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**TOWN OF COLDWATER, MISSISSIPPI**

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**AUDIT REPORT**  
**September 30, 2009**

**TOWN OF COLDWATER, MISSISSIPPI**

**ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2009**

**TABLE OF CONTENTS**

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	2
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	5
Statement of Activities.....	6
Fund Financial Statements:	
Governmental Funds Financial Statements	
Balance Sheet.....	7
Reconciliation of the Governmental Funds Balance Sheet.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	9
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement Activities.....	10
Proprietary Funds Financial Statements	
Statement of Net Assets.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	12
Statement of Cash Flows.....	13
Component Units Financial Statements	
Statement of Net Assets.....	14
Statement of Activities.....	15
Notes to Financial Statements.....	16
Required Supplementary Information other than Management's Discussion and Analysis	
Budgetary Comparison Schedule	
General Fund.....	24
Proprietary Fund.....	25
Component Unit.....	26
Schedule of Investment - All Funds.....	27
Principal Officials.....	28
Schedule of Surety Bonds.....	29
Additional Auditors' Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	30
Independent Auditors' Report on Compliance with State Laws and Regulations.....	32

To the Town of Coldwater  
Coldwater, Mississippi

We have audited the accompanying 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 the Town of Coldwater, MS, as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Coldwater, MS' management. Our responsibility is to express opinions on these financial statements based on our audit.

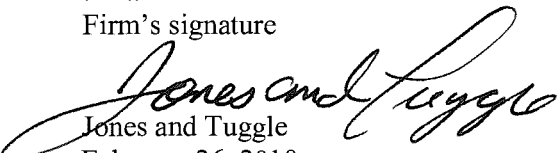
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the Town of Coldwater, MS, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then 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 2 through 4 and 24 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles 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 Town of Coldwater, MS' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Firm's signature

  
Jones and Tuggle  
February 26, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Town of Coldwater financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2009. 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

- . Total net assets decreased by \$213,575
- . Total General Revenues were \$771,108
- . Total Business-type revenues (sales of water and sewer) were \$245,052
- . Expenses for the Town were \$1,303,365

### 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. The Town uses funds accounting to ensure and demonstrate compliance with finance-related legal requirements. We currently have the General Fund and the Cemetery Fund (Component Unit).

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 09/30/2009	FYE 09/30/2008
Current assets	\$2,839,545	3,352,205
Capital assets, net	3,024,574	2,997,802
Total Assets	5,864,119	6,350,007
Current liabilities	80,032	220,300
Long-term debt outstanding	1,545,491	1,694,372
Total Liabilities	1,625,523	1,914,672
Net assets		
Invested in capital assets, net	1,499,273	1,627,572
Of related debt		
Restricted	-	
Unrestricted	3,074,468	2,821,689
Total Net assets	4,220,595	4,449,261
Revenues		
Taxes & Others	721,635	775,140
Charges for Service	244,858	53,160
Interest Income	68,497	62,503
Total Revenues	1,034,990	1,090,803
Expenses:		
Primary Government	944,575	952,601
Business-type (Water fund)	352,250	350,239
Component Unit (Cemetery)	6540	7115
Total Expenses	1,303,365	1,309,955

The Town of Coldwater had a fair financial year for the period ending September 30, 2009. 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. During this fiscal year we still rely on our citizens shopping first in the Town of Coldwater because a bulk of our revenues comes from sales taxes. This year we have seen a decrease in sales tax due to the economy and there was an increase in expenses due to the high cost of fuel and other economic issues.

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our current millage rate is 30.65 mills and has not increased in the last six years. On August 14, 2009 the town received approval for a Community Development Block Grant Recovery grant funds in the amount of \$535,000 approved by Mississippi Development Authority. This grant will build a new community center, which will help improve the quality of life in our community.

Changes in asset and liabilities can be attributed for the most part to a bond proceeds in the amount of one million dollars that was received in May 2006. During the FYE 2009 the town completed construction of a new police station and a new cultural center.

