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FINANCIAL STATEMENTS
CITY OF BALDWIN, MISSISSIPPI
Year Ended September 30, 2006

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STATE AUDITOR'S OFFICE

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INDEPENDENT AUDITOR'S REPORT

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JARRELL, P.A.**

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AICPA & MSCPA

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 September 30, 2006, and for the year then ended, which collectively comprises the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Baldwin, Mississippi's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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 remaining fund information of the City of Baldwin, Mississippi as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

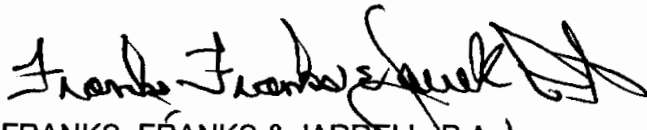
The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and pages 36 and 39, are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The

introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated May, 11 2007, 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, grant 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* and should be considered in assessing the results of our audit.

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

A handwritten signature in black ink, appearing to read "Frank Franks", with a stylized flourish at the end.

FRANKS, FRANKS & JARRELL, P.A.)
May 11, 2007

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2006

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, 2006. 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 \$5,557,107. Of this amount, \$1,218,636 may be used to meet the City of Baldwin ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Baldwin governmental funds reported combined ending fund balances of \$1,102,606, an increase of \$777,360 in comparison to the prior year. Approximately 42 percent of the combined fund balances, \$441,379 is considered unreserved and is available for spending at the City of Baldwin discretion.
- The City of Baldwin's total debt increased by \$571,993 (28 percent) during the current fiscal year to an ending balance of \$2,622,449. New debt was incurred during the current year related to public improvement bonds (\$600,000) and capital leases for equipment purchases.

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 four Governmental Fund types: the 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 Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; 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 assets 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 assets and how they have changed. Net assets—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 assets 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 Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The City of Baldwin's assets exceeded liabilities by \$5,557,107 at the close of the most recent fiscal year.

A large portion, 77 percent, of the City's net assets 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 Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 1,313,036	513,059	\$ 988,143	1,124,346	\$ 2,301,179	1,637,405
Noncurrent Assets	<u>1,942,604</u>	<u>1,983,545</u>	<u>4,369,986</u>	<u>4,404,951</u>	<u>6,312,590</u>	<u>6,388,496</u>
Total Assets	3,255,640	2,496,604	5,358,129	5,529,297	8,613,769	8,025,901
Current and Other Liabilities	157,149	88,626	490,963	488,238	648,112	576,864
Long-Term Liabilities	<u>652,216</u>	<u>34,617</u>	<u>1,756,334</u>	<u>1,859,952</u>	<u>2,408,550</u>	<u>1,894,569</u>
Total Liabilities	809,365	123,243	2,247,297	2,348,190	3,056,662	2,471,433
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	1,806,887	1,920,711	2,472,764	2,416,771	4,279,651	4,337,482
Restricted	58,820	36,779	0	0	58,820	36,779
Unrestricted	<u>580,568</u>	<u>415,871</u>	<u>638,068</u>	<u>764,336</u>	<u>1,218,636</u>	<u>1,180,207</u>
Total Net Assets	\$ 2,446,275	2,373,361	\$ 3,110,832	3,181,107	\$ 5,557,107	5,554,468

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The \$595,183 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net assets of our business-type activities were \$638,068 at the end of the current fiscal year. These resources cannot be used to add to the net asset surplus in governmental activities. The City of Baldwin generally can only use these net assets to finance the continuing operations of the business type activities.

Changes in net assets. Approximately 10.81 percent of the City of Baldwin's revenue comes from property taxes, with 25.42 percent of all revenue coming from some type of tax. (See Table A-2.) Another 64.50 percent comes from fees charged for services, 4.68 percent from operating and capital grants and contributions and the balance is from investment earnings and other miscellaneous receipts.

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

CITY OF BALDWIN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-2
Changes in the City of Baldwin's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 204,118	\$ 234,541	\$ 2,716,632	\$ 1,981,580	\$ 2,920,750	\$ 2,216,121
Capital Grants & Contributions	101,518	232,735	121,233	0	222,751	232,735
General Revenues:						
Property Taxes	514,786	425,859	0	0	514,786	425,859
Other Taxes	695,758	643,217	0	0	695,758	643,217
Investment Income	10,455	1,563	39,078	11,956	49,533	13,519
Other	<u>208,681</u>	<u>128,071</u>	<u>0</u>	<u>0</u>	<u>208,681</u>	<u>128,071</u>
Total Revenues	1,735,316	1,665,986	2,876,943	1,993,536	4,612,259	3,659,522
Expenses						
General Government	348,459	354,546	0	0	348,459	354,546
Public Safety	919,208	794,477	0	0	919,208	794,477
Public Works	335,998	385,897	0	0	335,998	385,897
Culture & Recreation	102,006	112,780	0	0	102,006	112,780
Health & Welfare	100,000	50,000	0	0	100,000	50,000
Museum	53,463	50,586	0	0	53,463	50,586
Debt Service	3,268	6,435	0	0	3,268	6,435
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>2,747,218</u>	<u>1,809,353</u>	<u>2,747,218</u>	<u>1,809,353</u>
Total Expenses	1,862,402	1,754,721	2,747,218	1,809,353	4,609,620	3,564,074
Excess of Revenue Over Expenses	(127,086)	(88,735)	129,725	184,183	2,639	95,448
Transfers	<u>200,000</u>	<u>200,000</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	72,914	111,265	(70,275)	(15,817)	2,639	95,448
Net Assets--Beginning Restated						
Net Assets--Beginning	<u>2,373,361</u>	<u>2,262,096</u>	<u>3,181,107</u>	<u>3,196,924</u>	<u>5,554,468</u>	<u>5,459,020</u>
Net Assets--Ending	<u>\$ 2,446,275</u>	<u>\$ 2,373,361</u>	<u>\$ 3,110,832</u>	<u>\$ 3,181,107</u>	<u>\$ 5,557,107</u>	<u>\$ 5,554,468</u>

Governmental Activities

Governmental activities increased the City's net assets by \$72,914, thereby accounting for 100 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (40 percent), property taxes (29 percent), charges for services (12 percent) and other grants & contributions (6 percent).

