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CITY OF COLUMBUS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND
SPECIAL REPORTS
SEPTEMBER 30, 2015

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WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF COLUMBUS, MISSISSIPPI
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CITY OF COLUMBUS, MISSISSIPPI

FINANCIAL SECTION

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Columbus
Columbus, 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 Columbus, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 aggregate remaining fund information of the City of Columbus, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of City's proportionate share of the net pension liability, and schedule of the City's contributions on pages 3-12 and 47-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Columbus, Mississippi's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Columbus, Mississippi
May 18, 2016

Watkins Ward and Stafford, PLLC

CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF COLUMBUS, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2015

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

FINANCIAL HIGHLIGHTS

- The City has adopted the provisions of Government Auditing Standards Board Statement No. 34.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$73,758,666. Of this amount \$6,355,719 may be used to meet the City of Columbus' ongoing obligations to citizens and creditors. The \$(14,260,044) of unassigned net position shown on the statement of net position includes a \$20,615,763 reduction in net position as a result of GASB No. 68, which requires employers to disclose their share of the plan's unfunded pension liability. The plan is administered by PERS of Mississippi.
- As of the close of the current fiscal year, the City of Columbus governmental funds reported combined ending fund balances of \$13,799,718, a decrease of \$5,126,854 in comparison to the prior year.
- The City of Columbus' total debt is \$55,393,434 (exclusive of compensated absences). Of that total, approximately \$23,622,113 of debt was issued for governmental fund capital assets.

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 a schedule of expenditures of federal awards for non-major governmental funds and schedule of surety bonds for municipal officers. The basic financial statements include two kinds of statements that present different views of the City of Columbus.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Columbus's overall financial status. (Pages 15-16)
- The remaining statements are fund financial statements that focus on individual parts of the City of Columbus' 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 Columbus has four Governmental Fund types: the General, Special Revenue, Debt Service and Capital Projects. (Pages 18-21)

Proprietary fund statements offer short- and long-term financial information about activities the government operates in a similar manner as businesses, and include the Electric and Water Divisions. (Pages 22-24)

CITY OF COLUMBUS, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fiduciary fund statements are used to account for the resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. (Pages 25, 26)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. (Pages 27-46)

Figure A-1 summarizes the major features of the City of Columbus' financial statements, including the portion of the City of Columbus 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 content of each of the statements.

Figure A-1

Major Features of the City of Columbus' Governmental-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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 Public Works	Activities the City operates similar to private businesses; Electric and Water Departments	To account for resources held for the benefit of others
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fund Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position, Statement of Net Cash Flows	Statement of Net Position; Statement of Changes in Net Position
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	Accrual accounting
Type of asset/liability	All assets and liabilities, both financial and capital, 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, 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
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 payments are due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All collections and deductions during year, regardless of when cash is received or paid

CITY OF COLUMBUS, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

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

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

- Over time, increases or decreases in the City of Columbus' net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Columbus, the reader should consider additional non-financial factors such as changes in the City of Columbus' property tax base.
- *Governmental activities* – Most of the City of Columbus' basic services are included here, such as police, fire, public works, agency appropriations, 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 Columbus charges fees to customers to help it cover the costs of certain services it provides. The City of Columbus' electric, water and sewer system services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Columbus' 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 Columbus 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 the state law and by covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

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CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Columbus has three kinds of funds:

- **Governmental funds**—Most of the City of Columbus' 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 Columbus' programs. Because this information does not encompass the additional long-term focus of the governmental-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 the 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 Columbus utilizes four types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.
- **Proprietary funds**—Services for which the City of Columbus 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 funds—enterprise funds. The City of Columbus' enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expense and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.
- **Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the City and are not available to support City programs. The City of Columbus has three fiduciary funds that are presented on Pages 25 and 26 of this report.

Government-wide Financial Analysis

A comparative analysis of government-wide data is presented in Tables A-1 through A-4.

Net position may serve over time as a useful indicator of a government's financial position. The City of Columbus' assets exceeded liabilities by \$73,758,666 at the close of the most recent fiscal year.

CITY OF COLUMBUS, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

A substantial portion, 181%, of the City's governmental activities net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
City of Columbus Net Position

	Governmental Activities	Business-Type Activities	2015 Total	2014 Total
Cash and Other Assets	11,222,182	28,930,458	40,152,640	48,898,258
Capital Assets	48,973,577	84,745,263	133,718,840	128,725,840
Total Assets	<u>60,195,759</u>	<u>113,675,721</u>	<u>173,871,480</u>	<u>177,624,098</u>
Deferred Outflows of Resources	<u>3,264,527</u>	<u>1,935,718</u>	<u>5,200,245</u>	<u>244,288</u>
Other Liabilities	1,861,463	12,403,277	14,264,740	14,600,028
Long-term Liabilities	46,897,359	42,308,568	89,205,927	57,465,191
Total Liabilities	<u>48,758,822</u>	<u>54,711,845</u>	<u>103,470,667</u>	<u>72,065,219</u>
Deferred Inflows of Resources	<u>712,432</u>	<u>1,129,960</u>	<u>1,842,392</u>	<u>45,431</u>
Net Position:				
Invested in Capital Assets				
Net of Related Debt	25,351,464	53,143,200	78,494,664	71,879,688
Restricted	2,897,612		2,897,612	8,093,351
Unrestricted	<u>(14,260,044)</u>	<u>6,626,434</u>	<u>(7,633,610)</u>	<u>25,784,697</u>
Total Net Position	<u>13,989,032</u>	<u>59,769,634</u>	<u>73,758,666</u>	<u>105,757,736</u>

Unrestricted net position of our business-type activities was \$6,626,434 at the end of the current fiscal year. These resources cannot be used to increase the net position surplus in governmental activities. The City of Columbus generally can only use this net position to finance the continuing operations of the business-type activities.

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- Increases of \$24,083,347 and \$7,657,389 of long-term debt for Governmental and Business-Type activities, respectively, due largely to GASB No. 68 as mentioned previously.
- Capital asset additions were \$5,965,949 for Governmental activities. Capital asset reductions were \$972,949 for Business-Type activities.

CITY OF COLUMBUS MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net position. Approximately 11.0 percent of the City of Columbus' revenue comes from property taxes, with 27.1 percent of all revenue coming from some type of tax. (See Table A-2). Another 69.9 percent comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

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

Table A-2
Changes in the City's Net Position

	Governmental Activities	Business-Type Activities	2015 Total	2014 Total
Revenue				
Program Revenues:				
Charges for Services	\$ 3,909,784	49,456,996	53,366,780	55,151,711
Operating Grants & Contributions	908,179		908,179	697,667
Capital Grants & Contributions	845,305		845,305	533,528
General Revenues:			-	
Property Taxes	8,448,936		8,448,936	8,741,162
Other Taxes	12,275,334		12,275,334	11,490,269
Investment Income	26,177	22,673	48,850	62,281
Other	390,197	79,425	469,622	71,126
Total Revenue	<u>26,803,912</u>	<u>49,559,094</u>	<u>76,363,006</u>	<u>76,747,744</u>
Expenses				
General Government	2,457,713		2,457,713	2,431,655
Public Safety	11,362,232		11,362,232	10,513,816
Public Works	8,488,550		8,488,550	7,938,419
Urban & Economic Development	2,265,645		2,265,645	1,241,486
Cemetery	100,006		100,006	94,403
Garage	719,988		719,988	730,064
Agency Appropriations	1,248,014		1,248,014	1,352,393
Culture & Recreation	565,857		565,857	1,057,705
Interest on Debt	798,412		798,412	531,379
Water		10,119,050	10,119,050	10,060,427
Electric		40,243,989	40,243,989	40,325,847
Other on Long-term Debt	22,952		22,952	17,956
Total Expenses	<u>28,029,369</u>	<u>50,363,039</u>	<u>78,392,408</u>	<u>76,295,550</u>
Increase (Decrease) in Net Position	<u>(1,225,457)</u>	<u>(803,945)</u>	<u>(2,029,402)</u>	<u>452,194</u>
Net Position - Beginning	39,348,696	66,409,040	105,757,736	104,657,201
Prior Period Adjustment	(19,715,663)	(10,254,005)	(29,969,668)	-
Elimination of Intercompany Loans	(4,418,544)	4,418,544	-	-
Net Position - Ending	<u>\$ 13,989,032</u>	<u>59,769,634</u>	<u>73,758,666</u>	<u>105,109,395</u>

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CITY OF COLUMBUS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities decreased the City's net assets by \$1,225,457. Key elements of this are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (45.8%) and property taxes (31.5%).