As with other municipalities and county government, we endeavor to provide reliable health and workmen's compensation insurance coverage for our employees as well as a solid property and casualty insurance program to protect the assets of the Town. During FYE 2009 we've experienced modest premiums increases for some of these coverage items; however, we've been able to maintain solid and affordable coverage.

## BUDGETARY HIGHLIGHTS

The Town's fiscal operating budget for the General Fund, Utility Fund and Cemetery 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, it is necessary for the Town to amend its budget from time to time during the fiscal year. For the FYE 2009, the Town of Coldwater did not make revision that was required.

## CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

NONE

## CONTACT:

If you have any questions concerning this report, please contact the Mayors' Office, Town of Coldwater, 444 Court Street, and P.O. BOX 352, Coldwater, MS 38618. Telephone 662.622.7241.

**BASIS FINANCIAL STATEMENTS**

**TOWN OF COLDWATER, MISSISSIPPI**

**GENERAL GOVERNMENT**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2009**

	Governmental Activities	Business-Type Activities	Total	Component Units
<u>ASSETS</u>				
<u>CASH AND INVESTMENTS</u>				
Cash	\$ 833,422	\$ 202,628	\$ 1,036,050	\$ 82,768
Investments (Cash Equivalents)	1,466,287	133,794	1,600,081	29,367
<u>RECEIVABLES (Net of Allowance for uncollectible)</u>				
Utility Bills	-	36,577	36,577	-
Taxes	25,418	-	25,418	-
Accrued Interest	-	1,539	1,539	531
Prepaid Expenses	14,007	12,847	26,854	-
Due from other funds	-	-	-	360
Total Current Assets	2,339,134	387,385	2,726,519	113,026
Fixed Assets (net of accumulated depreciation) (Note 3)	2,000,940	1,023,634	3,024,574	-
<b>TOTAL ASSETS</b>	<b>\$ 4,340,074</b>	<b>\$ 1,411,019</b>	<b>\$ 5,751,093</b>	<b>\$ 113,026</b>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 38,722	\$ 17,775	\$ 56,497	\$ 975
Current Portion of Long-Term Debt (Note 4)	64,813	66,254	131,067	-
Accrued Interest Payable	-	5,088	5,088	-
Due To Other Funds	9,119	1,034	10,153	-
Payables From Restricted Assets:				
Customer Deposits	-	7,320	7,320	-
General Obligation Bond	790,000	-	790,000	-
General Obligation Warrants Payable (Note 4)	38,190	604,234	642,424	-
Total Liabilities	940,844	701,705	1,642,549	975
<u>Fund Equity:</u>				
Contributed Capital	-	349,918	349,918	-
Investment In General Fixed Assets	1,146,127	-	1,146,127	-
Retained Earnings:				
Unreserved	-	359,396	359,396	-
Fund Balance:				
Reserved For Prepaid Expenses	14,007	-	14,007	-
Unreserved	2,239,096	-	2,239,096	112,051
Total Fund Equity	3,399,230	709,314	4,108,544	112,051
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 4,340,074</b>	<b>\$ 1,411,019</b>	<b>\$ 5,751,093</b>	<b>\$ 113,026</b>

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

**TOWN OF COLDWATER, MISSISSIPPI**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2009**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Component Units
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
General Government	450,305	-	6,000.00	-	(\$444,305)	-	(\$444,305)
Public Safety	276,133	-	-	-	(276,133)	-	(276,133)
Public Works	89,994	-	-	-	(89,994)	-	(89,994)
Other Financing Sources	54,800	-	-	-	(54,800)	-	(54,800)
Culture and Recreation	73,344	-	-	-	(73,344)	-	(73,344)
<b>Total governmental activities</b>	<b>944,576</b>	<b>-</b>	<b>6,000.00</b>	<b>-</b>	<b>(938,576)</b>	<b>-</b>	<b>(938,576)</b>
<b>Business-type Activities</b>							
Water Fund	352,250	243,321	-	-	-	(108,929)	(108,929)
<b>Total Primary Government</b>	<b>1,296,826</b>	<b>243,321</b>	<b>6,000.00</b>	<b>-</b>	<b>(938,576)</b>	<b>(108,929)</b>	<b>(1,047,505)</b>
<b>Component Units</b>							
Cemetery Fund	6,539	19,024	-	-	-	-	12,485
<b>Total Component Units</b>	<b>6,539</b>	<b>19,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,485</b>
<b>General revenue:</b>							
Taxes		\$ 107,468			\$ -		\$ 107,468
License and Permits		41,613			-		41,613
Intergovernmental		396,638			54,800		451,438
Charges for Services		102,116			-		102,116
Fines and Forfeits		30,984			-		30,984
Interest Income		66,960			1,537		68,497
Miscellaneous		19,329			-		19,329
<b>Total General Revenues</b>		<b>\$ 765,108</b>			<b>\$ 56,337</b>		<b>\$ 821,445</b>
Change in Net Assets		(173,468)			(52,592)		(226,060)
Net Assets at Beginning of Year		3,572,698			761,906		4,334,604
Net Assets at End of Year		<b>\$ 3,399,230</b>			<b>\$ 709,314</b>		<b>\$ 4,108,544</b>