CITY OF BALDWIN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest expense categories for the City's governmental activities are public safety (49 percent), general government (19 percent) and public works (18 percent).

Business-type Activities

Business-type activities decreased the City's net assets by \$70,275.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$2,716,632 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, unreserved 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, unreserved fund balance of the general fund was \$453,717, which comprised the 43 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. Total unreserved fund balance represents 24.85 percent of total fund expenditures. The fund balance of the City's general fund decreased by \$755,319 during the current fiscal year, primarily related to issuance of bonds payable and capital lease payables.

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 \$58,820, 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 assets of the proprietary funds at the end of the current fiscal year totaled \$3,110,832.

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 2005-06 general fund operating budget increased by approximately \$1,036,500 during the current fiscal year. This increase was primarily related to an increase in capital outlay for construction projects related to public improvement bonds that were issued and grant funds that were to be received.

The City's tax millage for the 2006 fiscal year remained constant with no change. The City has not increased the tax millage rate in the past five years. The millage rate has actually decreased by 3.5 mills or 10 percent in the past five years.

CITY OF BALDWIN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006, amounted to \$6,288,696, net of accumulated depreciation of \$7,071,023. 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 277,614	277,614	\$ 99,804	99,804	\$ 377,418	377,418
Plant, Buildings & Improvements	1,683,179	1,679,051	9,611,198	9,456,058	11,294,377	11,135,109
Machinery & Equipment	987,584	971,641	224,633	224,633	1,212,217	1,196,274
Infrastructure	475,707	463,695	0	0	475,707	463,695
Accumulated Depreciation	<u>(1,481,620)</u>	<u>(1,408,596)</u>	<u>(5,589,403)</u>	<u>(5,375,963)</u>	<u>(7,071,023)</u>	<u>(6,784,559)</u>
Total	\$ 1,942,464	1,983,405	\$ 4,346,232	4,404,532	\$ 6,288,696	6,387,937

Long-term Debt—At year-end, the city had \$2,622,449 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ 611,000	22,000	\$ 1,180,000	1,170,110	\$ 1,791,000	1,192,110
CAP Loans	0	2,428	473,697	533,084	473,697	535,512
Promissory Notes	14,086	16,559	243,106	284,567	257,192	301,126
Capital Lease Payable	<u>100,560</u>	<u>21,707</u>	<u>0</u>	<u>0</u>	<u>100,560</u>	<u>21,707</u>
Total	\$ 725,646	62,694	\$ 1,896,803	1,987,761	\$ 2,622,449	2,050,455

**CITY OF BALDWIN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 2006 budget. The total budgeted appropriations for the City operations is \$1,745,000. This is a decrease from the prior year budget. The decrease is primarily related to capital outlay related to governmental funds. The City budgeted projects in the prior year.

**CONTACTING THE CITY OF BALDWIN
FINANCIAL MANAGEMENT**

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

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash on Deposit	\$ 1,018,529	\$ 84,583	\$ 1,103,112
Money Market, CD's	62,219	754,449	816,668
Due From Other Governments	50,860		50,860
Accounts Receivable, net		149,111	149,111
Court Fines Receivable	70,826		70,826
Property Taxes Receivable	56,025		56,025
Other Receivable	0		-
Due From Other Funds	54,577		54,577
TOTAL CURRENT ASSETS	1,313,036	988,143	2,301,179
Noncurrent Assets:			
Utility Deposits	140	419	559
Bond Issue Costs, net of amortization		23,335	23,335
Capital Assets:			
Land	277,614	99,804	377,418
Plant, Buildings and Improvements	1,683,179	9,611,198	11,294,377
Machinery and Equipment	987,584	224,633	1,212,217
Infrastructure	475,707		475,707
Accumulated Depreciation	(1,481,620)	(5,589,403)	(7,071,023)
TOTAL NONCURRENT ASSETS	1,942,604	4,369,986	6,312,590
TOTAL ASSETS	\$ 3,255,640	\$ 5,358,129	\$ 8,613,769

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 61,838	\$ 37,453	\$ 99,291
Due to Other Funds	21,881	32,696	54,577
Current Maturities of Long-Term Debt			
General Obligation Bonds	41,000	30,000	71,000
Notes Payable	2,558	110,469	113,027
Capital Lease Payable	29,872	0	29,872
Customer Deposits		280,345	280,345
TOTAL CURRENT LIABILITIES	157,149	490,963	648,112
Noncurrent Liabilities:			
General Obligation Bonds, net of current maturities	570,000	1,150,000	1,720,000
Notes Payable, net of current maturities	11,528	606,334	617,862
Capital Lease Payable, net of current maturities	70,688	0	70,688
TOTAL NONCURRENT LIABILITIES	652,216	1,756,334	2,408,550
TOTAL LIABILITIES	809,365	2,247,297	3,056,662
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	1,806,887	2,472,764	4,279,651
Restricted for:			
Special Revenue Projects	58,820		58,820
Unrestricted	580,568	638,068	1,218,636
TOTAL NET ASSETS	2,446,275	3,110,832	5,557,107
TOTAL LIABILITIES AND NET ASSETS	\$ 3,255,640	\$ 5,358,129	\$ 8,613,769