The largest expense categories for the City's governmental activities are public safety (40.5%) and public works (30.1%).

Business-Type Activities

Business-type activities decreased the City's net assets by \$803,945.

Charges for services are the major revenue categories for the enterprise funds. Revenue from services totaled \$49,456,996, 99.8% of the City's Business-Type Revenues. Total business-type expenses are comprised of \$10,119,050 for water and sewer, \$40,243,989 for electric.

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, the unreserved fund balance of the General Fund was \$6,483,562. 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. The fund balance of the City's General Fund increased by \$86,992 during the current fiscal year. These amounts do not account for the effects of the net pension liability discussed earlier.

Debt Service Fund - The Debt Service Fund has a total fund balance of \$5,016,211, all of which is reserved for the payment of debt service. The net increase in fund balance during the year in the Debt Service Fund was \$289,893.

Capital Projects Fund - The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$788,359. The net decrease in the fund balance during the current year in the Capital Projects Fund was \$5,436,847.

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, no special revenue funds were available for future expenditures. The net change in the fund balance during the current year in the Special Revenue Fund was zero.

CITY OF COLUMBUS

MANAGEMENTS DISCUSSION AND ANALYSIS

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 \$59,769,634. Changes in net assets, which decreased by \$803,945, were as follows: the Electric Fund decreased by \$1,224,678 and the Water & Sewer Fund increased by \$420,733

Budgetary Highlights

The City’s annual budget, which is prepared on an operating basis, included estimated revenues and annual appropriations for the Governmental Funds. The total 2014-2015 operating budget charges amounted to \$29,487,835.

The City’s total tax millage rate for the 2015 fiscal year was 41.23 mills. The breakdown of the millage rate is General Fund 30.25 mills, Police and Firemen’s Retirement 5.67 mills, and Special Assessment 5.31 mills.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City’s investment in capital assets for governmental and business-type activities as of September 30, 2015, amounted to \$133,718,840, net of accumulated depreciation of \$135,424,306. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

Table A-3
City of Columbus Capital Assets

	Governmental Activities	Business-Type Activities	2015 Total	2014 Total
Land	\$ 6,540,316	305,927	6,846,243	6,846,243
Buildings	18,216,608		18,216,608	18,203,595
Improv. Other Than Buildings	1,825,189		1,825,189	1,825,189
Light & Water Plant		165,183,658	165,183,658	159,488,439
Machinery & Equipment	11,044,164		11,044,164	10,250,997
Infrastructure	58,144,410		58,144,410	57,040,861
Construction-in-Progress	6,725,683	1,157,191	7,882,874	4,969,501
Accumulated Depreciation	(53,522,793)	(81,901,513)	(135,424,306)	(129,898,985)
Total	<u>\$ 48,973,577</u>	<u>84,745,263</u>	<u>133,718,840</u>	<u>128,725,840</u>

CITY OF COLUMBUS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt – At year-end, the City had \$59,811,978 in bonds and notes outstanding. More detailed information about the City of Columbus' long-term liabilities is presented in the notes to the financial statements.

Table A-4
City of Columbus Outstanding Debt

	Governmental Activities	Business-Type Activities	2015 Total	2014 Total
General Obligation Bonds	\$ 5,720,000		5,720,000	5,960,000
Special Assessment Bonds	9,530,000		9,530,000	10,315,000
TIF Bonds	2,230,000		2,230,000	
Long-term Debt and Lease Obligations	5,606,404		5,606,404	5,404,370
Revenue Bonds (Water Division)		3,772,471	3,772,471	4,540,826
Special Ob Bonds (Water Division)		18,617,599	18,617,599	20,122,402
Other Long-term Debt (Water & Electric Divisions)		13,799,795	13,799,795	14,250,618
Capital Improvement Loans	535,709		535,709	650,025
Total	\$ 23,622,113	36,189,865	59,811,978	61,243,241

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 2015 budget. The total budgeted appropriation for the City operations in the governmental activities is \$34,448,049 (which includes \$24,336,751 in the general fund).

**CONTACTING THE CITY OF COLUMBUS
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Columbus' finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information please contact the City of Columbus's Secretary-Treasurer, Post Office Box 1408, Columbus, MS 39703.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to the user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 8,993,944	13,445,791	22,439,735
Investments, Restricted		3,960,837	3,960,837
Receivable, Net	669,340	6,357,509	7,026,849
Property Tax Receivable	124,757		124,757
Landfill Receivable	14,489		14,489
Intergovernmental Receivable	1,275,246		1,275,246
Fines Receivable	52,006		52,006
Inventory		728,255	728,255
Prepaid Expense		187,561	187,561
Notes Receivable	92,400		92,400
Other Assets		4,250,505	4,250,505
Capital Assets:			
Land and Construction in Progress	13,265,999	1,463,118	14,729,117
Other Capital Assets, Net of Depreciation	35,707,578	83,282,145	118,989,723
Total Assets	<u>60,195,759</u>	<u>113,675,721</u>	<u>173,871,480</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Bond Issuance Costs	439,892	756,609	1,196,501
Difference Between Expected and Actual Experience - Net Pension Liability	2,824,635	1,179,109	4,003,744
Total Deferred Outflows of Resources	<u>3,264,527</u>	<u>1,935,718</u>	<u>5,200,245</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	1,704,008	8,825,305	10,529,313
Customer Deposits		3,443,280	3,443,280
Other Liabilities	157,455	134,692	292,147
Long-term Liabilities:			
Due Within One Year	1,870,102	3,009,425	4,879,527
Due in More than One Year	22,258,045	28,761,896	51,019,941
Unfunded Pension Liability	22,769,212	10,537,247	33,306,459
Total Liabilities	<u>48,758,822</u>	<u>54,711,845</u>	<u>103,470,667</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Bond Premiums	41,246	154,731	195,977
Difference Between Projected and Actual Earnings on Pension Plan Investments - Net Pension Liability	671,186	968,178	1,639,364
Other		7,051	7,051
Total Deferred Inflows of Resources	<u>712,432</u>	<u>1,129,960</u>	<u>1,842,392</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	25,351,464	53,143,200	78,494,664
Restricted for:			
Expendable:			
Capital Improvements	788,359		788,359
City-based Activities	1,511,586		1,511,586
Debt Service	597,667		597,667
Unrestricted - Unassigned	(14,260,044)	6,626,434	(7,633,610)
Total Net Position	<u>\$ 13,989,032</u>	<u>59,769,634</u>	<u>73,758,666</u>

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

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Program	Expenses	Program Revenues			Net (Expense / Revenue)
		Charges for Services	Operating Grants and Contribution:	Capital Grants and Contribution:	
Primary Government					
Governmental Activities					
General Government	\$ 2,457,713	642,098	146,385		(1,669,230)
Public Safety	11,362,232	853,766	69,550	185,988	(10,252,928)
Public Works	8,488,550	2,250,250	692,244	162,885	(5,383,171)
Cemetery	100,006	61,485			(38,521)
Culture and Recreation	565,857	102,185		225,000	(238,672)
Conservation, Urban and Economic Development	2,265,645			271,432	(1,994,213)
Intergovernmental Garage	719,988				(719,988)
Agency Appropriations	1,248,014				(1,248,014)
Interest on Long-term Debt	798,412				(798,412)
Other on Long-term Debt	22,952				(22,952)
Total Governmental Activities	<u>28,029,369</u>	<u>3,909,784</u>	<u>908,179</u>	<u>845,305</u>	<u>(22,366,101)</u>
Business-type Activities					
Electric	40,243,989	38,964,991			(1,278,998)
Water	10,119,050	10,492,005			372,955
Total Business-type Activities	<u>50,363,039</u>	<u>49,456,996</u>	<u>-</u>	<u>-</u>	<u>(906,043)</u>
Total Primary Government	<u>\$ 78,392,408</u>	<u>53,366,780</u>	<u>908,179</u>	<u>845,305</u>	<u>(23,272,144)</u>
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (Expense) / Revenue			\$ (22,366,101)	(906,043)	(23,272,144)
General Revenues					
Taxes					
Property Taxes			8,448,936		8,448,936
Sales and Use Taxes			9,350,339		9,350,339
Other Taxes			2,924,995		2,924,995
Grants and Contributions not Restricted to Specific Programs					
Investment Income			26,177	22,673	48,850
Other			390,197	79,425	469,622
Total General Revenues			<u>21,140,644</u>	<u>102,098</u>	<u>21,242,742</u>
Change in Net Position			<u>(1,225,457)</u>	<u>(803,945)</u>	<u>(2,029,402)</u>
Net Position, October 1, 2014			39,348,696	66,409,040	105,757,736
Prior Period Adjustment			(19,715,663)	(10,254,005)	(29,969,668)
Elimination of Intercompany Loans			(4,418,544)	4,418,544	-
Net Position, September 30, 2015			<u>\$ 13,989,032</u>	<u>59,769,634</u>	<u>73,758,666</u>

