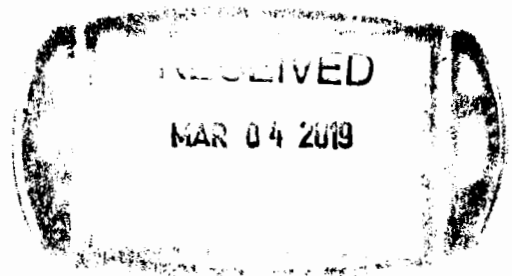




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CITY OF CHARLESTON, MISSISSIPPI

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**



**CITY OF CHARLESTON, MISSISSIPPI
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TAYLOR, POWELL, WILSON & HARTFORD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 9369
GREENWOOD, MISSISSIPPI 38930-9369
662-453-6432

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Commissioners
City of Charleston
Charleston, Mississippi

Report on the Financial Statement

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Charleston, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statement which collectively comprise the City's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting as prescribed by the Office of the Mississippi State Auditor which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in compliance with the audit requirements prescribed by the Office of the Mississippi State Auditor. As described more fully in Note 1, the City of Charleston, Mississippi has prepared their financial statements using accounting practices prescribed or permitted by *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Mississippi State Department of Audit, which practices differ from accounting principles 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 statement referred to above is free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. However, the effect on the financial statements of the variances between these accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Opinion

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Charleston, Mississippi as of September 30, 2017, or changes in financial position or cash flows thereof for the year then ended. Further, the City has not presented management's discussion and analysis nor required supplemental information that accounting principles generally accepted in the United States has determined is necessary to supplement, although they are not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of each fund of the City of Charleston, Mississippi, as of September 30, 2017, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note I.

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Charleston, Mississippi taken as a whole.

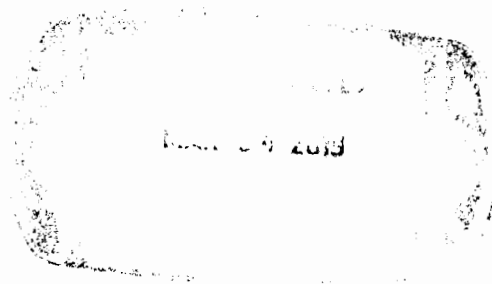
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the City of Charleston, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Charleston, Mississippi's internal control over financial reporting and compliance.

This report is intended for the information of the City's management, the Office of the Mississippi State Auditor, and the appropriate federal and state agencies 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.

Taylor, Powell, Wilson & Hartford, P.A.

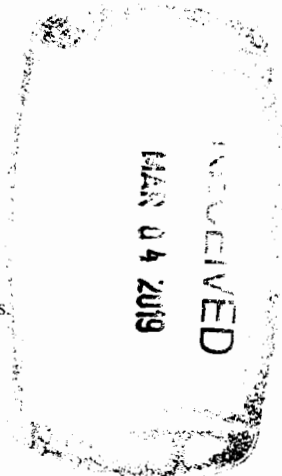
June 4, 2018



CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities					Business-Type		Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	Water & Sewer Fund		(Memorandum Only)	
								September 30,	
								2017	2016
RECEIPTS									
REVENUE RECEIPTS:									
General property taxes:									
Current year levy	\$ 473,591.18	\$ 41,963.78		\$		\$	\$ 515,554.96	\$ 534,900.04	
Prior year's levy	4,650.98	412.12					5,063.10	870.18	
Autos	97,703.25	8,657.25					106,360.50	100,837.40	
Penalties and interest	3,157.13	-					3,157.13	5,602.17	
Total taxes	579,102.54	51,033.15					630,135.69	642,209.79	
Licenses and permits:									
Permits and inspections	4,080.21						4,080.21	4,713.70	
Franchise fees – utilities	68,318.78						68,318.78	61,622.92	
Total licenses and permits	72,398.99						72,398.99	66,336.62	
Fines and forfeits – net of amounts remitted to state	(17,466.28)			50,528.93			33,062.65	69,423.32	
Intergovernmental revenue:									
Federal grants:									
Delta Regional Grant									
USDA Community Facility Grant									31,600.00
USDA-Community Facilities Grant									
Public Safety Grant									
Wastewater Treatment Feasibility Study Grant									30,000.00
C.D.B.G. - Sewer Rehabilitation Project Grant							255,672.58	255,672.58	188,558.07
Total federal grants							255,672.58	255,672.58	250,158.07

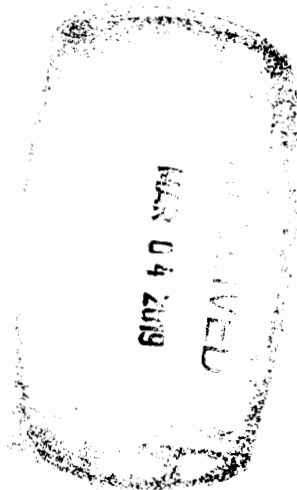
See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