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE
 September 30, 2006

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charge 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	\$ 348,459	\$ 62,776	\$ -	\$ 1,518	\$ 62,776	\$ (285,683)	\$ -	\$ (285,683)
Public Safety	919,208	141,342	-	0	142,860	(776,348)	-	(776,348)
Public Works	335,998	-	-	0	-	(335,998)	-	(335,998)
Culture and Recreation	102,006	-	-	0	-	(102,006)	-	(102,006)
Health and Welfare	100,000	-	100,000	-	100,000	-	-	-
Other Functions	53,463	-	-	-	-	(53,463)	-	(53,463)
Debt Service	3,268	-	-	-	-	(3,268)	-	(3,268)
TOTAL GOVERNMENTAL ACTIVITIES	1,862,402	204,118	-	101,518	305,636	(1,556,766)	-	(1,556,766)
Business-Type Activities:								
Water, Sewer & Gas System	2,747,218	2,716,632	-	121,233	2,837,865	-	90,647	90,647
TOTAL BUSINESS-TYPE ACTIVITIES	2,747,218	2,716,632	-	121,233	2,837,865	-	90,647	90,647
TOTAL PRIMARY GOVERNMENT	\$ 4,609,620	\$ 2,920,750	\$ -	\$ 222,751	\$ 3,143,501	\$ (1,556,766)	\$ 90,647	\$ (1,466,119)

GENERAL REVENUES:

Taxes:		
Property Taxes, Levied for General Purposes	\$ 459,906	\$ 459,906
Property Taxes, Levied for Special Revenue Purposes	54,880	54,880
Sales Taxes	577,805	577,805
County Pro Rata Taxes	26,623	26,623
Licenses and Permits	25,741	25,741
In Lieu Taxes	80,438	80,438
Gasoline Taxes & Other Taxes	10,892	10,892
Homestead Reimbursement	44,217	44,217
Sale of Land and Equipment	(5,732)	(5,732)
Investment Earnings	10,455	10,455
Miscellaneous	144,455	144,455
Transfers	200,000	(200,000)
TOTAL GENERAL REVENUES AND TRANSFERS	1,629,680	1,629,680
CHANGE IN NET ASSETS	72,914	(70,275)
NET ASSETS--BEGINNING	2,373,361	3,181,107
NET ASSETS--ENDING	\$ 2,446,275	\$ 3,110,832

See accompanying notes to financial statements.

**CITY OF BALDWIN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 946,833	\$ 71,696	\$ 1,018,529
Money Market, CD's	62,219		62,219
Due From Other Governments	50,860		50,860
Due From Other Funds	49,262	5,315	54,577
Other Receivables	0		-
Utility Deposits	140		140
TOTAL ASSETS	\$ 1,109,314	\$ 77,011	\$ 1,186,325
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable and Accrued Expenses	\$ 60,213	\$ 1,625	\$ 61,838
Due to Other Funds	5,315	16,566	21,881
Due to Other Governments			-
TOTAL LIABILITIES	65,528	18,191	83,719
<u>FUND BALANCES:</u>			
Unrestricted:			
Special Revenue Funds		58,820	58,820
Capital Projects	590,069		590,069
Undesignated	453,717		453,717
TOTAL FUND BALANCES	1,043,786	58,820	1,102,606
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,109,314	\$ 77,011	\$ 1,186,325

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2006

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,102,606
Amounts reported for Governmental Activities in the Statement of Net Assets 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.	1,942,464
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(725,646)
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.	56,025
Accrual of court fine revenues to qualify as financial resources.	70,826
	<hr/>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>2,446,275</u></u>

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

For the year ended September 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
General Property Taxes	\$ 445,844	\$ 54,880	\$ 500,724
Sales and Use Taxes	577,805		577,805
Licenses and Permits	25,741		25,741
In Lieu of Taxes	80,438		80,438
Penalties and Interest	8,679		8,679
Intergovernmental Revenues	73,089	25,532	98,621
Charges for Services	62,776		62,776
Rentals	23,511		23,511
Fines and Forfeits	155,957		155,957
Interest Revenues	9,968	487	10,455
Grant Income	142,741	1,518	144,259
Miscellaneous Revenues	52,135	500	52,635
TOTAL REVENUES	<u>1,658,684</u>	<u>82,917</u>	<u>1,741,601</u>
EXPENDITURES:			
Current:			
General Government	325,007		325,007
Public Safety	835,913	30,491	866,404
Public Works	394,595		394,595
Culture and Recreation	68,767	21,071	89,838
Health and Welfare	100,000		100,000
Other Functions	54,234		54,234
Capital Projects		6,263	6,263
Debt Service	47,638	3,051	50,689
TOTAL EXPENDITURES	<u>1,826,154</u>	<u>60,876</u>	<u>1,887,030</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(167,470)</u>	<u>22,041</u>	<u>(145,429)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issuance	710,382		710,382
Sale of Land and Equipment	12,407		12,407
Transfers from Other Funds	200,000		200,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>922,789</u>	<u>0</u>	<u>922,789</u>
NET CHANGE IN FUND BALANCES	755,319	22,041	777,360
FUND BALANCES - Beginning	288,467	36,779	325,246
FUND BALANCES - Ending	<u>\$ 1,043,786</u>	<u>\$ 58,820</u>	<u>\$ 1,102,606</u>