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

FUND FINANCIAL STATEMENTS

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**CITY OF COLUMBUS, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 6,103,213	2,890,731	8,993,944
Property Tax Receivable	116,711	8,046	124,757
Landfill Receivable	14,489		14,489
Intergovernment Receivables	924,150	351,096	1,275,246
Loans Receivable	92,400	4,418,544	4,510,944
Fines Receivable	52,006		52,006
Other Receivables	607,013	62,327	669,340
Due from Other Funds	34,175	-	34,175
	<u>7,944,157</u>	<u>7,730,744</u>	<u>15,674,901</u>
Total Assets	<u>\$ 7,944,157</u>	<u>7,730,744</u>	<u>15,674,901</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,284,248	419,760	1,704,008
Due to Other Funds	-	34,175	34,175
Compensated Absences	137,000		137,000
	<u>1,421,248</u>	<u>453,935</u>	<u>1,875,183</u>
Total Liabilities	<u>1,421,248</u>	<u>453,935</u>	<u>1,875,183</u>
<u>FUND BALANCES</u>			
Restricted for:			
Capital Improvements		788,359	788,359
Debt Service		5,016,211	5,016,211
Other Commitments		1,472,239	1,472,239
Assigned	39,347		39,347
Unassigned	6,483,562		6,483,562
	<u>6,522,909</u>	<u>7,276,809</u>	<u>13,799,718</u>
Total Fund Balances	<u>6,522,909</u>	<u>7,276,809</u>	<u>13,799,718</u>
Total Liabilities and Fund Balances	<u>\$ 7,944,157</u>	<u>7,730,744</u>	<u>15,674,901</u>

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

**CITY OF COLUMBUS, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
SEPTEMBER 30, 2015**

Fund Balances - Total Governmental Funds		\$	13,799,718
Amounts reported for governmental activities in Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Governmental capital assets	102,496,368		
Less accumulated depreciation	<u>(53,522,791)</u>		48,973,577
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
Long-Term Liabilities	(46,760,359)		
Accrued interest payable	(157,455)		
Deferred Outflows of Resources	3,264,527		
Deferred Inflows of Resources	<u>(712,432)</u>		(44,365,719)
Receivables from consolidating entities must be eliminated on the Statement of Net Position			
Notes Receivable	<u>(4,418,544)</u>		<u>(4,418,544)</u>
Net Position of Governmental Activities		\$	<u>13,989,032</u>

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

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property Taxes	\$ 7,229,530	1,219,405	8,448,935
Licenses and Permits	622,622		622,622
Intergovernmental Revenues	10,555,784	3,687,433	14,243,217
Charges for Governmental Services	2,319,307	128,629	2,447,936
Fines and Forfeits	675,154	2,650	677,804
Interest Income	23,101	3,076	26,177
Other Revenues	292,131	45,090	337,221
Total Revenues	<u>21,717,629</u>	<u>5,086,283</u>	<u>26,803,912</u>
<u>EXPENDITURES</u>			
Current:			
General Government	2,443,408		2,443,408
Public Safety	10,649,364	238,528	10,887,892
Public Works	4,830,091	6,803,766	11,633,857
Cemetery	100,006		100,006
Culture and Recreation	331,350	1,734,700	2,066,050
Conservation, Urban and Economic Development	964,918	2,421,456	3,386,374
Intergovernmental-Garage	700,324		700,324
Agency Appropriations	1,248,014		1,248,014
Debt Service:			
Principal	507,773	1,053,612	1,561,385
Interest	32,826	719,358	752,184
Paying Agent Fees		5,375	5,375
Total Expenditures	<u>21,808,074</u>	<u>12,976,795</u>	<u>34,784,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(90,445)</u>	<u>(7,890,512)</u>	<u>(7,980,957)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of Debt	234,864	2,619,239	2,854,103
Transfers from Other Departments	509,813	741,224	1,251,037
Transfers to Other Departments	<u>(741,224)</u>	<u>(509,813)</u>	<u>(1,251,037)</u>
Net Other Financing Sources	<u>3,453</u>	<u>2,850,650</u>	<u>2,854,103</u>
Net Change in Fund Balances	(86,992)	(5,039,862)	(5,126,854)
Fund Balances, October 1, 2014	6,609,901	12,316,671	18,926,572
Fund Balances, September 30, 2015	<u>\$ 6,522,909</u>	<u>7,276,809</u>	<u>13,799,718</u>

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

**CITY OF COLUMBUS, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (5,126,854)

Amounts reported for governmental activities in Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	7,367,124	
Less current year depreciation	<u>(1,644,315)</u>	<u>5,722,809</u>

Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments:

Bond and loan proceeds	(2,854,103)	
Principal payments	<u>1,561,385</u>	<u>(1,292,718)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in unfunded pension liability	(656,960)	
Change in long-term compensated absences	(21,417)	
Change in accrued interest payable	(48,671)	
Change in deferred outflows of resources	(17,884)	
Change in deferred inflows of resources	<u>2,750</u>	<u>(742,182)</u>

Issuance cost of bonds is an expenditure in the governmental funds for the year in which the bonds are issued. The issuance cost is amortized over the life of the bonds in the government-wide financial statements:

Issuance cost of bonds issued in current year	<u>213,488</u>	<u>213,488</u>
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Change in Net Position of Governmental Fund:		<u><u>\$ (1,225,457)</u></u>
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The accompanying notes to financial statements are an integral part of these financial statements.

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**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
	<u>Electric Department</u>	<u>Water Department</u>	<u>Enterprise Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 10,192,077	3,253,714	13,445,791
Receivables, Net	5,432,445	925,064	6,357,509
Inventory	565,526	162,729	728,255
Prepaid Expense	59,422	128,139	187,561
Total Current Assets	<u>16,249,470</u>	<u>4,469,646</u>	<u>20,719,116</u>
Non-current Assets:			
Restricted Investments		3,960,837	3,960,837
Capital Assets:			
Fixed Assets, Net of Depreciation	25,424,459	59,320,804	84,745,263
Other Assets	4,250,505		4,250,505
Total Non-current Assets	<u>29,674,964</u>	<u>63,281,641</u>	<u>92,956,605</u>
Total Assets	<u>45,924,434</u>	<u>67,751,287</u>	<u>113,675,721</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized Debt Expense	183,908	572,701	756,609
Difference Between Expected and Actual Experience			
- Net Pension Liability	557,690	621,419	1,179,109
Total Deferred Outflows of Resources	<u>741,598</u>	<u>1,194,120</u>	<u>1,935,718</u>
Total Assets and Deferred Outflows of Resources	<u>46,666,032</u>	<u>68,945,407</u>	<u>115,611,439</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	7,431,908	890,262	8,322,170
Customer Deposits	3,119,003	324,277	3,443,280
Interest Payable	168,715	334,420	503,135
Bonds, Notes and Loans Payable	558,587	2,833,334	3,391,921
Total Current Liabilities	<u>11,278,213</u>	<u>4,382,293</u>	<u>15,660,506</u>
Non-current Liabilities:			
Bonds, Notes and Loans Payable	8,413,481	24,384,463	32,797,944
Unfunded Pension Liability	5,601,638	4,935,609	10,537,247
Advances from Others	134,692		134,692
Total Non-current Liabilities	<u>14,149,811</u>	<u>29,320,072</u>	<u>43,469,883</u>
Total Liabilities	<u>25,428,024</u>	<u>33,702,365</u>	<u>59,130,389</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized Gain on Bond Defeasance		154,731	154,731
Difference Between Projected and Actual Earnings on			
Pension Plan Investments - Net Pension Liability	811,999	156,179	968,178
Other	551	6,500	7,051
Total Deferred Inflows of Resources	<u>812,550</u>	<u>317,410</u>	<u>1,129,960</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	16,569,541	32,155,115	48,724,656
Unrestricted	3,855,917	2,770,517	6,626,434
Total Net Position	<u>20,425,458</u>	<u>34,925,632</u>	<u>55,351,090</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 46,666,032</u>	<u>68,945,407</u>	<u>115,611,439</u>