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

**TOWN OF COLDWATER, MISSISSIPPI**

**BALANCE SHEET- GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2009

	General Fund	Fire Department Fund	Park Fund	Street Fund	Total
<b><u>ASSETS</u></b>					
Cash	\$ 1,656,182	\$ 43,824	\$ 141,940	\$ 457,763	\$ 2,299,709
Prepaid insurance	14,007	-	-	-	14,007
Property Taxes Receivable	8,745	-	-	-	8,745
Sales Tax Receivable	16,673	-	-	-	16,673
Total Assets	<u>\$ 1,695,607</u>	<u>\$ 43,824</u>	<u>\$ 141,940</u>	<u>\$ 457,763</u>	<u>\$ 2,339,134</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities:					
Accounts Payable	\$ 38,722	\$ -	\$ -	\$ -	\$ 38,722
Due To Other Funds	9,119	-	-	-	9,119
Total Liabilities	47,841	-	-	-	47,841
Fund Balance:					
Unreserved	1,647,766	43,824	141,940	457,763	2,291,293
Total Liability and Fund Balance	<u>\$ 1,695,607</u>	<u>\$ 43,824</u>	<u>\$ 141,940</u>	<u>\$ 457,763</u>	<u>\$ 2,339,134</u>

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

**TOWN OF COLDWATER, MISSISSIPPI**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**

**September 30, 2009**

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

**Total Fund Balance - Governmental Funds** \$2,291,293

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	2,007,070	
Equipment	428,852	
Vehicles	394,186	
Infrastructure	427,893	
Accumulated depreciation	<u>(1,346,547)</u>	2,000,940

Some liabilities are not due and payable in the current period and therefore  
are not reported in the funds. Those liabilities consist of:

General obligation and revenue bonds	<u>(893,003)</u>
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**Net Assets of Governmental Activities**

\$3,399,230

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

**TOWN OF COLDWATER, MISSISSIPPI**

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

**For the Year Ended September 30, 2009**

	General Fund	Fire Department Fund	Park Fund	Street Fund	Total
<b>REVENUES:</b>					
Taxes	\$ 107,468	\$ 10,519	\$ 13,383	\$ 132,124	\$ 263,494
License and Permits	41,613	-	-	-	41,613
Charges for Services	102,116	-	-	-	102,116
Fines and Forfeits	30,984	-	-	-	30,984
Interest Income	66,960	-	-	-	66,960
Intergovernmental	240,612	-	-	-	240,612
Miscellaneous	25,329	-	-	-	25,329
<b>Total Revenues</b>	<u>615,081</u>	<u>10,519</u>	<u>13,383</u>	<u>132,124</u>	<u>771,108</u>
<b>EXPENDITURES:</b>					
Personnel	314,363	-	-	46,939	361,302
Supplies	32,013	1,038	35,949	5,751	74,751
Other Services and Charges	395,414	8,681	12,324	37,304	453,723
Capital Outlay	256,459	-	-	-	256,459
<b>Total Expenditures</b>	<u>998,249</u>	<u>9,719</u>	<u>48,273</u>	<u>89,994</u>	<u>1,146,235</u>
<b>Excess Of Revenues Over (Under)</b>					
Expenditures	(383,168)	800	(34,890)	42,130	(375,127)
<b>FUND BALANCE - BEGINNING</b>					
<b>OF YEAR</b>	2,069,053	42,980	175,420	378,968	2,666,421
Interfund Revenue Allocation	<u>(38,119)</u>	<u>44</u>	<u>1,410</u>	<u>36,665</u>	<u>-</u>
<b>FUND BALANCE - END</b>					
<b>OF YEAR</b>	<u><u>\$ 1,647,766</u></u>	<u><u>\$ 43,824</u></u>	<u><u>\$ 141,940</u></u>	<u><u>\$ 457,763</u></u>	<u><u>\$ 2,291,293</u></u>