See accompanying notes to 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 AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	777,360
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 and Changes in Net Assets, 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.		137,686
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(160,489)
Proceeds from the disposition of fixed assets is reported as income in the Governmental Funds. There is no gain or loss on sale of the fixed assets, therefore the proceeds are not reported as income in the Government-Wide Statement of Activities and Changes in Net Assets.		(18,139)
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.		14,062
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		(14,615)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.		
This amount represents long-term debt issued.		(710,382)
This amount represents long-term debt repayments and issuance costs.		47,431
		72,914
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	72,914

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2006

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
General Property Taxes	\$ 441,000	\$ 441,000	\$ 445,844	\$ 4,844
Sales and Use Taxes	550,000	563,000	580,265	17,265
Licenses and Permits	27,300	27,300	25,741	(1,559)
In Lieu of Taxes	70,000	70,000	80,348	10,348
Penalties and Interest	10,000	10,000	8,679	(1,321)
Intergovernmental Revenues	236,500	291,000	215,830	(75,170)
Charges for Services	60,000	60,000	62,776	2,776
Rentals	24,000	24,000	23,511	(489)
Fines and Forfeits	167,000	167,000	155,957	(11,043)
Interest Revenues	2,100	2,100	9,968	7,868
Miscellaneous Revenues	15,000	40,000	52,135	12,135
TOTAL REVENUES	<u>1,602,900</u>	<u>1,695,400</u>	<u>1,661,054</u>	<u>(34,346)</u>
EXPENDITURES:				
Current:				
General Government	494,700	494,700	325,007	169,693
Public Safety	810,000	862,300	835,913	26,387
Public Works	403,800	1,353,500	394,595	958,905
Culture and Recreation	82,600	109,100	68,767	40,333
Health and Welfare	150,000	150,000	100,000	50,000
Other Functions	48,300	56,300	54,234	2,066
Debt Service	51,500	51,500	47,638	3,862
TOTAL EXPENDITURES	<u>2,040,900</u>	<u>3,077,400</u>	<u>1,826,154</u>	<u>1,251,246</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(438,000)</u>	<u>(1,382,000)</u>	<u>(165,100)</u>	<u>1,216,900</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issued	83,000	115,000	710,382	595,382
Sale of Land and Equipment	5,000	17,000	12,407	(4,593)
Transfers (to) from Other Funds	200,000	200,000	200,000	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>288,000</u>	<u>332,000</u>	<u>922,789</u>	<u>590,789</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	<u>\$ (150,000)</u>	<u>\$ (1,050,000)</u>	<u>\$ 757,689</u>	<u>\$ 1,807,689</u>

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006

ASSETS

Current Assets

Cash and Cash Equivalents	\$	84,583
Investments		754,449
Accounts Receivable, Net of Provision for Bad Debts		149,111
Total Current Assets		988,143

Fixed Assets

Water, Sewer, and Gas System		
Buildings, Vehicles and Equipment		9,835,831
Land		99,804
Less: Accumulated Depreciation		(5,589,403)
Net Fixed Assets		4,346,232

Other Assets

Bond Issue Costs, net of amortization		23,335
Utility Deposits		419
Total Other Assets		23,754

TOTAL ASSETS	\$	5,358,129
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	15,393
Due to General Fund		32,696
Refundable Meter Deposits		280,345
Accrued Liabilities		22,060
Notes, Bonds and Capital Leases Payable - Within One Year		140,469
Total Current Liabilities		490,963

Long-Term Debt

Notes, Bonds and Capital Leases Payable		
Less Current Portion		1,756,334

Net Assets

Invested in Capital Assets, Net of Related Debt		2,449,429
Unrestricted		661,403
Total Net Assets		3,110,832

TOTAL LIABILITIES AND NET ASSETS	\$	5,358,129
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See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2006

<u>OPERATING REVENUES</u>	
Charges for Services	\$ 2,653,810
Service Charges and Penalties	48,207
Other Receipts	14,615
Total Operating Revenues	<u>2,716,632</u>
Less: Gas Purchased	<u>1,608,255</u>
Net Income Before Operating Expenses	<u>1,108,377</u>
<u>OPERATING EXPENSES</u>	
Personal Services	396,414
Contractual Services	286,715
Supplies	95,786
Relocation of Lines	0
Depreciation and Amortization	213,705
Bad Debts	0
Other Services	57,478
Total Operating Expenses	<u>1,050,098</u>
Operating Income	<u>58,279</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	39,078
Loans and Grants	121,233
Interest and Fiscal Charges	<u>(88,865)</u>
Total Non-Operating Revenues (Expenses)	<u>71,446</u>
<u>INCOME BEFORE OPERATING TRANSFERS</u>	129,725
Operating Transfers (Out)	<u>(200,000)</u>
NET INCOME (LOSS)	(70,275)
NET ASSETS - OCTOBER 1	<u>3,181,107</u>
NET ASSETS - SEPTEMBER 30	<u>\$ 3,110,832</u>

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$	2,726,829
Cash Payments for Gas Purchases		(1,631,572)
Cash Payments for Personal Services		(396,414)
Cash Payments for Contractual Services		(286,715)
Cash Payments for Supplies		(95,786)
Cash Payments for Other Services		(58,229)
Net Cash Provided By Operating Activities		258,113

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating Transfers - In from (Out) to Other Funds		(200,000)
Miscellaneous Funds-Net		119,884
Net Cash Flows Provided By (Used In) Noncapital Financing Activities		(80,116)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition Fixed Assets		(155,139)
Proceeds from Issuance of Bonds Payable		1,180,000
Principal Paid on Bonds, Notes and Capital Lease Payables		(1,270,959)
Discount on Issuance of Bonds Payable		(23,600)
Interest Paid on Bonds, Notes and Capital Lease Payables		(88,865)
Net Cash Provided By (Used In) Noncapital Financing Activities		(358,563)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments		39,078
Net Cash Provided By Investing Activities		39,078
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH		(141,488)
CASH AND RESTRICTED CASH, OCTOBER 1		980,520
CASH AND RESTRICTED CASH, SEPTEMBER 30	\$	839,032