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

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
	<u>Electric</u>	<u>Water</u>	<u>Enterprise</u>
	<u>Department</u>	<u>Department</u>	<u>Funds</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 38,964,991	10,492,005	49,456,996
Total Operating Revenues	<u>38,964,991</u>	<u>10,492,005</u>	<u>49,456,996</u>
<u>OPERATING EXPENSES</u>			
Purchased Power	32,106,760		32,106,760
Distribution Expense	448,352		448,352
Maintenance Expense	1,458,475	982,105	2,440,580
Water Treatment		955,538	955,538
Wastewater Treatment		2,217,240	2,217,240
Administrative and General	4,114,058	2,217,283	6,331,341
Depreciation	<u>1,703,437</u>	<u>2,705,305</u>	<u>4,408,742</u>
Total Operating Expenses	<u>39,831,082</u>	<u>9,077,471</u>	<u>48,908,553</u>
Operating Income	<u>(866,091)</u>	<u>1,414,534</u>	<u>548,443</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest and Investment Income	18,971	3,702	22,673
Other Revenue	35,349	44,076	79,425
Interest Expense	(390,696)	(957,861)	(1,348,557)
Other Expenses	<u>(22,211)</u>	<u>(83,718)</u>	<u>(105,929)</u>
Total Non-operating Expenses	<u>(358,587)</u>	<u>(993,801)</u>	<u>(1,352,388)</u>
Income Before Contributions	<u>(1,224,678)</u>	<u>420,733</u>	<u>(803,945)</u>
Capital Contributions		<u>474,075</u>	<u>474,075</u>
Change in Net Position	(1,224,678)	894,808	(329,870)
Amortization of Grants		(474,075)	(474,075)
Total Net Position, Beginning	<u>27,566,431</u>	<u>38,842,609</u>	<u>66,409,040</u>
Prior Period Adjustment	(5,916,295)	(4,337,710)	(10,254,005)
Total Net Position, Beginning as Restated	<u>21,650,136</u>	<u>34,504,899</u>	<u>56,155,035</u>
Total Net Position, Ending	<u>\$ 20,425,458</u>	<u>34,925,632</u>	<u>55,351,090</u>

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

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total Enterprise Funds</u>
	<u>Electric Department</u>	<u>Water Department</u>	
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 39,140,874	10,432,521	49,573,395
Cash Paid to Employees	(1,594,001)	(2,072,688)	(3,666,689)
Cash Paid to Suppliers	(34,164,799)	(4,280,274)	(38,445,073)
Cash Paid to City	(1,818,750)		(1,818,750)
Net Cash Flows from Operating Activities	<u>1,563,324</u>	<u>4,079,559</u>	<u>5,642,883</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Customer Conservation and TVA Loan Activity	32,690		32,690
Decrease in Conservation Advances	(32,980)		(32,980)
Interest Paid	(3,468)		(3,468)
Other Receipts	26,197		26,197
Net Cash Flows from Noncapital Financing Activities	<u>22,439</u>		<u>22,439</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Payments on Debt	(531,452)	(2,292,368)	(2,823,820)
Payment of Interest	(393,228)	(984,066)	(1,377,294)
Purchase of Capital Assets	(1,824,703)	(1,718,554)	(3,543,257)
Other Receipts		140,428	140,428
Net Cash Flows from Capital and Related Financing Activities	<u>(2,749,383)</u>	<u>(4,854,560)</u>	<u>(7,603,943)</u>
<u>Cash Flows from Investing Activities</u>			
Receipt of Interest	18,971	3,702	22,673
Increase in Bond Sinking Funds	(9,001)		(9,001)
Decrease in Other Special Funds	765,449		765,449
Net Cash Flows from Investing Activities	<u>775,419</u>	<u>3,702</u>	<u>779,121</u>
Net Change in Cash	(388,201)	(771,299)	(1,159,500)
Cash and Cash Equivalents, Beginning of Year	10,580,278	4,025,013	14,605,291
Cash and Cash Equivalents, End of Year	<u>\$ 10,192,077</u>	<u>3,253,714</u>	<u>13,445,791</u>
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>			
Operating Income	\$ (866,091)	1,414,534	548,443
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation & Amortization	1,703,437	2,705,305	4,408,742
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Receivables	456,402	(61,409)	394,993
Decrease in Inventory	184,725	375	185,100
Increase in Prepaid Expenses	(2,177)	(1,384)	(3,561)
Decrease in Payables	(24)	(124,382)	(124,406)
Decrease in Accrued Liabilities	(71,328)		(71,328)
Increase in Customer Deposits	159,264	1,925	161,189
Increase (Decrease) in Other Liabilities	(884)	144,595	143,711
Total Adjustments	<u>2,429,415</u>	<u>2,665,025</u>	<u>5,094,440</u>
Net Cash Provided by Operating Activities	<u>\$ 1,563,324</u>	<u>4,079,559</u>	<u>5,642,883</u>

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

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2015**

	Employee Benefit Trust Fund	Private- Purpose Trust	Agency Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 60,775	292,909	459,845
Receivables (Net)	8,895		10,824
	<u>69,670</u>	<u>292,909</u>	<u>470,669</u>
<u>LIABILITIES</u>			
Accounts Payable	14,738	68,502	
Other Liabilities			468,188
	<u>14,738</u>	<u>68,502</u>	<u>468,188</u>
<u>NET POSITION</u>			
Net Position	<u>\$ 54,932</u>	<u>224,407</u>	<u>2,481</u>

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

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Employee Benefit Trust Fund</u>
<u>ADDITIONS</u>	
Collections	
Property Taxes	\$ 972,762
Total Collections	<u>972,762</u>
Total Additions	<u>972,762</u>
<u>DEDUCTIONS</u>	
Payments to Other Governments	974,724
Total Deductions	<u>974,724</u>
Change in Net Position	(1,962)
Net Position, October 1, 2014	<u>56,894</u>
Net Position, September 30, 2015	<u>\$ 54,932</u>

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying financial statements of the City of Columbus (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

b. The Financial Reporting Entity

The citizens of Columbus, Mississippi, have elected to operate under a Mayor-City Council form of government as permitted by Mississippi Statutes 21-8-1.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based on the criteria above, the reporting entity for GAAP purposes includes the Columbus Light and Water Department (Electric and Water Division). Both the Electric and Water Divisions were audited separately and these reports may be obtained from each respective administrative office.

There are no outside organizations that should be included as component units of the City's reporting entity.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, public works, sanitary landfill, solid waste, care and maintenance of public property, health and welfare, conservation, urban and economic development, central garage and general government services are classified as governmental activities. The City's electric and water divisions are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, utility, sales and use taxes, certain intergovernmental revenues, revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

d. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.
- c. **Debt Service Funds** are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.
- d. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds)

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. **Enterprise Funds** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statement by type (employee benefit and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

e. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

f. Financial Statement Amounts

1. Cash and Cash Equivalents:

For purposes of the statement of cash flows for the proprietary funds, the City defines cash equivalents as short-term, highly liquid investments with original maturity dates of three months or less.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Inventory:

Inventory is valued at the lower of cost (first-in, first-out) or market.

3. Capital Assets:

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	20 years
Mobile equipment	5 – 10 years
Furniture and equipment	5 – 10 years
Other infrastructure	20 – 30 years
Leased property under capital leases	* years

(*) The useful lives will correspond with the amounts for the asset classifications, as listed.

4. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as restricted, assigned or unassigned. Following are descriptions of fund classifications used by the City:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the city council pursuant to authorization established by the City's approved fund balance policy.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

5. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

6. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

7. Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

9. Basis of Budgeting:

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

1. Prior to September 15, the CFO submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted at least one week prior to adoption of the budget in the City Hall to obtain taxpayer comments.
3. Budgets for the General, Special, Capital Projects, and Debt Funds are adopted on the cash basis.

Budgeted amounts are as originally adopted, or as amended by the City Council.

10. Self-insurance Reserves:

The City is self insured for medical coverage. Medical coverage is provided by a combined fully-funded gap policy and self-funded major medical. The breakdown of coverage is as follows:

Self-funded claims	\$500 - \$50,000
Fully-funded excess coverage insurance	\$50,000 +

Insurance reserves are calculated on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed utilizing historical claim trends. Projected settlements and incurred but not reported claims are estimated based on pending claims, historical trends and data. Though the City does not expect them to do so, actual settlements and claims could have an adverse effect on the results of operations and financial condition.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH, OTHER DEPOSITS, AND INVESTMENTS

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$9,807,473 on September 30, 2015, and the bank balance was \$10,026,275.