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

**TOWN OF COLDWATER, MISSISSIPPI**

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

**For the Year Ended September 30, 2009**

Net Change in Fund Balance - Total Governmental Funds	\$ (375,127)
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. This is the amount by which capital outlays (\$391,021) exceeded depreciation (\$123,720) in the current period.	267,301
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.	(65,642)
Change in Net Assets of Governmental Activities	<u><u>\$ (173,468)</u></u>

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

**TOWN OF COLDWATER, MISSISSIPPI**

**STATEMENT OF NET ASSETS- PROPRIETARY FUND**  
**For the Year Ended September 30, 2009**

**ASSETS**

Current Assets

Cash	\$ 202,628
Investments	133,794
Accounts Receivable	36,577
Accrued Interest Receivable	1,539
Prepaid Expenses	12,847

Total Current Assets 387,385

Fixed Assets

Property, Plant and Equipment	2,280,548
Less: Accumulated Depreciation	(1,256,914)

Net Fixed Assets 1,023,634

**TOTAL ASSETS** **\$ 1,411,019**

**LIABILITIES, CONTRIBUTED CAPITAL AND RETAINED EARNINGS**

Current Liabilities

Accounts Payable	\$ 17,775
Current Portion of Long-Term Debt (Note 3)	66,254
Accrued Interest Payable	5,088
Due To Other Funds	1,034

Total Current Liabilities 90,151

Long-Term Liabilities

Note Payable (Note 3)	604,234
Customer Deposits	7,320

Total Long-Term Liabilities 611,554

Total Liabilities 701,705

Contributed Capital and Retained Earnings

Contributed Capital	349,918
Retained Earnings	359,396

Total Contributed Capital Retained Earnings 709,314

**TOTAL LIABILITIES, CONTRIBUTED CAPITAL  
AND RETAINED EARNINGS** **\$ 1,411,019**

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

**TOWN OF COLDWATER, MISSISSIPPI**

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

**For The Year Ended September 30, 2009**

Operating Revenues:	
Meter Sales	\$ 141,110
Sewer Charges	88,432
Transfer	54,800
Late Charges and Connection Fees	<u>13,779</u>
Total Operating Revenues	298,121
Operating Expenses:	
Personnel Costs	134,558
Materials and Supplies	10,095
Professional Services	15,730
Repair and Maintenance	18,545
Other Expenses	44,094
Depreciation Expense	<u>108,251</u>
Total Operating Expenses	<u>331,273</u>
Net Operating Income	(33,152)
Non-Operating Revenues (Expenses)	
CDBG Grant	-
Interest Income	1,537
Interest Expense	<u>(20,977)</u>
Total Nonoperating Revenues (Expenses)	<u>(19,440)</u>
Net Income	(52,592)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>761,906</u>
RETAINED EARNINGS - END OF YEAR	<u><u>\$ 709,314</u></u>

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

**TOWN OF COLDWATER, MISSISSIPPI**

**STATEMENT OF CASH FLOWS- PROPRIETARY FUND**

**For the Year Ended September 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating Income	\$ (33,152)
Adjustments To Reconcile Operating Income	
To Net Cash Provided By Operating Activities:	
Depreciation	108,251
Changes In Assets and Liabilities:	
Increase in accounts receivable	(5,675)
Increase in prepaid insurance	(1,556)
Decrease in accounts payable	1,712
Decrease in customers deposits	(560)
Increase in due to other funds	<u>1,034</u>
Net Cash Provided By Operating Activities	70,054