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

Operating Income	\$	58,279
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities		
Depreciation		213,705
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(5,285)
Increase (Decrease) in Accounts Payable - operating activities		(23,317)
Increase (Decrease) in Accrued Expenses - operating activities		(751)
Increase in Customer Deposits		15,482
Total Adjustments		199,834
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	258,113

See accompanying notes to financial statements.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

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

Fund Financial Statements

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

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following governmental funds:

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

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

The City reports the following major proprietary funds:

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

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals 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, 2006**

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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

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, 2006**

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 Depository Insurance Corporation.

Investments - State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a 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, 2006 are:

Investments:

Certificates of Deposit	\$ 816,668
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Revenue Recognition - Property Taxes

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

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

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements.

Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the enterprise funds and have been reported on the balance sheets of the enterprise funds.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Encumbrances

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

Compensated Absences

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

Estimates

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

Cash and Cash Equivalents

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

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.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 2 - FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2006:

Primary Government:

	<u>Balance</u> <u>10-01-05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-06</u>
Capital Assets, not being depreciated:				
Land	\$ 277,614	\$ 0	\$ 0	\$ 277,614
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	277,614	0	0	277,614
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	1,679,051	4,128	0	1,683,179
Infrastructure	463,695	12,012	0	475,707
Machinery and Equipment	<u>971,641</u>	<u>121,547</u>	<u>(105,604)</u>	<u>987,584</u>
Total Capital Assets being depreciated	3,114,387	137,687	(105,604)	3,146,470
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(583,445)	(38,412)	0	(621,857)
Machinery and Equipment	(695,500)	(110,967)	87,465	(719,002)
Infrastructure	<u>(129,651)</u>	<u>(11,110)</u>	<u>0</u>	<u>(140,761)</u>
Total Accumulated Depreciation	(1,408,596)	(160,489)	87,465	(1,481,620)
Total Capital Assets, depreciated, net Governmental Activities	<u>1,705,791</u>	<u>(22,802)</u>	<u>(18,139)</u>	<u>1,664,850</u>
Capital Assets, net	<u>\$ 1,983,405</u>	<u>\$ (22,802)</u>	<u>\$ (18,139)</u>	<u>\$ 1,942,464</u>

The City's capitalization threshold is \$500 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.

A summary of business-type capital asset activity at September 30, 2006 follows:

	<u>Balance</u> <u>10-01-05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-06</u>
Capital Assets, not being depreciated:				
Land	\$ 99,804	\$ 0	\$ 0	\$ 99,804
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	99,804	0	0	99,804

**CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006**

NOTE 2 - FIXED ASSETS – Continued

	<u>Balance</u> <u>10-01-05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-06</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 9,456,058	\$ 155,140	\$ 0	\$ 9,611,198
Machinery and Equipment	<u>224,633</u>	<u>0</u>	<u>0</u>	<u>224,633</u>
Total Capital Assets being depreciated	9,680,691	155,140	0	9,835,831
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(5,162,074)	(208,702)	0	(5,370,776)
Machinery and Equipment	<u>(213,889)</u>	<u>(4,738)</u>	<u>0</u>	<u>(218,627)</u>
Total Accumulated Depreciation	<u>(5,375,963)</u>	<u>(213,440)</u>	<u>0</u>	<u>(5,589,403)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>4,304,728</u>	<u>(58,300)</u>	<u>0</u>	<u>4,246,428</u>
Capital Assets, net	<u>\$ 4,404,532</u>	<u>\$ (58,300)</u>	<u>\$ 0</u>	<u>\$ 4,346,232</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	\$ 24,001
Public Safety	95,455
Public Works	24,736
Culture & Recreation	<u>16,297</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 160,489</u>
*Depreciation expense for Water, Sewer and Gas was	\$ 213,440

**CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006**

NOTE 3 – RECEIVABLES

Receivables at September 30, 2006, consisted primarily of property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

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

NOTE 4 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2006:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/05	\$ 2,028,748	\$ 21,707	\$ 2,050,455
Add: Bonds and Other Long-Term Debt Acquired	1,780,000	110,382	1,890,382
Less: Bonds and Other Long-Term Debt Retired	<u>1,286,859</u>	<u>31,529</u>	<u>1,318,388</u>
Bonds and Other Long-Term Debt at 9/30/06	<u>\$ 2,521,889</u>	<u>\$ 100,560</u>	<u>\$ 2,622,449</u>

Bonds and other long-term debt at September 30, 2006 are comprised of the following issues:

General Obligation Bonds:

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

\$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 600,000

\$ 611,000

Revenue Bonds:

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

**CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006**

NOTE 4 - LONG-TERM DEBT - Continued

Notes Payable:

\$734,555 Note due in 236 monthly installments of \$4,111 through May 2012; interest at .25 percent	\$ 243,106
\$965,000 Note due in 180 monthly installments of \$6,994 through February 1, 2010; interest at 3.7 percent	473,697
\$35,000 Fire Truck Maintenance Bonds due in annual installments of \$1,000 to \$3,000 through December 1, 2011; interest at 3.7 percent	<u>14,086</u>
	<u>\$ 730,889</u>

Capital Leases Payable:

\$63,542 Capital Lease Payable due in 36 monthly installments of \$1,944 through January 15, 2004; interest at 6.37 percent	\$ 6,413
\$25,589 Capital Lease Payable due in 60 monthly installments of \$470 through November 5, 2007; interest at 3.90	4,116
\$39,142 Capital Lease Payable due in 36 monthly installments of \$1,155 through December 10, 2008; interest at 3.990 percent	29,791
\$71,240 Capital Lease Payable due in 60 monthly installments of \$812 through July 15, 2011; interest at 4.19 percent	<u>60,240</u>
	<u>\$ 100,560</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, 2006 including interest payments of \$1,169,930 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 73,430	\$ 33,854	\$ 140,469	\$ 72,127	\$ 213,899	\$ 105,981
2008	54,688	30,714	139,303	69,180	193,991	99,894
2009	44,188	28,153	148,271	64,286	192,459	92,439
2010	41,196	25,960	152,379	59,069	193,575	85,029
2011	66,848	23,772	156,631	53,707	223,479	77,479
2012 – 2016	195,296	82,856	294,750	219,270	490,046	302,126
2017 – 2021	250,000	33,394	210,000	178,410	460,000	211,804
2022 – 2026	0	0	260,000	128,203	260,000	128,203
2027 – 2031	0	0	325,000	63,685	325,000	63,685
2032 – 2036	0	0	70,000	3,290	70,000	3,290
	<u>\$ 725,646</u>	<u>\$ 258,703</u>	<u>\$ 1,896,803</u>	<u>\$ 911,227</u>	<u>\$ 2,622,449</u>	<u>\$ 1,169,930</u>

**CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006**

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2006, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 49,262	\$ 5,315
Special Revenue Fund:		
Fire Truck Maintenance Fund		16,566
Library O&M Fund	5,315	
Enterprise Fund:		
Water, Sewer, and Gas System Fund	<u> </u>	<u>32,696</u>
	<u>\$ 54,577</u>	<u>\$ 54,577</u>

NOTE 6 - LITIGATION

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the City of Baldwin is required to contribute at an actuarially determined rate. The current rate increased from 10.75% of annual covered payroll to 11.30%, effective July 1, 2006. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Baldwin's contributions to PERS for the years ending September 30, 2006, 2005, and 2004 were \$111,102, \$100,430 and \$97,686 respectively, equal to the required contributions for each year.

CITY OF BALDWIN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 8 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$2,370 more than cash revenues.

NOTE 9 - RISK MANAGEMENT

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

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

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2006, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

CITY OF BALDWIN, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2006 and 2005

	GENERAL	
	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 946,833	\$ 191,014
Investments	62,219	60,410
Accounts Receivable	50,860	60,276
Due from Other Funds	49,262	41,339
Utility Deposits	140	140
 Total Assets	 \$ 1,109,314	 \$ 353,179
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 28,990	\$ 34,257
Accrued Liabilities	31,223	25,313
Due to Other Funds	5,315	5,142
Total Liabilities	65,528	64,712
 <u>Fund Balance</u>		
Unreserved	453,717	276,312
Reserved	590,069	12,155
Total Fund Balance	1,043,786	288,467
 Total Liabilities and Fund Balance	 \$ 1,109,314	 \$ 353,179

CITY OF BALDWIN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 441,000	\$ 445,844	\$ 4,844
Privilege Licenses and Fees	16,800	15,352	(1,448)
Road Maintenance	31,500	17,980	(13,520)
Sales Tax	563,000	580,265	17,265
State Aid	11,000	10,892	(108)
Homestead Reimbursement	44,000	44,217	217
Court Fines and Fees	167,000	155,957	(11,043)
TVA In-Lieu Tax	37,000	39,851	2,851
PCEPA In-Lieu Tax	33,000	40,497	7,497
School Tax Collection Fees	60,000	62,776	2,776
Concessions	500	954	454
Miscellaneous	36,500	49,084	12,584
Cable Franchise Fees	10,500	10,389	(111)
Museum Income	3,000	2,097	(903)
Interest Income	2,100	9,968	7,868
Penalties and Interest	10,000	8,679	(1,321)
Park Commission	10,500	0	(10,500)
Grant Income - Wellness Center	0	0	0
Grant Income - Mural Grant	0	0	0
Grant Income - Police	14,000	13,167	(833)
Grant Income - FEMA	30,000	29,574	(426)
Home Partnership Grants	150,000	100,000	(50,000)
Rent Income	24,000	23,511	(489)
Total revenues	<u>1,695,400</u>	<u>1,661,054</u>	<u>(34,346)</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	189,500	188,940	560
Supplies	11,600	8,991	2,609
Other Services and Charges	288,600	126,527	162,073
Capital Outlay	5,000	549	4,451
Total	<u>494,700</u>	<u>325,007</u>	<u>169,693</u>
Public Safety			
Personnel Services	569,700	569,609	91
Supplies	89,300	86,226	3,074
Other Services and Charges	153,300	137,437	15,863
Capital Outlay	50,000	42,641	7,359
Total	<u>862,300</u>	<u>835,913</u>	<u>26,387</u>
Public Works			
Personnel Services	204,900	202,805	2,095
Supplies	62,000	55,501	6,499
Other Services and Charges	58,800	52,956	5,844
Capital Outlay	1,027,800	83,333	944,467
Total	<u>1,353,500</u>	<u>394,595</u>	<u>958,905</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, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Cultural and Recreational			
Personnel Services	\$ 40,600	\$ 13,333	\$ 27,267
Supplies	22,200	18,040	4,160
Other Services and Charges	35,300	33,266	2,034
Capital Outlay	11,000	4,128	6,872
Total	<u>109,100</u>	<u>68,767</u>	<u>40,333</u>
Health and Welfare			
Other Services and Charges	150,000	100,000	50,000
Total	<u>150,000</u>	<u>100,000</u>	<u>50,000</u>
Museum			
Personnel Services	36,200	36,030	170
Supplies	3,200	2,908	292
Other Services and Charges	15,900	14,525	1,375
Capital Outlay	1,000	771	229
Total	<u>56,300</u>	<u>54,234</u>	<u>2,066</u>
Debt service			
Principal Retirement	48,100	44,948	3,152
Interest and Fiscal Charges	3,400	2,690	710
Total	<u>51,500</u>	<u>47,638</u>	<u>3,862</u>
Total expenditures	<u>3,077,400</u>	<u>1,826,154</u>	<u>1,251,246</u>
Excess (Deficit) revenues over (under) expenditures	<u>(1,382,000)</u>	<u>(165,100)</u>	<u>1,216,900</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Issuance	115,000	710,382	595,382
Sale of Capital Assets	17,000	12,407	(4,593)
Operating transfers in	200,000	200,000	0
Total other financing sources (uses)	<u>332,000</u>	<u>922,789</u>	<u>590,789</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>(1,050,000)</u>	757,689	1,807,689
Fund balances at October 1, 2005	<u>288,467</u>	<u>288,467</u>	<u>0</u>
Fund balances at September 30, 2006	\$ <u><u>(761,533)</u></u>	\$ 1,046,156	\$ <u><u>1,807,689</u></u>
Adjustments To GAAP Basis:			
Less: Accrued revenue		<u>(2,370)</u>	
Fund Balance GAAP September 30, 2006		\$ <u><u>1,043,786</u></u>	