The water and light department balances are not included in the above amounts.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2015, are:

A. Due from/to other funds

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 34,175	
Other Governmental Funds	_____	<u>34,175</u>
Total Funds	<u>\$ 34,175</u>	<u>34,175</u>

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

B. Inter-fund Transfers

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 509,813	741,224
Other Governmental Funds	741,224	509,813
	<u>\$ 1,251,037</u>	<u>\$ 1,251,037</u>

All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

NOTE 4: NOTES RECEIVABLE

Notes Receivable balance at September 30, 2015, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
American Power Source	9/1/09	3.00%	9/1/19	\$ 92,400

On the Statement of Net Position, notes receivable from Columbus Light & Water in the amount of \$4,418,544 are eliminated in consolidation.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance 9/30/2014</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 9/30/2015</u>
Governmental Activities						
<i>Non-depreciable Capital Assets</i>						
Land	\$ 6,540,316					6,540,316
Construction in Progress	968,302	6,875,125		(1,117,744)		6,725,683
Total Non-depreciable Capital Assets	<u>7,508,618</u>	<u>6,875,125</u>		<u>(1,117,744)</u>	<u>0</u>	<u>13,265,999</u>
<i>Depreciable Capital Assets</i>						
Buildings	18,203,595	13,015				18,216,610
Equipment	10,250,997	478,985		14,200	299,983	11,044,165
Improvements Other than Buildings	1,825,189					1,825,189
Infrastructure	57,040,861			1,103,544		58,144,405
Total Depreciable Capital Assets	<u>87,320,642</u>	<u>492,000</u>		<u>1,117,744</u>	<u>299,983</u>	<u>89,230,369</u>
<i>Less Accumulated Depreciation for:</i>						
Buildings	6,790,898	368,875				7,159,773
Equipment	7,743,610	383,794			56,843	8,184,247
Improvements Other than Buildings	284,577	73,008				357,585
Infrastructure	37,002,547	818,639				37,821,186
Total Accumulated Depreciation	<u>51,821,632</u>	<u>1,644,316</u>			<u>56,843</u>	<u>53,522,791</u>
Total Depreciable Capital Assets, Net	<u>35,499,010</u>	<u>(1,152,316)</u>		<u>1,117,744</u>	<u>243,140</u>	<u>35,707,578</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,007,628</u>	<u>5,722,809</u>		<u>-</u>	<u>243,140 00</u>	<u>48,973,577</u>
Business-Type Activities						
<i>Non-depreciable Capital Assets</i>						
Land	\$ 305,927					305,927
Construction in Progress	4,001,199	1,637,388		(4,481,396)		1,157,191
Total Non-depreciable Capital Assets	<u>4,307,126</u>	<u>1,637,388</u>		<u>(4,481,396)</u>		<u>1,463,118</u>
<i>Depreciable Capital Assets</i>						
Wastewater Treatment Plant	18,833,420					18,833,420
Utility Plant in Service	91,680,791	4,302,218	(379,801)			95,603,208
Distribution Plant	41,645,806	1,775,226	(266,112)			43,154,920
General Plant	7,328,422	376,457	(112,769)			7,592,110
Total Depreciable Capital Assets	<u>159,488,439</u>	<u>6,453,901</u>	<u>(758,682)</u>			<u>165,183,658</u>
<i>Less Accumulated Depreciation for:</i>						
All Plant Property	78,077,353	4,781,026	(956,866)			81,901,513
Total Accumulated Depreciation	<u>78,077,353</u>	<u>4,781,026</u>	<u>(956,866)</u>		<u>0</u>	<u>81,901,513</u>
Total Depreciable Capital Assets, Net	<u>81,411,086</u>	<u>1,672,875</u>	<u>198,184</u>	<u>-</u>	<u>0</u>	<u>83,282,145</u>
Business-type Activities Capital Assets, Net	<u>\$ 85,718,212</u>	<u>3,310,263</u>	<u>198,184</u>	<u>(4,481,396)</u>	<u>0</u>	<u>84,745,263</u>

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

	Amount
Governmental Activities:	
General Government	\$ 34,534
Public Safety	301,262
Public Works	953,805
Culture and Recreation	138,898
Conservation, Urban and Economic Development	215,817
Total Depreciation Expense - Governmental Activities	\$ 1,644,316
Business-Type Activities:	
Electric Division	\$ 1,861,567
Water Division	2,919,459
Total Depreciation Expense - Business-Type Activities	\$ 4,781,026

NOTE 6: LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Balance 9/30/2014	Additions	Re- ductions	Adjustments	Balance 9/30/2015	Within One Year
Governmental Activities						
General Obligation Bonds						
General Obligation Note, Series 2013	\$ 960,000		240,000		720,000	240,000
General Obligation Note, Series 2014	5,000,000				5,000,000	
Special Assessment Bonds Payable						
Public Improvement Series, 1996A	310,000		150,000		160,000	160,000
Public Improvement Series, 1996B	125,000		60,000		65,000	65,000
Mississippi Development Bank, 2010	7,595,000		455,000		7,140,000	470,000
Mississippi Development Bank, 2013	2,285,000		120,000		2,165,000	125,000
Tax Increment Financing Bonds						
Tax Increment Financing Bonds, Series 2015		2,230,000			2,230,000	80,000
Notes Payable						
Mississippi Development Authority, 1998	9,758		9,758		-	-
Mississippi Development Authority, 1999	4,905		4,905		-	-
Mississippi Development Authority, 2007	115,383		31,059		84,324	31,748
Mississippi Development Authority, 2007	69,709		17,139		52,570	17,516
Mississippi Development Authority, 2012	184,082		24,073		160,009	24,588
Mississippi Development Authority, 2012	187,408		22,877		164,531	21,566
Mississippi Development Authority, 2009	78,780		4,506		74,274	4,624
Regions Bank	138,089		50,884		87,205	51,958
Regions Bank, Lease Purchase Note	1,728,961		97,400		1,631,561	100,554
Regions Bank, Lease Purchase Note	3,110,761	389,239	140,153		3,359,847	191,841
Regions Bank, Lease Purchase Note	426,559		119,384		307,175	103,297
Regions Bank, Lease Purchase Note		63,650	6,084		57,566	12,351
Regions Bank, Lease Purchase Note		171,214	8,163		163,051	33,059
Compensated Absences	484,617	21,417			506,034	137,000
Total	\$ 22,814,012	2,875,520	1,561,385	0	24,128,147	1,870,102

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

	<u>Balance 9/30/2014</u>	<u>Additions</u>	<u>Re- ductions</u>	<u>Balance 9/30/2015</u>	<u>Within One Year</u>
Business-type Activities					
Bonds and Notes Payable - Water Division					
Water Division, Special Obligation Bonds					
2007 Series	\$ 20,100,000		1,335,000	18,765,000	1,390,000
Revenue Refunding Bonds					
2012 Series	4,795,397		1,022,926	3,772,471	1,046,865
Discount on Special Obligation Bonds					
Series 2007	(161,900)		(14,499)	(147,401)	
Total Water Division, Revenue Bonds	<u>24,733,497</u>	<u>-</u>	<u>2,343,427</u>	<u>22,390,070</u>	<u>2,436,865</u>
Water Division, Other Long-Term Debt					
Notes Payable to City of Columbus for					
Water Meter Project	3,110,761	389,239	93,084	3,406,916	238,909
Environmental Quality Revolving Loans	1,143,927		126,003	1,017,924	128,226
Department of Health Revolving Loans	354,789		23,699	331,090	24,165
Department of Economic and Community	60,783		60,783	-	
Mississippi Development Bank	76,838		5,041	71,797	5,169
Total Water Division, Other Long-term Debt	<u>4,747,098</u>	<u>389,239</u>	<u>215,526</u>	<u>4,827,727</u>	<u>396,469</u>
Bonds and Notes Payable - Electric Division					
Electric Division - Special Obligation Bonds					
2009 Series	8,520,000		400,000	8,120,000	415,000
Notes Payable to City of Columbus for					
Construction Expenses	1,192,396		145,300	1,047,096	143,587
Discount on Special Obligation Bonds					
Series 2009	(208,876)		(13,848)	(195,028)	
	<u>9,503,520</u>	<u>0</u>	<u>531,452</u>	<u>8,972,068</u>	<u>558,587</u>
Total Business-type Activities Bonds and					
Notes Payable	<u>\$ 38,984,115</u>	<u>389,239</u>	<u>3,090,405</u>	<u>36,189,865</u>	<u>3,391,921</u>

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

All liabilities of The City of Columbus are secured by the full faith and credit of the municipality.