RECEIPTS	Governmental Activities					Business-Type		Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	Activities	Water & Sewer Fund	(Memorandum Only)	
								September 30,	
								2017	2016
REVENUE RECEIPTS: (Cont'd)									
Intergovernmental revenue: (Cont'd)									
State of Mississippi:									
MEMA Mitigation Grant	\$ 3,400.41	\$	\$				\$ 3,400.41	\$	
Solid Waste Assistance Grant	275.00						275.00		15,000.00
Homestead exemption reimbursement	34,022.00	3,014.62					37,036.62		39,048.43
Grand Gulf funds	21,536.04						21,536.04		22,058.63
General sales tax diversion	337,742.61						337,742.61		343,884.50
Municipal Revolving fund	2,095.88						2,095.88		1,093.61
Gasoline tax	6,578.98						6,578.98		7,356.98
Alcoholic beverages licenses	1,800.00						1,800.00		1,800.00
Fire state rebate and code funds	12,278.75						12,278.75		13,697.58
Airport Multi-modal Grant			200,526.22				200,526.22		
Police training reimbursement	7,200.00						7,200.00		4,237.00
MDOT reimbursement	-	-	-				-		-
Total State of Mississippi	426,929.67	3,014.62	200,526.22				630,470.51		448,176.73
County shared revenues:									
Road maintenance	123,941.66						123,941.66		96,855.78
Fire protection contribution	3,600.00						3,600.00		2,767.30
Total county shared revenues	127,541.66						127,541.66		99,623.08
Charges for services:									
Refuse collection fees	139,474.71						139,474.71		127,343.43
Water and Sewer Fees	-						521,748.72	521,748.72	475,418.99
Total charges for services	139,474.71						521,748.72	661,223.43	602,762.42

See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities					Business-Type Activities Water & Sewer Fund	Totals (Memorandum Only)	
	General	Debt	Special	Municipal	Capital		September 30,	
	Fund	Service	Revenue	Court	Projects			
		Fund	Airport	Fund	Street Improvements		2017	2016
RECEIPTS								
REVENUE RECEIPTS: (Cont'd)								
Intergovernmental Revenue: (Cont'd)								
Miscellaneous:								
Interest	\$ 165.73	\$	\$ 499.97	\$		\$ 390.37	\$ 1,056.07	\$ 942.07
Rent and lease – use of property	32,426.16		103,500.00				135,926.16	125,833.20
Donations								23,770.00
Sundry receipts	16,943.96		-	2,256.54		100.39	19,300.89	26,976.65
Total miscellaneous	49,535.85	-	103,999.97	2,256.54		490.76	156,283.12	177,521.92
Total revenue receipts	1,377,517.14	54,047.77	304,526.19	52,785.47		777,912.06	2,566,788.63	2,356,211.95
OTHER SOURCES:								
Tallahatchie County Bank-equipment and operating loans								38,878.90
Operating transfers:								
Airport fund – excess revenues	75,000.00						75,000.00	
Transferred from Municipal Fund								34,792.76
Interfund Loans	60,295.20	4,391.79	-	10,828.80		12,754.97	88,270.76	99,911.98
Total other sources	135,295.20	4,391.79		10,828.80		12,754.97	163,270.76	173,583.64
Total receipts	1,512,812.34	58,439.56	304,526.19	63,614.27		790,667.03	2,730,059.39	2,529,795.59

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities						Totals	
		Debt	Special	Municipal	Capital	Business-Type	(Memorandum Only)	
	General	Service	Revenue	Court	Projects	Activities	September 30,	
	Fund	Fund	Airport	Fund	Street	Water & Sewer	2017	2016
					Improvements	Fund		
DISBURSEMENTS								
OPERATING DISBURSEMENTS:								
General Government:								
Legislative:								
Commissioner's salaries	\$	27,600.00		\$			\$ 27,600.00	\$ 27,600.00
Payroll taxes		2,111.40					2,111.40	2,111.40
State retirement		3,454.66					3,454.66	4,347.00
Total legislative		33,166.06					33,166.06	34,058.40
Judicial:								
Salaries		32,488.44		43,334.00			75,822.44	73,217.62
Payroll taxes and benefits		3,376.05		9,337.92			12,713.97	10,004.55
State retirement		4,280.56		5,709.54			9,990.10	8,578.67
Total judicial		40,145.05		58,381.46			98,526.51	91,800.84
Executive:								
Mayor's salary		20,954.86					20,954.86	18,000.00
Payroll taxes		1,600.12					1,600.12	1,377.00
State retirement		2,755.91					2,755.91	2,835.00
Mayor's expenditures		8,279.78					8,279.78	11,007.45
Total executive		33,590.67					33,590.67	33,219.45
Financial Administration:								
Salaries		49,411.58					49,411.58	56,766.73
Payroll taxes		3,630.39					3,630.39	3,985.59
State retirement		6,514.84					6,514.84	14,768.03

