully to record the changes in the net pension adjustments, depreciation and due to and due from.

Note 11 – Prior Period Adjustments (Continued)

General Fund:

Beginning Balance	\$ 1,450,042
Net pension adjustment	(73,116)
Due to Accounts	134,653
Ending Balance	<u>\$ 1,511,579</u>

Proprietary Fund:

Beninning Balance	\$ 602,367
Due To Account	(59,036)
Net pension adjustment	(3,083)
Ending Balance	<u>\$ 540,248</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019
(Continued)

Note 12 – Subsequent Events

Management has evaluated events and transaction subsequent to the balance sheet date through the date of the auditors' report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management did not identify any items that should be disclosed.

The organization has received a federal grant in the amount of \$450,000 for improvements to the wastewater treatment plant as of the date of the financial statements no funds has been expended.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS
For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Passed Through to Identifying Number	Subrecipient	Total Federal Expenditures
HUD Community Development Block Grant				
Direct Program				
			\$ -	\$ -
Passed-Through Mississippi Development Authority				
Sewer Improvement Grant	14.288	1135-18-149-PF-01	\$ 62,450	\$ 62,450
Total HUD Community Development Block Grant				
			62,450	62,450
Total Expenditures of Federal Awards				
			62,450	62,450

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUND
For the Year Ended September 30, 2019

	Fire Department Fund	Park Fund	Street Fund	Total
<u>ASSETS</u>				
Cash and cash equivalent	\$ 23,647	\$ 21,398	\$ 17,770	\$ 62,815
Total Assets	<u>\$ 23,647</u>	<u>\$ 21,398</u>	<u>\$ 17,770</u>	<u>\$ 62,815</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund Balance:				
Unreserved	23,647	21,398	17,770	62,815
Total Liability and Fund Balance	<u>\$ 23,647</u>	<u>\$ 21,398</u>	<u>\$ 17,770</u>	<u>\$ 62,815</u>

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

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE-NONMAJOR GOVERNMENTAL FUND
For the Year Ended September 30, 2019**

	Fire Department Fund	Park Fund	Street Fund	Total
REVENUES				
Taxes	\$ 6,029	\$ -	\$ 135,949	\$ 141,978
Intergovernmental	9,898	-	-	9,898
Total Revenues	<u>15,927</u>	<u>-</u>	<u>135,949</u>	<u>151,876</u>
EXPENDITURES				
Personnel	-	-	8,479	8,479
Supplies	565	-	3,602	4,167
Other Services and Charges	10,787	1,847	44,817	57,451
Total Expenditures	<u>11,352</u>	<u>1,847</u>	<u>56,898</u>	<u>70,097</u>
Excess Of Revenues Over (Under)				
Expenditures	4,575	(1,847)	79,051	81,779
FUND BALANCE - BEGINNING				
OF YEAR Restated	14,088	30,443	(51,923)	(7,392)
Prior Period Adjustment	4,984	(7,198)	(9,358)	(11,572)
FUND BALANCE - END				
OF YEAR	<u>\$ 23,647</u>	<u>\$ 21,398</u>	<u>\$ 17,770</u>	<u>\$ 62,815</u>

CEMETARY FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
For the Year Ended September 30, 2019

	Budgeted Amount		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Operating Revenue:				
Lot Sales	\$ 10,000	\$ 10,000	\$ 9,500	\$ (500)
Dotations	8,000	8,000	707	(7,293)
Dirt Removal	300	300	120	(180)
Total Operating Revenue	18,300	18,300	10,327	(7,973)
Operating Expenses;				
Repair and Maintenance	1,000	1,000	7,839	6,839
Machinery and Equipment	9,000	9,000	-	(9,000)
Supplies	1,000	1,000	-	(1,000)
Gas and Oil	2,000	2,000	95	(1,905)
Other Repair and Maintenance	9,600	9,600	-	(9,600)
Total Operating Expenses	22,600	22,600	7,934	(14,666)
Non-Operating Revenue (Expenses)				
Interest Income	300	300	-	300
Total Non-Operating Revenue	300	300	-	300
Net Income (Loss)	(4,000)	(4,000)	2,393	(22,339)
RETAINED EARNINGS - BEGINNING OF YEAR			59,753	
RETAINED EARNINGS - END OF YEAR			\$ 62,146	