The outstanding issue of general obligation bonds, series 2013, is due in annual installments of \$240,000 plus interest through the year 2018 with 1.52% annual interest.

The outstanding issue of general obligation bonds, series 2014, is due in annual installments ranging from \$163,403 to \$638,938 through the year 2029 with 3.25% annual interest.

The outstanding issues of special assessment bonds are due in annual installments ranging from \$65,080 to \$445,000 each through various dates, the last of which is the year 2030. Interest rates range from 2.0% to 5.4%.

The notes payable with Mississippi Development Authority dated June 12, 2007, consist of monthly payments in the amount of \$2,760.40 for 120 months with 2.0% annual interest.

The notes payable with Mississippi Development Authority dated September 1, 2008, terms consist of monthly payments in the amount of \$1,533.53 for 120 months with 2.0% annual interest.

The notes payable with Mississippi Development Authority dated September 17, 2009, terms consist of monthly payments in the amount of \$505.88 for 240 months with 2.0% annual interest.

The notes payable with Mississippi Development Authority dated February 1, 2012, terms consist of monthly payments in the amount of \$2,300.34 for 120 months with 2.0% annual interest.

The notes payable with Mississippi Development Authority dated August 5, 2010, terms consist of monthly payments in the amount of \$2,054.95 for 120 months with 2.0% annual interest.

The notes payable with Regions Bank dated May 17, 2012, terms consist of monthly payments in the amount of \$4,440.40 for 60 months with 2.09% annual interest.

The outstanding notes payable with Regions Equipment Finance Corporation terms consist of quarterly payments ranging from \$37,891 to \$72,705, or monthly payments ranging from \$1,115 to \$3,000, the last of which is the year 2029. Interest rates range from 1.99% to 3.20%.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: DISABILITY RELIEF FUND

In the past, the City has sponsored and administered the Policemen's and Firemen's Disability Relief Fund. It was accounted for as a separate Pension Trust Fund. Effective July 1, 1987, this fund was administered by the Public Employees' Retirement System of Mississippi (PERS). All required contributions and property taxes are being transferred monthly. The Pension Fund is funded by contributions from employees and from a tax assessment of 5.67 mills. The City is not obligated to fund the Pension Trust Fund with any general fund resources. Benefits are paid to the participants or beneficiaries based on a percentage of the base pay when the person qualifies.

The contribution made for active and retired employees for the years ended September 30, 2015, 2014, and 2013, were \$971,894, \$1,011,879, and \$1,029,010, respectively.

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$1,458,235, \$1,428,892 and \$1,329,352, respectively, which equaled the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$22,769,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.147297 percent.

For the year ended September 30, 2015, the City recognized pension expense of \$656,960. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 528,989	
Net difference between projected and actual earnings on pension plan investments		611,545
Changes of assumptions	1,961,489	
Change in proportion percentage		59,641
City contributions subsequent to the measurement date	334,157	
	\$ 2,824,635	671,186

\$334,157 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2016	\$ 500,565
2017	500,565
2018	500,564
2019	317,598
	\$ 1,819,292

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 30,009,821	\$ 22,769,212	\$ 16,758,140

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 9: JOINT VENTURES AND OTHER

The City of Columbus and Lowndes County, Mississippi, are in several significant joint ventures. The following is a brief description of each joint venture:

- I. Name: Columbus/Lowndes Recreation Authority
 Purpose: To provide recreation to Columbus and Lowndes County
 Government: A commission made up of five members appointed by the Mayor and City Council (2) and Lowndes County Board of Supervisors (2) and one member jointly approved by the Mayor and President of the Board of Supervisors.

 Financing: Taxes levied by both the City and County and certain fees.
 Degree of Control Over Budgeting and Financing: A budget must be submitted and approved by both the City Council and Board of Supervisors.

- II. Name: Columbus/Lowndes County Library
 Purpose: To operate a public library
 Government: A board made up of ten members appointed by the Mayor and City Council (5) and the Lowndes County Board of Supervisors (5).

 Financing: Taxes levied by both the City and County.
 Degree of Control Over Budgeting and Financing: A budget is submitted to the City Council and Board of Supervisors for review and approval. After reviewing the budget the governing bodies advise the Library Board how much they will provide for the operation of the Library.

- III. Name: Columbus/Lowndes County Convention and Visitors Bureau
 Purpose: To promote tourism within the City and County.
 Government: A board made up of nine members appointed by the Mayor and City Council (4); the Board of Supervisors for Lowndes County (4); and the County and City jointly appoint one individual at large.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 9: JOINT VENTURES AND OTHER (CONTINUED)

Financing: A special two percent (2%) sales tax on certain restaurants and lounges has been designated to be used to promote tourism in Columbus and Lowndes County.

Degree of Control
Over Budgeting and
Financing: N/A

The City also participates jointly with two surrounding counties and cities in providing partial funding for the Golden Triangle Regional Airport. The City appoints one of the five commissioners.

The City also is participating jointly with several surrounding cities and counties in the Golden Triangle Regional Solid Waste Management Authority, Inc. The purpose of the Authority is to provide a regional solid waste disposal facility. The City appoints ten of the thirty-eight board members. The City, as well as other surrounding cities and counties, has guaranteed certain debt of the Authority.

The above joint ventures are considered as separate reporting entities by the City's administration. Accordingly, the joint ventures have not been included in these financial statements, except the funding of each has been recorded as expenditures.

The City participates with the County in the Columbus/Lowndes Airport located on Highway 69. The County reimburses the City for 50% of any expenses exceeding revenue.

The City and County also share in the operation of the E-911 salaries expense. The City, through an interlocal agreement, assigns certain personnel, and provides office space and utilities to the Metro Narcotics Unit.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: PROPERTY TAX

Property taxes attach an enforceable lien on the property as of January 1st. Taxes are levied as of January 1st and payable on or before February 1st. The City taxes are collected and remitted to the City by the Lowndes County Tax Collector.

The distribution of taxes to funds was made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

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**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 12: COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City, after consultation with counsel, that resolution of these matters will not have a material adverse effect on the financial condition of the government.

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise is not believed to be material.

NOTE 13: PRIOR PERIOD ADJUSTEMENT

A prior period adjustment is made on these financial statements to record a \$19,958,803 and \$10,254,005 reduction in unrestricted net position of governmental and proprietary funds, respectively, as required by Statement No. 68 of the Governmental Accounting Standards Board which addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers.

A summary of the adjustment is as follows:

Implementation of GASB 68:

Net pension liability (measurement date)	\$ (27,784,928)
Deferred inflows (measurement date)	(3,170,020)
Deferred outflows (measurement date)	341,145
Deferred outflows - contributions made during fiscal year 2015	<u>400,995</u>

Total prior period adjustment related to GASB 68	<u>\$ (30,212,808)</u>
--	------------------------

A prior period adjustment is also made to record \$243,140 of capital equipment, net of accumulated depreciation, erroneously disposed of in a prior year.

NOTE 14: SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of City of Columbus, Mississippi evaluated the activity of the city through May 18, 2016, and determined that there was no subsequent event that required disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive(Negative)</u>
<u>REVENUES</u>				
Property Taxes	\$ 6,670,000	6,670,000	6,887,131	217,131
Licenses and Permits	569,964	569,964	563,306	(6,658)
Intergovernmental Revenues	10,581,794	10,581,794	11,414,708	832,914
Charges for Services	1,944,400	1,944,400	1,806,804	(137,596)
Fines and Forfeits	708,050	708,050	626,453	(81,597)
Interest Income	23,000	23,000	19,089	(3,911)
Miscellaneous Revenues	172,050	172,050	233,431	61,381
Total Revenues	20,669,258	20,669,258	21,550,922	881,664
<u>EXPENDITURES</u>				
Current:				
General Government	2,277,147	2,277,147	2,259,744	17,403
Public Safety	11,658,817	11,658,817	10,365,569	1,293,248
Public Works	4,636,672	4,636,672	4,435,007	201,665
Cemetery	101,300	101,300	84,108	17,192
Culture and Recreation	275,267	275,267	327,104	(51,837)
Conservation, Urban and Economic Development	865,223	865,223	892,570	(27,347)
Intergovernmental-Garage	728,074	728,074	682,006	46,068
Agency Appropriations	1,392,990	1,392,990	1,365,293	27,697
Debt Service	695,785	695,785	545,779	150,006
Total Expenditures	22,631,275	22,631,275	20,957,180	1,674,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,962,017)	(1,962,017)	593,742	2,555,759
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Financing Sources	\$ 1,996,410	1,996,410	835,993	(1,160,417)
Other Financing Uses	(334,936)	(334,936)	(7,875)	327,061
Net Other Financing Sources (Uses)	\$ 1,661,474	1,661,474	828,118	(833,356)

This is reported on the cash basis.