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

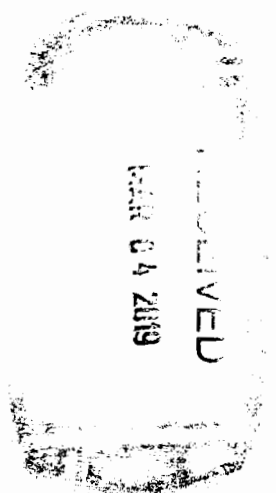
	Governmental Activities					Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	(Memorandum Only)	
						September 30,	
						2017	2016
DISBURSEMENTS							
OPERATING DISBURSEMENTS: (Cont'd)							
General Government: (Cont'd)							
Financial Administration: (Cont'd)							
Benefits – medical insurance	\$ 7,193.08	\$		\$		\$ 7,193.08	\$ 18,943.55
Office supply	20,802.97			2,897.16		23,700.13	18,635.29
Professional fees	34,622.50					34,622.50	30,655.53
Telephone	11,316.20					11,316.20	11,930.34
Travel and convention	19,199.65			311.97		19,511.62	14,862.13
Publishing	3,530.16					3,530.16	1,564.06
Insurance	5,061.56			644.40		5,705.96	7,574.18
Dues and subscriptions	430.00			50.00		480.00	2,045.00
Computer expense	20,275.19					20,275.19	22,339.37
Office equipment maintenance	286.47					286.47	1,268.43
Election expense	12,681.53					12,681.53	
Miscellaneous	11,469.08	816.08		-		12,285.16	13,244.98
Total financial administration	206,425.20	816.08		3,903.53		211,144.81	218,583.21
Building and plant:							
Supplies	3,654.87					3,654.87	5,115.13
Repairs	1,160.95					1,160.95	1,239.28
Utilities	13,469.27					13,469.27	10,927.26
Insurance	395.58					395.58	366.16
Total building and plant	18,680.67					18,680.67	17,647.83
Total general government	332,007.65	816.08		62,284.99		395,108.72	395,309.73

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

DISBURSEMENTS	Governmental Activities						Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	Business-Type Activities Water & Sewer Fund	(Memorandum Only)	
							September 30,	
							2017	2016
OPERATING DISBURSEMENTS: (Cont'd)								
Public Safety:								
Police:								
Salaries	\$ 394,367.14						\$ 394,367.14	\$ 299,825.02
Payroll taxes	29,660.26						29,660.26	21,905.91
State retirement	52,604.95						52,604.95	45,844.53
Benefits – medical insurance	24,610.24						24,610.24	22,210.04
Supplies and uniforms	14,605.96						14,605.96	6,133.60
Fuel	14,681.20						14,681.20	17,430.24
Repairs	6,644.76						6,644.76	9,884.99
Travel and training	6,444.94						6,444.94	6,382.12
Telephone and utilities	552.92						552.92	6,339.96
Insurance	28,126.59						28,126.59	32,499.70
Crime lab and professional fees	616.86						616.86	142.00
Office and computer supplies	2,049.65						2,049.65	2,397.36
Narcotics enforcement expense								
Dispatcher service-county	10,000.00						10,000.00	5,000.00
K-9 Unit and dog pound expense	669.07						669.07	
Miscellaneous	2,208.66						2,208.66	1,844.90
Total police	587,843.20						587,843.20	477,840.37
Fire:								
Salaries	31,080.81						31,080.81	34,508.54
Payroll taxes	2,377.68						2,377.68	2,640.12
Supplies and uniforms	169.98						169.98	0.33

See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

DISBURSEMENTS	Governmental Activities						Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	Business-Type Activities Water & Sewer Fund	(Memorandum Only)	
							September 30,	
							2017	2016
OPERATING DISBURSEMENTS: (Cont'd)								
Public Safety: (Cont'd)								
Fire: (Cont'd)								
Fuel	\$ 284.57						\$ 284.57	\$ 210.45
Repairs	4,425.92						4,425.92	10,878.57
Telephone								681.94
Insurance	11,906.49						11,906.49	11,300.50
Miscellaneous	1,400.14						1,400.14	4,000.64
Total fire	51,645.59						51,645.59	64,221.09
Total public safety	639,488.79						639,488.79	542,061.46
Public Works:								
Streets:								
Salaries	115,818.99						115,818.99	118,660.73
Payroll taxes	8,519.44						8,519.44	8,520.26
State retirement	15,392.23						15,392.23	17,149.46
Benefits – medical insurance	16,277.17						16,277.17	11,072.49
Materials, supplies and repairs	17,489.06						17,489.06	49,803.90
Fuel	7,864.35						7,864.35	9,856.87
Repairs and maintenance	31,033.80						31,033.80	20,608.72
Utilities – street lights	24,462.44						24,462.44	30,223.63
Insurance	14,682.12						14,682.12	15,010.19
Travel and auto allowance								189.80
Miscellaneous	-						-	273.04
Total streets	251,539.60						251,539.60	281,369.09

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities					Business-Type		Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	Water & Sewer Fund		(Memorandum Only)	
								September 30,	
								2017	2016
DISBURSEMENTS									
OPERATING DISBURSEMENTS: (Cont'd)									
Public Works: (Cont'd)									
Health and Welfare:									
Sanitation:									
Closing landfill costs	\$	28,665.40	\$			\$	\$	28,665.40	\$
Refuse collection-Waste Mgt., Inc.		178,149.18						178,149.18	185,629.92
Total sanitation		206,814.58						206,814.58	185,629.92
Appropriations for the benefit of:									
National guard		200.00						200.00	1,200.00
Public library		2,100.00						2,100.00	4,200.00
County district attorney's office		200.00						200.00	1,200.00
Total program appropriations		2,500.00						2,500.00	6,600.00
Special Revenue – Airport:									
Supply, repairs and maintenance									2,756.51
Utilities			2,602.04					2,602.04	2,398.34
Professional fees			6,000.00					6,000.00	5,500.00
Insurance			1,977.90					1,977.90	1,830.80
Total municipal airport			10,579.94					10,579.94	12,485.65
Enterprise:									
Water and Sewer Fund:									
Salaries and water service assistance						153,793.18		153,793.18	140,159.66
Payroll taxes						11,334.58		11,334.58	10,094.13
State retirement						20,438.96		20,438.96	18,920.18