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest Expense	(20,977)
Interest On Investments	<u>1,537</u>
Net Cash Provided By Investing Activities	(19,440)

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Payment Of Long-Term Debt and Interest	<u>(66,556)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(66,556)</u>
Net Change In Cash and Cash Equivalents	(15,942)

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH  
EQUIVALENTS - BEGINNING OF YEAR**

352,364

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH  
EQUIVALENTS - END OF YEAR**

\$ 336,422

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

**TOWN OF COLDWATER, MISSISSIPPI**

**STATEMENT OF NET ASSETS- COMPONENT UNIT**  
**September 30, 2009**

**ASSETS**

Cash	\$ 82,768
Investments	29,367
Accrued Interest Receivable	531
Due From Other Funds	<u>360</u>

**TOTAL ASSETS** \$ 113,026

**LIABILITIES AND FUND BALANCE**

Liabilities:	
Accounts Payable	<u>\$ 975</u>
Total Liabilities	975

Fund Balance:

Unreserved	<u>112,051</u>
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**TOTAL LIABILITIES AND FUND BALANCE** \$ 113,026

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

**TOWN OF COLDWATER, MISSISSIPPI**

**STATEMENT OF ACTIVITIES- COMPONENT UNIT**  
**September 30, 2009**

Revenues:

Lot Sales	\$ 15,500
Interest Income	337
Donations	2,527
Dirt Removal Fee	<u>660</u>

Total Revenues 19,024

Expenditures:

Supplies	-
Other Services and Charges	<u>6,539</u>

Total Expenditures 6,539

Excess of Revenues Over (Under)

Expenditures 12,485

FUND BALANCE - BEGINNING OF YEAR 99,566

FUND BALANCE - END OF YEAR \$ 112,051

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2009**

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.

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

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

Concrete Bridge	50 years
Building	40 years
Distribution Systems	25 years
Improvements	20 years
Heavy Equipment	10 years
Other Equipment	5 years
Vehicles	5 years

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2009**

**(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

- D. 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.

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

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

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

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

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

- G. Bank Deposits and Investments - Bank deposits and investments constituting short term certificates of deposit are entirely insured or collateralized with securities held by the bank or by the bank's agent in the bank's name as of September 30, 2009 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.

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2009**

**(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

- 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 at the September board meeting. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

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

Note 2 - Property Taxes

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

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

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

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**  
**(Continued)**

Note 3 - Fixed Assets

A summary of changes in general fixed assets follows:

Governmental activities:

	Balance 9/30/2008	Additions	Deletions	Balance 9/30/2009
Land	\$ 89,486	\$ -	\$ -	\$ 89,486
Building	206,009	1,052,417	-	1,258,426
Equipment	428,852	-	-	428,852
Vehicles	394,186	-	-	394,186
Bridge	427,893	-	-	427,893
Improvements	748,644	-	-	748,644
Construction in progress	793,674	258,743	1,052,417	-
	<u>2,295,070</u>	<u>1,311,160</u>	<u>1,052,417</u>	<u>3,347,487</u>
Less accumulated depreciation for				
Building	86,775	5,150	-	91,925
Improvements	473,016	37,433	-	510,449
Equipment	331,496	41,191	-	372,687
Vehicles	237,403	31,388	-	268,791
Bridge	94,137	8,558	-	102,695
	<u>1,222,827</u>	<u>123,720</u>	<u>-</u>	<u>1,346,547</u>
Governmental activities capital assets, net	<u>\$1,072,243</u>	<u>\$1,187,440</u>	<u>\$1,052,417</u>	<u>\$2,000,940</u>
Business-type activities:				
Land	\$ 1,790	\$ -	\$ -	\$ 1,790
Water Distribution System	1,938,544	-	-	1,938,544
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>2,280,548</u>	<u>-</u>	<u>-</u>	<u>2,280,548</u>
Less accumulated depreciation for:				-
Water Distribution system	1,053,035	103,985	-	1,157,020
Equipment	86,012	4,266	-	90,278
Vehicles	9,616	-	-	9,616
Total accumulated depreciation	<u>1,148,663</u>	<u>108,251</u>	<u>-</u>	<u>1,256,914</u>
Business-type activities capital assets, net	<u>\$1,131,885</u>	<u>\$ (108,251)</u>	<u>\$ -</u>	<u>\$1,023,634</u>