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS***

		2015
City's proportion of the net pension liability	\$	22,769,212
City's proportionate share of the net pension liability		0.147297%
City's covered-employee payroll	\$	9,202,286
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		247.43%
Plan fiduciary net position as a percentage of the total pension liability		61.70%

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS**

		<u>2015</u>
Contractually required contribution	\$	1,449,360
Contribution in relation to the contractually required contribution		1,449,360
Contribution deficiency (excess)	\$	<u><u>-</u></u>
City's covered-employee payroll	\$	9,202,286
Contributions as a percentage of covered-employee payroll		15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

OTHER SUPPLEMENTAL INFORMATION

CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF BONDED INDEBTEDNESS - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2015

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/14</u>	<u>Transactions</u>		<u>Balance 9/30/15</u>
				<u>Issued</u>	<u>Redeemed</u>	
General Obligation and TIF Bonds						
Governmental Activities:						
Public Improvement Series, 1996A	9/1/2015	5.00	\$ 150,000		\$ 150,000	\$ -
	9/1/2016	5.00	160,000			160,000
Total			<u>310,000</u>	<u>-</u>	<u>150,000</u>	<u>160,000</u>
Public Improvement Series, 1996B	9/1/2015	5.40	60,000		60,000	-
	9/1/2016	5.40	65,000			65,000
Total			<u>125,000</u>	<u>-</u>	<u>60,000</u>	<u>65,000</u>
Mississippi Development Bank, 2010	12/1/2014	2.00	455,000		455,000	-
	12/1/2015	2.00	470,000			470,000
	12/1/2016	2.25	480,000			480,000
	12/1/2017	2.50	495,000			495,000
	12/1/2018	2.50	510,000			510,000
	12/2/2019	2.50	515,000			515,000
	Thereafter	2.50	4,670,000			4,670,000
Total			<u>7,595,000</u>	<u>-</u>	<u>455,000</u>	<u>7,140,000</u>
General Obligation Note, Series 2013	1/1/2015	1.52	240,000		240,000	-
	1/1/2016	1.52	240,000			240,000
	1/1/2017	1.52	240,000			240,000
	1/1/2018	1.52	240,000			240,000
Total			<u>960,000</u>	<u>-</u>	<u>240,000</u>	<u>720,000</u>
Mississippi Development Bank, 2013	9/1/2015	4.55	120,000		120,000	-
	9/1/2016	4.55	125,000			125,000
	9/1/2017	4.55	130,000			130,000
	9/1/2018	4.55	140,000			140,000
	9/1/2019	4.55	145,000			145,000
	9/1/2020	4.55	150,000			150,000
	Thereafter	4.55	1,475,000			1,475,000
Total			<u>2,285,000</u>	<u>-</u>	<u>120,000</u>	<u>2,165,000</u>
General Obligation Note, Series 2014	2015	3.25				-
	2016	3.25				-
	2017	3.25	25,000			25,000
	2018	3.25	100,000			100,000
	2019	3.25	200,000			200,000
	Thereafter	3.25	4,675,000			4,675,000
Total			<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Tax Increment Financing, Series 2015	2015	6.00			-	-
	2016	6.00		80,000		80,000
	2017	6.00		80,000		80,000
	2018	6.00		80,000		80,000
	2019	6.00		85,000		85,000
	Thereafter	7.125		1,905,000		1,905,000
Total			<u>-</u>	<u>2,230,000</u>	<u>-</u>	<u>2,230,000</u>
Total General Obligation and TIF Bond Liability, Governmental Activities			<u>\$ 16,275,000</u>	<u>\$ 2,230,000</u>	<u>\$ 1,025,000</u>	<u>\$ 17,480,000</u>

CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2015

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
Notes Payable						
Governmental Activities:						
Mississippi Development Authority, 1998	FY15	4.95%	\$ 9,758		\$ 9,758	\$ -
Total			9,758	-	9,758	-
Mississippi Development Authority, 1999	FY15	4.65%	4,905		4,905	-
Total			4,905	-	4,905	-
Mississippi Development Authority, 2007	FY15	2.00%	31,059		31,059	-
	FY16	2.00%	31,748			31,748
	FY17	2.00%	32,389			32,389
	FY18	2.00%	20,187			20,187
Total			115,383		31,059	84,324
Mississippi Development Authority, 2007	FY15	2.00%	17,139		17,139	-
	FY16	2.00%	17,515			17,515
	FY17	2.00%	17,868			17,868
	FY18	2.00%	17,187			17,187
Total			69,709		17,139	52,570
Mississippi Development Authority, 2012	FY15	2.00%	24,073		24,073	-
	FY16	2.00%	24,588			24,588
	FY17	2.00%	25,084			25,084
	FY18	2.00%	25,590			25,590
	FY19	2.00%	26,107			26,107
	FY20	2.00%	26,634			26,634
	Thereafter	2.00%	32,006			32,006
Total			184,082	-	24,073	160,009
Mississippi Development Authority, 2012	FY15	2.00%	22,877		22,877	-
	FY16	2.00%	21,566			21,566
	FY17	2.00%	22,001			22,001
	FY18	2.00%	22,445			22,445
	FY19	2.00%	22,898			22,898
	FY20	2.00%	23,360			23,360
	Thereafter	2.00%	52,261			52,261
Total			187,408	-	22,877	164,531
Mississippi Development Authority, 2009	FY15	2.00%	4,506		4,506	-
	FY16	2.00%	4,624			4,624
	FY17	2.00%	4,719			4,719
	FY18	2.00%	4,812			4,812
	FY19	2.00%	4,909			4,909
	FY20	2.00%	5,008			5,008
	Thereafter	2.00%	50,202			50,202
Total			78,780	-	4,506	74,274
Regions Bank	FY15	2.09%	50,884		50,884	-
	FY16	2.09%	51,958			51,958
	FY17	2.09%	35,247			35,247
Total			138,089	-	50,884	87,205

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CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2015

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
Regions Equipment Finance Corp	FY15	3.20%	97,400		97,400	-
	FY16	3.20%	100,554			100,554
	FY17	3.20%	103,811			103,811
	FY18	3.20%	107,173			107,173
	FY19	3.20%	110,644			110,644
	FY20	3.20%	114,227			114,227
	Thereafter	3.20%	1,095,152			1,095,152
Total			<u>1,728,961</u>	<u>0</u>	<u>97,400</u>	<u>1,631,561</u>
Regions Equipment Finance Corp	FY15	3.01%	140,153	389,239	140,153	389,239
	FY16	3.01%	191,841			191,841
	FY17	3.01%	197,681			197,681
	FY18	3.01%	203,699			203,699
	FY19	3.01%	209,900			209,900
	FY20	3.01%	216,290			216,290
	Thereafter	3.01%	1,951,197			1,951,197
Total			<u>3,110,761</u>	<u>389,239</u>	<u>140,153</u>	<u>3,359,847</u>
Regions Equipment Finance Corp	FY15	2.02%	119,384		119,384	-
	FY16	2.02%	103,298			103,298
	FY17	2.02%	105,408			105,408
	FY18	2.02%	98,469			98,469
Total			<u>426,559</u>	<u>0</u>	<u>119,384</u>	<u>307,175</u>
Regions Equipment Finance Corp	FY15	1.99%		6,084	6,084	-
	FY16	1.99%		12,351		12,351
	FY17	1.99%		12,599		12,599
	FY18	1.99%		12,852		12,852
	FY19	1.99%		13,110		13,110
	FY20	1.99%		6,654		6,654
Total			<u>-</u>	<u>63,650</u>	<u>6,084</u>	<u>57,566</u>
Regions Equipment Finance Corp	FY15	1.99%		8,162	8,162	-
	FY16	1.99%		33,059		33,059
	FY17	1.99%		33,723		33,723
	FY18	1.99%		34,400		34,400
	FY19	1.99%		35,091		35,091
	FY20	1.99%		26,778		26,778
Total			<u>-</u>	<u>171,213</u>	<u>8,162</u>	<u>163,051</u>
Total Notes Payable, Governmental Activities			<u>\$ 6,054,395</u>	<u>\$ 624,102</u>	<u>\$ 536,384</u>	<u>\$ 6,142,113</u>

CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF BONDS AND NOTES PAYABLE - BUSINESS-TYPE ACTIVITIES
SEPTEMBER 30, 2015

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/14</u>	<u>Transactions</u>		<u>Balance 9/30/15</u>
				<u>Issued</u>	<u>Redeemed</u>	
Business-type Activities						
Water Division:						
Special Obligation Bonds						
	2015	4.12%	\$ 1,335,000		\$1,335,000	\$ -
	2016	4.12%	1,390,000			1,390,000
	2017	4.12%	1,445,000			1,445,000
	2018	4.12%	1,505,000			1,505,000
	2019	4.12%	1,565,000			1,565,000
	2020	4.12%	1,625,000			1,625,000
	2021-2028	4.12%	11,235,000			11,235,000
Total			<u>20,100,000</u>	<u>-</u>	<u>1,335,000</u>	<u>18,765,000</u>
Other Long-term Debt						
	2015	3-4.5%	1,238,452		1,238,452	-
	2016	3-4.5%	1,204,425			1,204,425
	2017	3-4.5%	1,231,766			1,231,766
	2018	3-4.5%	1,259,732			1,259,732
	2019	3-4.5%	724,045			724,045
	2020	3-4.5%	169,239			169,239
	2020-2028	3-4.5%	604,075			604,075
Total			<u>6,431,734</u>	<u>-</u>	<u>1,238,452</u>	<u>5,193,282</u>
Electric Division:						
Special Obligation Bonds						
	2015	2-4.5%	400,000		400,000	-
	2016	2-4.5%	415,000			415,000
	2017	2-4.5%	425,000			425,000
	2018	2-4.5%	440,000			440,000
	2019	2-4.5%	455,000			455,000
	2020	2-4.5%	470,000			470,000
	2020-2029	2-4.5%	5,915,000			5,915,000
Total			<u>8,520,000</u>	<u>-</u>	<u>400,000</u>	<u>8,120,000</u>
Total Bonds and Notes Payable, Business-type Activities			<u>\$ 35,051,734</u>	<u>\$ -</u>	<u>\$ 2,973,452</u>	<u>\$ 32,078,282</u>

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Robert Smith	Mayor	CNA Surety	\$ 50,000
Gene A. Taylor	Councilman	CNA Surety	\$100,000
Joseph W. Mickens	Councilman	CNA Surety	\$100,000
Charles E. Box	Councilman	CNA Surety	\$100,000
Marty Turner	Councilman	CNA Surety	\$100,000
Kabir Karriem	Councilman	CNA Surety	\$100,000
William E. Gavin	Councilman	CNA Surety	\$100,000
Milton Rawle	CFO	CNA Surety	\$100,000
Oscar Lewis III	Chief of Police	CNA Surety	\$100,000
All departments under jurisdiction of Mayor and City Council	Blanket Bond All Employees	State Auto Property and Insurance Company	\$100,000
Proprietary Fund – Electric & Water Department	Blanket Bond Covering All Employees	State Auto Property and Insurance Company	\$ 50,000

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Agency/ Pass-through Entity/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Defense</u>		
Direct Programs:		
ARRA - Mississippi Environmental Infrastructure (Section 592)	12.124	\$ 756,816
Total U.S. Department of Defense		756,816
<u>U.S. Department of Justice</u>		
Direct Programs:		
Public Safety Partnership and Community Policing Grants	16.710	43,352
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14,311
Passed-through Mississippi Department of Public Safety:		
ARRA - STOP Violence Against Women Formula Grants	16.588	16,754
Total passed-through Mississippi Department of Public Safety		16,754
Total U.S. Department of Justice		74,417
<u>U. S. Department of Transportation</u>		
Direct Programs:		
ARRA - Airport Improvement Program	20.106	258,588
Passed-through Mississippi Department of Transportation:		
ARRA - Highway Planning and Construction	20.205	163,163
Total passed-through Mississippi Department of Transportation		163,163
Passed-through Mississippi Department of Public Safety:		
Alcohol Open Container Requirements	20.607	8,012
Total passed-through Mississippi Department of Public Safety		8,012
Total U. S. Department of Transportation		429,763
<u>U.S. Environmental Protection Agency</u>		
Direct Programs:		
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	163,677
Total U.S. Environmental Protection Agency		163,677
<u>U.S. Department of Homeland Security</u>		
Direct Programs:		
Assistance to Firefighters Grant	97.067	8,000
Total U.S. Department of Homeland Security		8,000
<u>Total Expenditures of Federal Awards</u>		\$ 1,432,673

Notes to Schedule

(1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.

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

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

The Honorable Mayor and Members of the City Council
The City of Columbus
Columbus, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbus, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated May 18, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbus, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of City of Columbus, Mississippi's Response to Findings

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

Purpose of this Report

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

Columbus, Mississippi
May 18, 2016

Watkins Ward and Stafford, PLLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and Members of the City Council
The City of Columbus
Columbus, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Columbus, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Columbus, Mississippi's major federal programs for the year ended September 30, 2015. City of Columbus, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Columbus, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Columbus, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Columbus, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of City of Columbus, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Columbus, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Columbus, Mississippi's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Columbus, Mississippi
May 18, 2016

Watkins Ward and Stafford, PLLC

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

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

The Honorable Mayor and Members of the City Council
The City of Columbus
Columbus, Mississippi

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated May 18, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Findings:

In violation of Mississippi Code Section 31-7-13, there was an instance where the City did not receive and document written quotes for a purchase greater than \$5,000 but less than \$50,000.

In violation of Mississippi Code Section 25-3-41, there were instances where a City officer or employee did not repay advanced money not used for travel related expenses within the first five working days after the end of the month in which the official travel occurred.

Recommendations:

To comply with applicable state statutes:

The City should ensure that state purchasing laws are followed for all purchases in excess of \$5,000. The person or persons in charge of purchasing for each department should be responsible for assuring the City is in compliance with all state purchasing laws.

The City should ensure that the travel reimbursement form prescribed by the Department of Finance and Administration, or a similar form, is completed and submitted as soon as reasonably possible after official travel is completed by City employees or officials. Every effort should be made to collect advanced money owed to the City within the mandated time.

Response:

The City Council has been made aware of these violations of state statutes.

This report is intended for the information of the City Council, management and Mississippi State Auditor's office, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Columbus, Mississippi
May 18, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Section 1: Summary of Auditors' Results:

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | |
|---|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit finding(s) reported as required by Section 510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Mississippi Environmental Infrastructure (Section 592) – CFDA # 12.124 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

Section 2: Findings Relating to the Financial Statements

Significant Deficiencies Not Considered to be Material Weaknesses

2015-001 Statement of Condition (Repeat of Prior Year Finding)

The City of Columbus does not maintain adequate records for fixed assets. There is not a subsidiary ledger. The City does not perform an annual physical inventory. The City also does not maintain property control tags.

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Criteria

The fixed asset subsidiary ledger of fixed assets is the responsibility of the City of Columbus, Mississippi. Therefore, the City should be maintaining this ledger.

Recommendation

The City of Columbus needs to implement a subsidiary ledger for fixed assets. An annual physical inventory needs to be performed. All fixed assets need to be marked with a property control tag.

Response

The City of Columbus is currently working on implementing a fixed asset subsidiary ledger.

Section 3: Findings and Questioned Costs for Federal Awards

No findings to report.



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MANAGEMENT REPORT

The Honorable Mayor and Members of the City Council
 The City of Columbus
 Columbus, 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 City of Columbus, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated May 18, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

During the course of our examination, a matter was detected which requires the attention of management. This matter does not have a material effect on the general purpose financial statements. Any findings and recommendations of the prior year have been corrected by management unless it is specifically stated otherwise in the following finding and recommendation. Our finding and recommendation are as follows:

CURRENT YEAR FINDINGS:

ADMINISTRATIVE

1. Finding: (Repeat of Prior Year Finding)

The value of the personal use of an automobile by employees is not being computed and added to their income (W-2 earnings).

Recommendation:

The secretary-treasurer's office should start determining the personal use value for the city owned vehicles and add this value to the users W-2 at the end of the calendar year and pay the applicable payroll taxes.

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The finding in this report came to our attention as a result of the audit procedures and tests that we applied. Other than the finding mentioned above and in the preceding letter, the City complied with state laws and regulations for the items tested. For those items not tested, nothing came to our attention that would lead us to believe that the City had not complied with state laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

This report is intended for the information of the City Council and the management of the City. However, this report is a matter of public record, and its distribution is not limited.

Columbus, Mississippi
May 18, 2016

Watkins Ward and Stafford, PLLC