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

DISBURSEMENTS	Governmental Activities						Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Capital Projects Street Improvements	Business-Type Activities Water & Sewer Fund	(Memorandum Only)	
							September 30,	
							2017	2016
OPERATING DISBURSEMENTS: (Cont'd)								
Enterprise: (Cont'd)								
Water and Sewer Fund: (Cont'd)								
Benefits – medical insurance	\$	\$	\$	\$	\$	\$ 18,550.24	\$ 18,550.24	\$ 15,774.95
Repairs, maintenance and supplies						34,910.10	34,910.10	51,280.34
Chemicals and lab fees						35,946.47	35,946.47	41,777.05
Telephone						110.37	110.37	1,017.18
Utilities						24,669.13	24,669.13	24,383.40
Insurance						18,581.70	18,581.70	19,765.36
Professional fees						14,439.92	14,439.92	19,580.72
Collection fees including East Charleston						7,648.54	7,648.54	13,573.84
Fuel and travel						11,630.21	11,630.21	6,817.16
Total water and sewer fund						352,053.40	352,053.40	363,143.97
Total operating disbursements	1,432,350.62	816.08	10,579.94	62,284.99		352,053.40	1,858,085.03	1,786,599.82
OTHER DISBURSEMENTS:								
Debt service:								
Interfund Loans	27,975.56		16,836.98		43,458.22		88,270.76	99,911.98
FMHA – sewer improvement bonds:								
Principal						3,901.82	3,901.82	3,730.05
Interest						3,058.18	3,058.18	3,229.95
Regions Bank - Equipment Loans:								
Principal	7,834.95						7,834.95	2,463.14
Interest	44.68						44.68	286.23

See Accompanying Notes to the Financial Statements.

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CITY OF CHARLESTON, MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Governmental Activities

DISBURSEMENTS
OTHER DISBURSEMENTS: (Cont'd)

	Governmental Activities					Business-Type	Totals	
	General	Debt	Special	Municipal	Capital	Activities	(Memorandum Only)	
	Fund	Service	Revenue	Court	Projects	Water & Sewer	September 30,	
		Fund	Airport	Fund	Street	Fund	2017	2016
					Improvements			
Trustmark National Bank -								
Equipment Loans:								
Principal	\$ 17,746.79	\$	\$		\$	\$	\$ 17,746.79	\$ 17,333.26
Interest	2,716.33						2,716.33	3,129.86
Capital Improvements Loan:								
Principal	19,142.66						19,142.66	9,282.80
Interest	7,812.70						7,812.70	7,244.35
General Obligation Bonds, Series 2014:								
Principal		35,000.00					35,000.00	35,000.00
Interest		22,470.00					22,470.00	24,440.00
Rural Development - Water Utility:								
Principal						53,821.26	53,821.26	51,511.92
Interest						107,717.82	107,717.82	110,029.41
Total debt service	83,273.67	57,470.00	16,836.98		43,458.22	168,499.08	369,537.95	367,592.95
Operating transfer to general fund			75,000.00				75,000.00	34,792.76
Capital outlay:								
Police equip./Drug Dog	9,962.15						9,962.15	
Culture and recreations:								
Playground improvements	1,143.34						1,143.34	

See Accompanying Notes to the Financial Statements.

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SEP 24 2017

CITY OF CHARLESTON, MISSISSIPPI
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities						Totals	
		Debt	Special	Municipal	Capital	Business-Type	(Memorandum Only)	
	General	Service	Revenue	Court	Projects	Water & Sewer	September 30,	
DISBURSEMENTS	Fund	Fund	Airport	Fund	Improvements	Fund	2017	2016
OTHER DISBURSEMENTS: (Cont'd)								
Capital outlay: (Cont'd)								
Sewer rehabilitation	\$	\$	\$	\$	\$	255,672.58	\$ 255,672.58	\$ 218,558.07
Street improvements								524,194.47
Buildings and equipment								122,991.80
Runway Rehabilitation and improvements	-	-	418,944.03				418,944.03	26,505.00
Total other disbursements	94,379.16	57,470.00	510,781.01	-	43,458.22	424,171.66	1,130,260.05	1,294,635.05
Total disbursements	1,526,729.78	58,286.08	521,360.95	62,284.99	43,458.22	776,225.06	2,988,345.08	3,081,234.87
EXCESS RECEIPTS,								
DISBURSEMENTS (-)	(13,917.44)	153.48	(216,834.76)	1,329.28	(43,458.22)	14,441.97	(258,285.69)	(551,439.28)
CASH, BEGINNING AS RESTATED	171,771.62	12,754.05	360,970.79	15,033.57	43,458.22	349,434.17	953,422.42	1,504,861.70
CASH, ENDING	\$ 157,854.18	\$ 12,907.53	\$ 144,136.03	\$ 16,362.85	\$	\$ 363,876.14	\$ 695,136.73	\$ 953,422.42

See Accompanying Notes to the Financial Statements.