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**  
**(Continued)**

Note 4 - Changes in Long-Term Debt

Water and Sewer System:

Note Payable to the Mississippi Development Authority to finance improvements to the Town's water system. The note is payable in semi-annual installments of \$ 12,516.54 on January and July 1 each year through July 1, 2012 at 3.7% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2009:

Note payable at October 1, 2008	\$80,040
Note payable at September 30, 2009	\$57,797

The annual requirement to amortize the note outstanding as of September 30, 2009 including interest payments are as follows:  
September 30,

	2010	\$	20,640	
	2011		21,411	
	2012		15,746	
Total			57,797	

Note payable to the Mississippi Department of Environmental Quality to finance improvements to the Town's sewer system. The note is payable in monthly installments of \$4,566.69 at 3 % interest per annum. The annual requirements to amortize the note outstanding as of September 30, 2009 are as follows:

Note payable at October 1, 2008	\$561,190
Note payable at September 30, 2009	\$522,699

	2010	\$	39,659	
	2011		40,868	
	2012		42,111	
	2013		43,392	
	2014		44,709	
Thereafter			311,960	
Total			522,699	

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2009**

**(Continued)**

Note 4 - Changes in Long-Term Debt (continued)

Note Payable to the Mississippi Development Authority to finance the improvement to the sewer system lagoon. The note is payable in monthly installments of \$641.66 through February 1, 2014 at 2% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2009:

Note payable at October 1, 2008	\$95,814
Note payable at September 30, 2009	\$89,992

The annual requirement to amortize all notes outstanding as of September 30, 2009 including interest payments are as follows:  
September 30,

2010	\$ 5,212
2011	5,317
2012	5,425
2013	5,534
2014	5,646
Thereafter	62,858
Total	<u>\$ 89,992</u>

**General Fund:**

General Fund Note Payable to the Mississippi Development Authority to finance the construction of a new bridge. The note is payable in monthly installments of \$1056.97 through February 1, 2014 at 4% interest per annum. The following is a summary of the transaction of the Town of Coldwater for the year ending September 30, 2009:

Note payable at October 1, 2008	\$58,523
Note payable at September 30, 2009	\$48,003

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2009**

**(Continued)**

Note 4 - Changes in Long-Term Debt (continued)

The annual requirement to amortize all notes outstanding as of September 30, 2009 including interest payments are as follows:  
September 30,

2010	\$	9,813
2011		10,213
2012		10,629
2013		11,062
2014		6,286
Total	\$	<u>48,003</u>

Note 5 - Bond Payable

On March 1, 2006, the Town entered into a fifteen (15) year general obligation bond in the amount of \$1,000,000. The bonds are secured by the revenue of the Town.

The annual requirement to amortize the bonds is as follow:

2010	\$	55,000
2011		50,000
2012		60,000
2013		65,000
2014		65,000
Thereafter		550,000
Total	\$	<u>845,000</u>

Note 6 - Defined Pension Plan

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

**TOWN OF COLDWATER, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**  
**(Continued)**

Note 6 - Defined Pension Plan (continued)

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the Town of Coldwater is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Goldwater's contributions to PERS for the years ending September 30, 2009 and 2008 were \$40,011 and \$38,155 respectively, equal to the required contribution for each year.