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

BUDGETARY COMPARISON**PROPRIETARY FUND***For the Year Ended September 30, 2019*

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Meter Sales	\$ 121,000	\$ 121,000	\$ 139,366	\$ 18,366
Sewer Charges	139,600	139,600	75,136	(64,464)
Grant	900,000	900,000	62,450	(837,550)
Transfer	-	-	-	-
Late Charges and Connection Fees	10,000	10,000	67,678	57,678
Total Operating Revenues	1,170,600	1,170,600	344,630	(825,970)
Operating Expenses:				
Personnel Costs	60,000	60,000	75,140	(15,140)
Materials and Supplies	13,500	13,500	9,676	3,824
Professional Services	28,680	28,680	45,301	(16,621)
Repair and Maintenance	20,000	20,000	41,042	(21,042)
Other Expenses	43,420	43,420	38,168	5,252
Capital Outlay	992,600	992,600	4,209	988,391
Depreciation Expense	-	-	63,900	(63,900)
Total Operating Expenses	1,158,200	1,158,200	277,436	880,764
Net Operating Income	12,400	12,400	67,194	54,794
Non-Operating Revenues (Expenses)				
Interest Income	1,000	1,000	-	(1,000)
Interest Expense	1,220	1,220	(5,545)	-
Total Nonoperating Revenues	2,220	2,220	(5,545)	(1,000.00)
Net Income	\$ 14,620	\$ 14,620	61,649	\$ 53,794
RETAINED EARNINGS - BEGINNING OF YEAR			602,367	
Prior Period Adjustment			(73,530)	
RETAINED EARNINGS - END OF YEAR			\$ 590,486	

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
GASB 67 REQUIRED INFORMATION
For the Year Ended September 30, 2019

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost										
Interest	31,335	27,012	26,458	\$ 27,194	\$ 28,643	28,666				
Benefit changes	126,600	114,994	109,217	113,684	132,073	137,065				
Difference between expected and actual experiences	-	-	-	-	-	-				
Changes of assumptions	11,833	13,047	14,894	(6,216)	871	-				
Benefit payments	-	73,032	(2,399)	870	-	-				
Refund of contributions	(96,509)	(88,992)	(85,285)	(89,304)	(106,386)	9,523				
Net change in total pension liability	(5,586)	(4,786)	(4,068)	(4,098)	(5,068)	(113,083)				
Total pension liability - beginning	67,673	134,307	58,818	42,130	50,134	57,723				
Total pension liability - ending (a)	1,633,549	1,701,223	1,835,529	1,894,348	1,936,477	1,986,611				
	1,701,223	1,835,529	1,894,348	1,936,477	1,986,611	2,044,334				
Plan Fiduciary Net Position										
Contribution - employer	44,566	39,959	36,786	36,728	41,511	42,729				
Contribution - members	25,256	22,372	20,624	20,545	23,272	23,912				
Net investment income	179,507	33,189	4,715	(123,839)	97,274	70,026				
Benefit payments	(96,509)	(88,992)	(85,285)	(893,040)	(106,386)	(113,083)				
Administrative expense	(590)	(542)	(546)	(615)	(663)	(696)				
Refunds of contributions	(5,586)	(4,528)	(4,068)	(4,098)	(5,068)	(4,447)				
other	(23)	(20)	(17)	(308)	(196)	(190)				
Net change in plan position	146,622	1,438	(27,791)	(964,626)	49,743	18,251				
Plan net position - beginning	996,730	1,143,352	1,144,791	1,117,000	152,374	202,117				
Plan net position - ending (b)	1,143,352	1,144,791	1,117,000	152,374	202,117	220,368				
Net pension liability - ending (a) - (b)	\$ 557,870	\$ 690,739	\$ 777,348	\$ 1,784,104	\$ 1,784,494	\$ 1,823,967				

SCHEDULE OF THE NET PENSION LIABILITY
GASB 67 REQUIRED INFORMATION
For the Year Ended September 30, 2019

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Plan fiduciary net position	\$1,701,223	\$1,618,620	\$1,684,100	\$1,730,976	\$1,780,286	\$1,836,523				
Net pension liability	1,143,352	998,753	967,814	1,064,378	1,113,304	1,131,085				
Ratio of plan net position to total pension liability	\$ 557,870	\$ 619,867	\$ 716,286	\$ 666,598	\$ 666,982	\$ 705,438				
	67.21%	61.70%	57.47%	61.49%	62.54%	61.59%				
Covered payroll	323,017				368,316	361,610				
Net pension liability as a percentage of covered payroll	173%	0%	0%	0%	181%	195%				