RECEIVED
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**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Charleston, Mississippi (“the City”) operates under the Mayor-Board of Commissioners form of government and provides the following services: public safety (police and fire protection), streets, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, and water and sewer services.

Reporting Entity – This report includes all of the funds of the City, and there are no component units as defined by GASB Statement 14.

Basis of Accounting – All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as prescribed by the Mississippi State Department of Audit. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information (Budgetary Reporting), and other Supplemental Information.

Basis of Presentation – Fund Accounting – The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise revenues/receipts and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The City uses the following funds:

Governmental Fund Types:

General Fund

The General Fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. For purposes of the City, the Airport Fund is considered the special revenue fund for reporting purposes.

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types: (Continued)

Debt Service Fund

Debt service funds are used to account for and report the accumulation of funds restricted or committed for the periodic payment of principal and interest on general long-term debt.

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities (other than those financed by proprietary funds including proprietary fund grants). Such resources are derived principally from proceeds of revenue bonds and federal grants.

Proprietary Fund Types:

Proprietary Funds are used to account for operations which 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 where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Proprietary Fund for the City is the Water and Sewer Fund which is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections thereof. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

The reporting model for financial statement format and presentation requirements of the Governmental Accounting Standards Board Statement Numbers 34 through 82 do not apply when only a Statement of Cash Receipts and Disbursements prepared on an other comprehensive basis of accounting is presented.

Budget – The budget for all funds is prepared and adopted on the cash receipts and disbursements basis of accounting, a basis of accounting other than generally accepted accounting principles. This basis is consistent with the applicable laws of the State of Mississippi. Revenues which are legally receipted from October 1 through September 30 may be credited to the budget. Expenditures which may be charged to the budget are those which were legally budgeted, incurred prior to the end of the fiscal year, and disbursed during the fiscal year or within 30 days thereafter.

MAY 24 2018

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types: (Continued)

Cash and Investments – For the purpose of the financial statement, cash includes all demand, savings accounts, and certificates of deposits of the City.

Capital Assets – Capital asset purchases are recorded as expenditures at the time of acquisition. Such assets are not capitalized but instead are fully expensed in the year of purchase. Consequently, depreciation has not been provided on fixed assets.

Revenues and Expenditures/Expenses – Revenues for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when the warrant is issued.

Total Columns on Statements – The “Total” columns on the statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts and the memorandum totals are not intended to fairly present the financial position or results of operations of the City, taken as a whole.

NOTE 2 – PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of February 1. The City bills and collects its own property tax. The primary months of collection are December and January.

The City’s millage rate for 2016 taxes, which were collected in the year ended September 30, 2017, was at a rate of 86 mills.

The City utilized the county tax rolls and values in assessing the ad valorem taxes on real and personal property within the City boundaries. Taxes on autos are billed and collected by the county and remitted to the City in the month following the month of collection.

Property for which ad valorem taxes have not been paid is advertised for sale in April and September each year. Property not sold at auction is purchased by the City.

A reconciliation of assessed properties and property taxes is contained in Note 10 of this report.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments consist of bank deposits in the form of checking accounts, savings accounts and certificates of deposit with the City’s depository banks. At September 30, 2017, the carrying amount of the City’s deposits with financial institutions was \$695,136.73 and the bank balance was \$833,189.80. The collateral for public entities’ deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972).

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Under this program, the entity's funds are protected through the 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 bank balance is categorized as follows:

Amount insured by the FDIC	\$ 500,000.00
Amount collateralized through the Statewide Collateral Pool Program Sponsored by the State of Mississippi Treasury Department	333,189.90
Uncollateralized	<u> </u>
Total bank balance	<u>\$ 833,189.80</u>

NOTE 4 – BOND RESERVE REQUIREMENTS

The City's revenue bond ordinances require that the City make monthly deposits to reserve accounts until a maximum balance has been accumulated.

The maximum reserve balances and monthly deposit requirements for the bonds are as follows:

	<u>Monthly Deposit Amount</u>	<u>Total Reserve Requirement</u>	<u>Balance in Account at 9-30-17</u>
Sewer System Revenue Bond	\$ 59.00	\$ 6,955.00	\$ 6,955.00
Combined Water and Sewer System Jr. Lien Revenue Bond	2,277.16	261,539.16	250,769.84

Any funds withdrawn from these accounts during the life of the loans must be replaced in accordance with the above schedule.

The required and actual reserve account balances for the bonds at September 30, 2017 are as follows:

	<u>Required Balance</u>	<u>Actual Balance</u>	<u>Over/ Short(-)</u>
Sewer System Revenue Bond	\$ 6,955.00	\$ 6,955.00	
Combined Water and Sewer System Jr. Lien Revenue Bond	250,769.84	250,769.84	

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 5 – PENSION PLAN

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. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 9.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions for the years ending September 30, 2017, 2016, and 2015 were \$111,151.64, \$112,442.87, and \$105,478, respectively, equal to the required contributions for each year.