**TOWN OF COLDWATER, MISSISSIPPI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF COLDWATER, MISSISSIPPI**

**GENERAL FUND  
BUDGETARY COMPARISON  
September 30, 2009**

	Budgeted Amount			Favorable (Unfavorable)
	Original	Final	Actual	
<u>REVENUES</u>				
Taxes	276,000	\$ 276,000	\$ 263,494	\$ (12,506)
License and Permits	35,000	35,000	41,613	6,613
Intergovernmental	263,000	263,000	240,612	(22,388)
Charges for Services	121,128	121,128	102,116	(19,012)
Fines and Forfeits	50,000	50,000	30,984	(19,016)
Interest Income	50,000	50,000	66,960	16,960
Miscellaneous	13,730	13,730	25,329	11,599
TOTAL REVENUES	808,858	808,858	771,108	(37,750)
<u>EXPENDITURES</u>				
General Government	426,166	426,166	450,305	(24,139)
Public Safety	426,933	426,933	329,639	97,294
Public Works	224,550	224,550	89,994	134,556
Culture and Recreation	401,842	401,842	278,581	123,261
TOTAL EXPENDITURES	1,479,491	1,479,491	1,148,519	330,972
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(670,633)	(670,633)	(377,411)	293,222
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	(54,800)	(54,800)	(54,800)	-
Total Other Financing Sources	(54,800)	(54,800)	(54,800)	-
Transfer to fixed assets			(258,743)	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (54,800)</u>	<u>\$ (54,800)</u>	(173,468)	<u>\$ 293,222</u>
FUND BALANCE - BEGINNING OF YEAR			3,572,698	
FUND BALANCE - END OF YEAR			<u>\$ 3,399,230</u>	

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

**TOWN OF COLDWATER, MISSISSIPPI**

**PROPRIETARY FUND  
BUDGETARY COMPARISON  
For The Year Ended September 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Operating Revenues:				
Meter Sales	140,000	140,000	\$ 141,110	\$ 1,110
Sewer Charges	100,000	100,000	88,432	(11,568)
Grant	-	-	-	-
Transfer	-	-	54,800	54,800
Late Charges and Connection Fees	10,500	10,500	13,779	3,279
	250,500	250,500	298,121	47,621
Total Operating Revenues				
Operating Expenses:				
Personnel Costs	165,581	165,581	134,558	31,023
Materials and Supplies	30,000	30,000	10,095	19,905
Professional Services	-	-	15,730	(15,730)
Repair and Maintenance	-	-	18,545	(18,545)
Other Expenses	74,000	74,000	44,094	29,906
Capital Outlay	107,534	107,534	66,557	40,977
Depreciation Expense	-	-	108,251	(108,251)
	377,115	377,115	397,830	(20,715)
Total Operating Expenses				
Net Operating Income	(126,615)	(126,615)	(99,709)	26,906
Non-Operating Revenues (Expenses)				
Interest Income	8,000	8,000	1,537	(6,463)
Interest Expense	-	-	(20,977)	-
	8,000	8,000	(19,440)	-6,463
Total Nonoperating Revenues				
Net Income	\$ (118,615)	\$ (118,615)	(119,149)	\$ 20,443
Payment on long-term debt			66,557	
RETAINED EARNINGS - BEGINNING OF YEAR			761,906	
RETAINED EARNINGS - END OF YEAR			\$ 709,314	

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

**TOWN OF COLDWATER, MISSISSIPPI**

**COMPONENT UNIT  
BUDGETARY COMPARISON  
For The Year Ended September 30, 2009**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Lot Sales	\$ 10,000	\$ 10,000	\$ 15,500	\$ 5,500
Interest Income	200	200	337	137
Donations	5,000	5,000	2,527	(2,473)
Dirt Removal fee	300	300	660	360
Total Operating Revenues	15,500	15,500	19,024	3,524
Operating Expenses:				
Supplies	3,000	3,000	-	3,000
Other Services & Charges	33,000	33,000	6,539	26,461
Total Expenditures	36,000	36,000	6,539	29,461
Excess of Revenue Over (Under)	\$ (20,500)	\$ (20,500)	12,485	\$ (25,937)
Expenses				
RETAINED EARNINGS - BEGINNING OF YEAR			99,566	
RETAINED EARNINGS - END OF YEAR			\$ 112,051	

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

**TOWN OF COLDWATER, MISSISSIPPI**

**SCHEDULE OF INVESTMENTS – ALL FUNDS  
For The Year Ended September 30, 2009**

GENERAL FUND

Certificate of Deposit dated 9/25/09. Due 12/31/09	3.70%	<u>\$ 1,466,287</u>
Total General Fund		1,466,287