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 67 REQUIRED INFORMATION
For the Year Ended September 30, 2019

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 44,481	\$ 37,890	\$ 34,167	\$ 34,275	\$ 38,523	\$ 39,836				
Actual employer contributions	<u>47,711</u>	<u>4,337</u>	<u>36,786</u>	<u>36,728</u>	<u>41,511</u>	<u>42,729</u>				
Annual contribution deficiency (excess)	<u>\$ (3,230)</u>	<u>\$ 33,552</u>	<u>\$ (2,619)</u>	<u>\$ (2,453)</u>	<u>\$ (2,988)</u>	<u>\$ (2,893)</u>				
Covered payroll	323,017	-	-	-	368,316	361,610				
Actual contribution as a percentage of covered payroll	14%	-	-	-	10%	11%				

SCHEDULE OF INVESTMENTS – ALL FUNDS
For the Year Ended September 30, 2019

GENERAL FUND			
Certificate of Deposit dated 9/25/10. Due 12/31/13	3.70%	\$	609,864
Total General Fund			<u>609,864</u>
WATER AND SEWER FUND:			
Certificate of Deposit dated 8/26/10. Due 11/26/13	2.25%		133,971
Total Water and Sewer Fund			<u>133,971</u>
EXPENDABLE TRUST FUND:			
Certificate of Deposit dated 8/26/10. Due 11/26/13	3.25%		29,405
Total Expendable Trust Fund			<u>29,405</u>
TOTAL INVESTMENTS		\$	<u><u>773,240</u></u>

PRINCIPAL OFFICIALS
For the Year Ended September 30, 2019

<u>Name</u>	<u>Title and Position</u>	<u>Years in Town Government</u>
Jesse Edwards	Mayor	27
Glendon Billingsley	Vice Mayor	5
Nicole Johnson	City Clerk	2
Reshea Thomas	Deputy Clerk	2
Undra Todd	Chief of Police	15
Sherman Riley	Alderman	14
Randy McAdory	Alderman	6
Gloria Sipp	Alderman	6
Donzella Jefferies	Alderman	15

SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
For the Year Ended September 30, 2019

Glendon Billinglsey, Vice Mayor	Mississippi Municipal Bond Program	50,000
Nicole Johnson, City Clerk	The St. Paul Surety	100,000
Reshea Thomas, Deputy Clerk	The St. Paul Surety	50,000
Undra Todd, Chief Of Police	The St. Paul Surety	25,000
Michael Smith, Police Officer	The St. Paul Surety	25,000
Daniel Chandler, Police Officer	The St. Paul Surety	25,000
Earnest Bradley, Police Officer	The St. Paul Surety	25,000
Gregory Sansom, Assistant Police Chief	The St. Paul Surety	25,000
Gloria Sipp, Alderman	Mississippi Municipal Bond Program	50,000
Randie Mcadory, Alderman	Mississippi Municipal Bond Program	50,000
Sherman Riley, Alderman	Mississippi Municipal Bond Program	50,000
Donzella Jeffries, Alderman	Mississippi Municipal Bond Program	50,000

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

JONES &
TUGGLE

To the Town of Coldwater and Board of Aldermen
Coldwater, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Coldwater, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Coldwater, Mississippi's basic financial statements, and have issued our report thereon dated July 15, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Coldwater, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


Memphis, TN
July 15, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the general-purpose financial statements of the Town of Coldwater, Mississippi, as of and for the year ended September 30, 2019, and have issued our reported thereon dated July 15, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state compliance and by the audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state law 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, the general-purpose financial statements disclosed one material instances of noncompliance with state law and regulations. The finding is listed in our schedule of Finding and Recommendation.

This report is intended for the information of the Town's management and the Office of the State Auditors 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 and its distribution is not limited.



Memphis, TN
July 15, 2020

STATUS OF PRIOR YEAR FINDING
For the Year Ended September 30, 2019

Finding No. 1 – Annual Audit

Condition: The Town has not completed an audit in past four years.

Criteria: Section 21-35-31 (1), Miss. Code Ann. (1972), requires all municipalities have an annual audit of their books.

Status: The Town is currently up to date on its last two year audits.