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following:

	Balance Outstanding 10-1-2016	Transactions During Fiscal Year <u>Issued</u> <u>Redeemed</u>	Balance Outstanding 9-30-2017
REVENUE BONDS:			
Sewer System Revenue Bond, issued on 4-5-2000. Payment of interest only shall be made on the first anniversary of the bond. Principal payments with interest on the unpaid balance from the date thereof, at the rate of 4.50% per annum shall be paid in equal annual installments of principal and interest in the amount of \$6,953.00 beginning on the second anniversary date of the bond and continuing through the 13 th anniversary of the bond. Final payment if not sooner paid shall be due and payable 35 years from date of bond.	\$ 69,742.53	\$ 3,901.82	\$ 65,840.71
Combined Water and Sewer System Junior Lien Revenue Bond \$2,867,220 dated as of 5-30-2008 payable in monthly installments of \$13,461.59 for 35 years maturing 5-30-2043 at a rate of 4.375%. First payment due 6-30-2008.	2,486,818.28	53,821.26	2,432,997.02
General Obligation Street Improvement Bonds, Series 2014 \$600,000 dated as of 8-18-2014. Interest is payable on June 1 st and interest and principal is payable on December 1 st of each year at an effective interest rate of 4.2%. Principal amounts will vary and increase over time. Final maturity, if not paid sooner, shall be 12-1-2029.	535,000.00	35,000.00	500,000.00

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 6 – LONG-TERM DEBT (Continued)

	Balance Outstanding 10-1-2016	Transactions During Fiscal Year Issued Redeemed	Balance Outstanding 9-30-2017
OTHER LONG-TERM DEBT:			
Tallahatchie County Bank loan, dated 7-7-16 matures on 7-10-2021. Original loan amount is \$38,878.90 at 4.00% fixed rate. Payments of \$716.33 principal and interest starting 8-10-2016.	\$ 37,721.24	\$ 7,834.95	\$ 29,886.29
2009 Capital Improvements Revolving Loan Revised Loan for \$324,000 at 233 months at 3% per annum with a monthly payment of \$1,836.35 beginning 10-1-2010, maturing 02-1-2030.	247,770.41	19,142.66	228,627.75
Trustmark National Bank, Dated 3-6-2013 for \$182,119 payable in 120 payments of \$1,705.26, including interest at 2.36%. First payment due 4-5-2013, maturing 3-5-2023.	123,199.09	17,746.79	105,452.30
Total long-term debt	<u>\$ 3,500,251.55</u>	<u>\$ 137,447.48</u>	<u>\$ 3,362,804.07</u>

The annual aggregate maturities for the Sewer System Revenue Bond for the years subsequent to September 30, 2017 are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 4,080.64	\$ 2,879.36	\$ 6,960.00
2019	4,268.09	2,691.91	6,960.00
2020	4,464.17	2,495.83	6,960.00
2021	4,669.23	2,290.77	6,960.00
2022	4,883.76	2,076.24	6,960.00
2023-2027	27,997.53	6,802.47	34,800.00
2028-2030	15,477.29	861.07	16,338.36
Total	<u>\$ 65,840.71</u>	<u>\$ 20,097.65</u>	<u>\$ 85,938.36</u>

The annual aggregate maturities for the Combined Water and Sewer System Junior Lien Revenue Bond for the years subsequent to September 30, 2017 are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 56,213.31	\$ 105,325.77	\$ 161,539.08
2019	58,722.58	102,816.50	161,539.08
2020	61,343.85	100,195.23	161,539.08
2021	64,082.11	97,456.97	161,539.08
2022	66,942.59	94,596.49	161,539.08
2023-2027	382,294.47	425,400.93	807,695.40
2028-2032	475,583.96	332,111.44	807,695.40
2033-2037	591,638.37	216,057.03	807,695.40
2038-2042	676,175.78	72,069.64	748,245.42
Total	<u>\$ 2,432,997.02</u>	<u>\$ 1,546,030.00</u>	<u>\$ 3,979,027.02</u>

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 6 – LONG-TERM DEBT (Continued)

The annual aggregate maturities for the General Obligations Street Improvement Bond for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 35,000.00	\$ 21,000.00	\$ 56,000.00
2019	35,000.00	19,530.00	54,530.00
2020	35,000.00	18,060.00	53,060.00
2021	40,000.00	16,590.00	56,590.00
2022	40,000.00	14,910.00	54,910.00
2023-2027	215,000.00	48,720.00	263,720.00
2028-2029	<u>100,000.00</u>	<u>6,300.00</u>	<u>106,300.00</u>
Total	<u>\$ 500,000.00</u>	<u>\$ 145,110.00</u>	<u>\$ 645,110.00</u>

The annual aggregate maturities for the 2009 Capital Improvements Revolving Loan for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,387.80	\$ 6,648.40	\$ 22,036.20
2019	15,855.83	6,180.37	22,036.20
2020	16,338.11	5,698.09	22,036.20
2021	16,835.03	5,201.17	22,036.20
2022	17,347.09	4,689.11	22,036.20
2023-2027	94,978.32	15,202.68	110,181.00
2028-2030	<u>51,885.57</u>	<u>1,991.37</u>	<u>53,876.94</u>
Total	<u>\$ 228,627.75</u>	<u>\$ 45,611.19</u>	<u>\$ 274,238.94</u>