CITY OF BALDWIN, MISSISSIPPI
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2006

	<u>FIRE TRUCK MAINTENANCE</u>	<u>LIBRARY OPERATION AND MAINTENANCE</u>	<u>TOTALS</u>	
			<u>SEPTEMBER 30, 2006</u>	<u>SEPTEMBER 30, 2005</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 71,696	\$ 0	\$ 71,696	\$ 40,643
Accounts Receivable	0	0	0	0
Due from Other Funds	0	5,315	5,315	5,142
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>71,696</u>	\$ <u>5,315</u>	\$ <u>77,011</u>	\$ <u>45,785</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 889	\$ 736	\$ 1,625	\$ 1,310
Accrued Liabilities	0	0	0	402
Due to Other Funds	16,566	0	16,566	7,294
Total Liabilities	<hr/> 17,455	<hr/> 736	<hr/> 18,191	<hr/> 9,006
Fund Balances	<hr/> 54,241	<hr/> 4,579	<hr/> 58,820	<hr/> 36,779
Total Liabilities and Fund Balances	\$ <u>71,696</u>	\$ <u>5,315</u>	\$ <u>77,011</u>	\$ <u>45,785</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, 2006

	FIRE TRUCK MAINTENANCE			LIBRARY OPERATION & MAINTENANCE			TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES									
Ad Valorem Taxes	\$ 33,000	\$ 33,532	\$ 532	\$ 22,330	\$ 21,348	\$ (982)	\$ 55,330	\$ 54,880	\$ (450)
Fire Protection	15,000	16,889	1,889	0	0	0	15,000	16,889	1,889
Lee County	7,900	8,643	743	0	0	0	7,900	8,643	743
FEMA-Homeland Sec. Grant	0	1,518	1,518	0	0	0	0	1,518	1,518
Interest Income	0	487	487	0	0	0	0	487	487
Miscellaneous Income	0	500	500	0	0	0	0	500	500
Grant Income	0	0	0	0	0	0	0	0	0
Total revenues	55,900	61,569	5,669	22,330	21,348	(982)	78,230	82,917	4,687
EXPENDITURES									
Public Safety									
Personnel Services	22,250	14,808	7,442	9,030	8,936	94	31,280	23,744	7,536
Supplies	1,500	922	578	700	641	59	2,200	1,563	637
Other Services and Charges	15,200	14,761	439	12,600	11,494	1,106	27,800	26,255	1,545
Debt Service	3,100	3,051	49	0	0	0	3,100	3,051	49
Capital Outlay	13,850	6,263	7,587	0	0	0	13,850	6,263	7,587
Total	55,900	39,805	16,095	22,330	21,071	1,259	78,230	60,876	17,354
Total expenditures	55,900	39,805	16,095	22,330	21,071	1,259	78,230	60,876	17,354
Excess (deficit) revenues over (under) expenditures	0	21,764	21,764	0	277	277	0	22,041	22,041
Fund balances at October 1, 2005	\$ 32,477	\$ 32,477	\$ 0	\$ 4,302	\$ 4,302	\$ 0	\$ 36,779	\$ 36,779	\$ 0
Fund balances at September 30, 2006	\$ 32,477	\$ 54,241	\$ 21,764	\$ 4,302	\$ 4,579	\$ 277	\$ 36,779	\$ 58,820	\$ 22,041

OTHER SUPPLEMENTAL INFORMATION

CITY OF BALDWIN, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
For the Fiscal Year Ended September 30, 2006