WATER AND SEWER FUND:

Certificate of Deposit dated 8/26/09. Due 11/26/09	2.25%	<u>133,794</u>
Total Water and Sewer Fund		133,794

EXPENDABLE TRUST FUND:

Certificate of Deposit dated 8/26/08. Due 11/26/08	3.25%	<u>29,367</u>
Total Expendable Trust Fund		<u>29,367</u>

TOTAL INVESTMENTS

\$ 1,629,448

**TOWN OF COLDWATER, MISSISSIPPI**

**PRINCIPAL OFFICIALS**

<u>Name and Position</u>	<u>Title</u>	<u>Years in Town Government</u>
Jessie Edwards	Mayor	20
Vernon Jackson	Vice Mayor	9
Mary Jackson	City Clerk	20
Ella Cummings	Deputy Clerk	22
Undra Todd	Chief of Police	4
Mildred LeSure	City Attorney	1
Belinda Sandridge	Alderman	1
Harold Davis	Alderman	7
Carolyn Cobb	Alderman	1
Donzella Jefferies	Alderman	5

**TOWN OF COLDWATER, MISSISSIPPI**

**SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS  
For The Year Ended September 30, 2009**

<u>Name and Position</u>	<u>Surety</u>	<u>Amount</u>
Jessie Edward Mayor	Mississippi Municipal Bond Program	\$ 25,000
Vernon Jackson Vice Mayor	Mississippi Municipal Bond Program	12,000
Mary Jackson City Clerk	The St. Paul Surety	100,000
Ella Cummings Deputy Clerk	The St. Paul Surety	50,000
Undra Todd Chief of Police	The St. Paul Surety	50,000
Ty Sparks Police Officer	The St. Paul Surety	25,000
Dan Harrell Police Officer	The St. Paul Surety	25,000
Dexter Fossett Police Officer	The St. Paul Surety	25,000
James Hammer Police Officer	The St. Paul Surety	25,000
Gregory Sansom Police Officer	The St. Paul Surety	25,000
Belinda Sandridge Alderman	Mississippi Municipal Bond Program	12,000
Harold Davis Alderman	Mississippi Municipal Bond Program	12,000
Carolyn Cobb Alderman	Mississippi Municipal Bond Program	12,000
Donzella Jefferies Alderman	Mississippi Municipal Bond Program	12,000

See Report and Notes to the Financial Statements.

**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**

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

We have audited 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 the Town of Coldwater, MS, as of and for the year ended September 30, 2009, which collectively comprise the Town of Coldwater, MS' basic financial statements and have issued our report thereon dated February 26, 2010. 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 Town of Coldwater, MS' 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 Town of Coldwater, MS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Coldwater, MS' internal control over financial reporting.

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 Town of Coldwater, MS' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Coldwater, MS' financial statements that is more than inconsequential will not be prevented or detected by the Town of Coldwater, MS' internal control.

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 Town of Coldwater, MS' internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

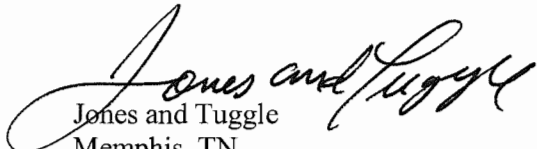
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Coldwater, MS' 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

**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)**

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.

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

  
Jones and Tuggle  
Memphis, TN  
February 26, 2010

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

To the Honorable Mayor and Board of Aldermen  
Coldwater, Mississippi

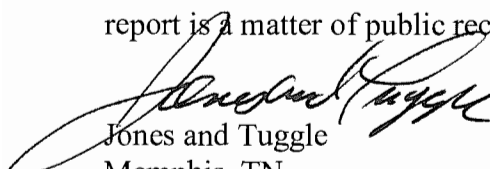
We have audited the general purpose financial statements of the Town of Coldwater, Mississippi, as of and for the year ended September 30, 2009, and have issued our reported thereon dated February 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state 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 no material instances on noncompliance with state law and regulations.

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

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



Jones and Tuggle  
Memphis, TN  
February 26, 2010