The annual aggregate maturities for the Trustmark National Bank dated March 6, 2013 for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 18,170.15	\$ 2,292.97	\$ 20,463.12
2019	18,603.62	1,859.50	20,463.12
2020	19,047.45	1,415.67	20,463.12
2021	19,501.88	961.24	20,463.12
2022	19,967.14	495.98	20,463.12
2023	<u>10,162.06</u>	<u>69.50</u>	<u>10,231.56</u>
Total	<u>\$ 105,452.30</u>	<u>\$ 7,094.86</u>	<u>\$ 112,547.16</u>

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 6 – LONG-TERM DEBT (Continued)

The annual aggregate maturities for the Tallahatchie County Bank dated July 7, 2016 for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,537.71	\$ 1,058.25	\$ 8,595.96
2019	7,844.78	751.18	8,595.96
2020	8,164.42	431.54	8,595.96
2021	<u>6,339.38</u>	<u>106.11</u>	<u>6,445.49</u>
Total	\$ <u>29,886.29</u>	\$ <u>2,347.08</u>	\$ <u>32,233.37</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The City participates in federally assisted grant programs, principal of which are Community Development Block Grants and Rural Development Grants. These programs are subject to program compliance audits by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or applicable fund. In general, the City expects amounts disallowed, if any, to be immaterial.

The City is occasionally involved in various other legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the City.

NOTE 8 – RISK MANAGEMENT

The City has entered into a joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable.

NOTE 9 – SCHEDULE OF CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases(-)</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets:				
Land	\$ 116,310	\$		\$ 116,310
Buildings and improvements	1,673,857			1,673,857
Machinery and equipment	1,091,942	9,962		1,101,904
Infrastructure	3,089,735			3,089,735
Construction in process	<u>26,505</u>	<u>420,087</u>		<u>446,592</u>
Total governmental activities	\$ <u>5,998,349</u>	\$ <u>430,050</u>		\$ <u>6,428,399</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets:				
Land, buildings and Infrastructure	\$ 3,108,967	\$		\$ 3,108,967
Machinery and equipment	1,105,750			1,105,750
Construction in process	<u>218,558</u>	<u>255,673</u>		<u>474,231</u>
Total business-type activities	\$ <u>4,433,275</u>	\$ <u>255,673</u>		\$ <u>4,688,948</u>

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 10-RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS

Tax assessments were found to be mathematically correct and in agreement with collections as follows:

	Taxable Assessed Values	Millage	Tax
Realty	\$ 5,073,526	86	\$ 436,323
Personal other than autos	1,497,126	86	128,753
Public utilities	518,259	86	44,570
Mobile homes	59,761	86	5,139
Autos collected by county	<u>1,236,756</u>	86	<u>106,361</u>
	<u>\$ 8,385,428</u>		721,146
Homestead exemptions allowed	<u>\$ 1,005,893</u>		-86,507
Homestead exemption reimbursement- state			37,037
Prior year taxes collected			5,063
Penalties and interest-delinquent taxes			3,157
Adjustment to Rolls			<u>0</u>
Total taxes to account for			<u>\$ 679,896</u>

	Taxes, Penalties and Interest	Homestead Exemption Reimbursement from State	Total
Credits:			
General Fund	\$ 579,103	\$ 34,022	
Debt Service Fund	<u>51,033</u>	<u>3,015</u>	
	<u>\$ 630,136</u>	<u>\$ 37,037</u>	\$ 667,173
Balance represented by:			
Unpaid personalty			10,248
Unpaid mobile homes			2,946
Unsettled - overage			<u>-471</u>
Total taxes accounted for			<u>\$ 679,896</u>

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

Ad valorem taxes were found to be within the limitation of Section 27-39-320 to 27-39-323 Mississippi Code Annotated (1972).

**CITY OF CHARLESTON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 11-SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS

Sedrick Smith	Mayor	Western Surety	\$ 50,000
		Travelers Casualty & Surety Co.	169,000
Ana Ealy	City clerk	RLI Insurance Company	50,000
Vanisha Powell	Water clerk	Travelers Casualty & Surety Co.	50,000
Dorothy Brown	Commissioner	MS Municipal Association	50,000
Margaret Miller	Commissioner	MS Municipal Association	50,000
Joey Brunson	Commissioner	MS Municipal Association	50,000
Roosevelt Taylor	Commissioner	MS Municipal Association	50,000
Perry Herron	Commissioner	MS Municipal Association	50,000
**Sandy F. Smith	Commissioner	MS Municipal Association	50,000
**Tawanda Shannon	Commissioner	MS Municipal Association	50,000
**Lloyd C. Smith	Commissioner	MS Municipal Association	50,000
**Gyrone Kenniel	Commissioner	MS Municipal Association	50,000
Donnie Tenner	Chief of Police	Travelers Casualty & Surety Co.	50,000
Priscilla Curtis	Fine Clerk	Brierfield Insurance Company	10,000
Each Police Officer	Nine Officers	Travelers Casualty & Surety Co.	25,000 Each

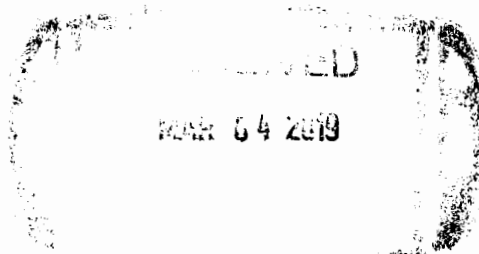
**Newly elected

NOTE 12-SCHEDULE OF INVESTMENTS – ALL FUNDS

There were no investments held in the City's name at September 30, 2017.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 4, 2018, the date the financial statements were available to be issued.