<u>Adjusted Assessed Valuation</u>	<u>ASSESSED</u>	<u>VALUE</u>	<u>TAX</u>
<u>City:</u>			
Realty	\$	10,402,762	
Personal - Other than Auto and Public Utilities		<u>4,586,688</u>	
Total @ 31 Mills	\$	<u>14,989,450</u>	464,673
 <u>School Tax Only:</u>			
Realty	\$	21,188,078	
Personal - Other than Auto and Public Utilities		<u>5,856,165</u>	
Total @ 58.62 Mills	\$	<u>27,044,243</u>	1,585,334
 Personal - Auto (Remitted by County) @ 31.00 Mills		<u>2,874,721</u>	89,116
			<u>2,139,123</u>
Less: Homestead Exemption Allowed			(85,392)
Over 65 Tax Losses			(208,892)
Delinquent Taxes			(22,997)
Change in Dollar Amounts			<u>165,892</u>
			1,987,734
Add: Actual Homestead Reimbursement			44,217
Prior Year Tax Collections			8,935
In-Lieu Taxes, Mobile Home, etc.			<u>17,713</u>
			<u>70,865</u>
Total to be Accounted for:			<u>\$ 2,058,599</u>
 <u>Credits:</u>		<u>TAXES</u>	
Collections Allocated to:			
General Fund	\$	489,969	
Fire Truck Maintenance Fund		33,532	
Municipal Building Fund		92	
Library Operation and Maintenance Fund		21,348	
Collection Fees to General Fund		30,647	
School Bond and Interest Fund		150,360	
School Operating Funds		555,734	
Separate School District Millage		<u>781,618</u>	
Total			2,063,300
Balance Represented by:			
Change in Tax Collector's Account			(6,138)
Unaccounted for - Under Settled	\$	<u>1,437</u>	<u>(4,701)</u>
Total Accounted for:			<u>\$ 2,058,599</u>

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2006

NAME	POSITION	COMPANY	BOND
Lynda Conlee	City Clerk	Fidelity and Deposit Co.	\$ 50,000
Troy Agnew	Marshall	Fidelity and Deposit Co.	50,000
Danny Horton	Mayor	Travelers Casualty and Surety Co.	50,000
Sheene Barnett	Office Manager	Travelers Casualty and Surety Co.	35,000
Amy Hogue	Water Dept. Clerk	Fidelity and Deposit Co.	40,000
Alice Glover	Court Clerk	Fidelity and Deposit Co.	25,000
Nan Nanney	Secretary	Fidelity and Deposit Co.	35,000
Shelia McGee	Asst. Clerk	Travelers Casualty and Surety Co.	10,000
Stephen Scales	Alderman	Travelers Casualty and Surety Co.	25,000
Leonardo Bowdry	Alderman	Travelers Casualty and Surety Co.	25,000
Ronald Michael	Alderman	Travelers Casualty and Surety Co.	25,000
Richard Kohlheim	Alderman	Travelers Casualty and Surety Co.	25,000
Tammie Waters	Alderman	Travelers Casualty and Surety Co.	25,000

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2006

	BALANCE	TRANSACTIONS		BALANCE
	OUTSTANDING October 1, 2005	DURING FISCAL YEAR		OUTSTANDING September 30, 2006
		ISSUED	REDEEMED	
<u>General Obligation Bonds</u>				
Public Improvement Bonds	\$ 22,000	\$	\$ 11,000	\$ 11,000
Public Improvement Bonds		600,000		600,000
<u>Revenue Bonds</u>				
Combined Water, Sewer and Gas System	722,787		722,787	0
Combined Water, Sewer and Gas System	447,323		447,323	0
Combined Water, Sewer and Gas System		1,180,000		1,180,000
<u>Other Long Term Debt</u>				
Notes Payable - State of Mississippi				
Proprietary Fund-SRF	284,567		41,461	243,106
Note Payable - Mississippi Department of				
Community Development	16,559		2,473	14,086
CAP Loan - State of Mississippi	2,428		2,428	0
CAP Loan - State of Mississippi	533,084		59,387	473,697
Capital Lease Payable	10,437		6,321	4,116
Capital Lease Payable	11,270		4,857	6,413
Capital Lease Payable	0	39,142	9,351	29,791
Capital Lease Payable	0	71,240	11,000	60,240
TOTAL	\$ 2,050,455	\$ 1,890,382	\$ 1,318,388	\$ 2,622,449

OTHER REPORTS



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

CERTIFIED PUBLIC ACCOUNTANTS

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JONATHAN HAGOOD

MICHAEL LITTLE

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

**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 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, 2006, which collectively comprise the City of Baldwin, Mississippi's basic financial statements and have issued our report thereon dated May 11, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Baldwin, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Baldwin, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City of Baldwin, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Baldwin, Mississippi's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material

misstatement of the financial statements will not be prevented or detected by the City of Baldwin, Mississippi's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Baldwin, Mississippi's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 06-1.

City of Baldwin, Mississippi's response to the finding identified in our audit is described in the accompanying schedule findings and questioned costs. We did not audit the City of Baldwin, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, Mayor and Board of Aldermen, the State of Mississippi, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, it is a matter of public record and its distribution is not limited.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.

May 11, 2007

CITY OF BALDWIN, MISSISSIPPI
SCHEDULE OF FINDINGS
September 30, 2006

FINDING NO. 1

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

Cause of Condition: The City did not conduct inventory observations of fixed assets needed to maintain accountability of assets. The City's asset listing was not updated until after year-end. However, the City's listing did include all assets owned by the City.

Recommendation: The City should conduct year-end inventory observations of its fixed assets needed to maintain accountability of assets. Normally, this would be the responsibility of the various department heads of the City. The City should also update the fixed asset listing substantiating the valuation, location, description and inventory tag numbers of its fixed assets on a routine basis. The City should ensure all new assets purchased are tagged and properly accounted at the time of purchase of the related fixed asset.

Response: The City will conduct year-end inventory observations of their fixed assets. Also, the City will update the listing of all fixed assets on a routine basis to comply with state statutes.

- * Finding 1 is considered a Reportable Condition.
- * Finding 1 is considered a noncompliance finding.