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CERTIFIED PUBLIC ACCOUNTANTS
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662-453-6432

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

To the Honorable Mayor and
Board of Commissioners
City of Charleston, MS

We have audited the Statement of Cash Receipts and Disbursements – All Funds of the City of Charleston, MS as of and for the year ended September 30, 2017 and have issued our report dated June 4, 2018. We have conducted our audit in accordance with auditing standards prescribed by the Office of the State Auditor and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following instances of noncompliance with state laws and regulations that we presume to be material. The prior year findings have been corrected.

Finding: Section 21-17-5 of the Miss. Code states that the municipal governing authority is responsible for the custody of its assets. The Office of the State Auditor requires municipalities to conduct an annual inventory of its assets and to properly account for and tag all fixed assets. There were two "No" answers in the City's Municipal Compliance Questionnaire stating that the City did not conduct an annual inventory of its assets and; therefore, all of its fixed assets are not properly accounted for and tagged.

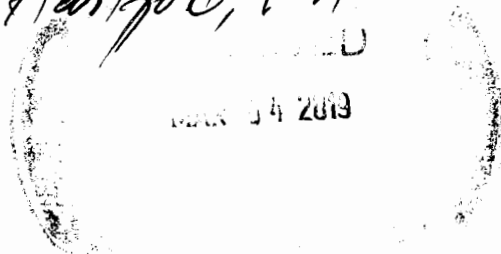
Recommendation: At least annually the City should conduct an inventory count and tag all fixed assets as required in the Office of the State Auditor's Municipal Audit and Accounting Guide.

City's Response: The City will endeavor to inventory and tag all fixed assets at fiscal year end as outlined in the guidelines of the Municipal Audit and Accounting Guide in order to be in compliance.

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

Taylor, Powell, Wilson & Hartford, P.A.

June 4, 2018



TAYLOR, POWELL, WILSON & HARTFORD, P.A.
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**INDEPENDENT AUDITOR'S 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***

To the Honorable Mayor and
Board of Commissioners
City of Charleston, Mississippi

We have audited the Statement of Cash Receipts and Disbursements-All Funds of the City of Charleston, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Charleston, Mississippi's basic financial statements and have issued our report thereon dated June 4, 2018. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2017-2.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2017-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Charleston, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item: 2017-3.

City of Charleston, Mississippi's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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.

This report is intended solely for the information and use of management, City Board of Commissioners, others within the entity, and the Office of the Mississippi State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Taylor, Powell, Wilson & Hartford, P.A.

June 4, 2018

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**CITY OF CHARLESTON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017**

Summary of Auditor's Results:

The auditor's report expresses the following opinions on the financial statements of the City of Charleston, Mississippi:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental:	
General Fund	Unmodified
Debt Service Fund	Unmodified
Airport Fund	Unmodified
Municipal Court Fund	Unmodified
Street Improvements Fund	Unmodified
Proprietary:	
Water and Sewer Fund	Unmodified

See the "Independent Auditor's Report on Compliance with State Laws and Regulations" report for the findings related to the City's instances of noncompliance with state laws and regulations.

Significant deficiencies, material weaknesses, and compliance matters relating to the audit of the financial statements are reported in the 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* and included below as findings 2017-1, 2017-2, and 2017-3.

Findings – Financial Statements Audit:

Significant Deficiency

2017-1. Segregation of Duties and Adequately Trained Personnel

Condition: The desired level of internal control obtained by adequate separation of duties in the accounting control categories is not being achieved due to the small number of persons employed and, for the last two fiscal years, the high turnover of personnel.

Criteria: In several instances, a single employee performs various procedures in the accounting process which would normally be divided among other employees in an environment where there were more clerical and accounting employees.

Effect: The City has certain inherent weaknesses in its internal control structure. As typical for a city this size, it is not economically feasible to employ additional persons solely for the purpose of achieving adequate internal controls. Also, due to the high turnover of personnel, adequate training in financial record keeping and the City's internal controls could not be achieved.

Recommendation: The City should utilize other systems of checks and balances to minimize the inherent weaknesses in internal controls. Also, the Mayor and City Board of Commissioners should closely monitor the City's financial position on a weekly and monthly basis, which may include inspections of reconciliations of revenues to books and banks.

**CITY OF CHARLESTON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017**

Findings – Financial Statements Audit: (Continued)

Significant Deficiency (Continued)

2017-1. Segregation of Duties and Adequately Trained Personnel (Continued)

City's Response: The Mayor and Board of Commissioners understand the inherent weaknesses in internal control that exists due to employing limited personnel who have access to many accounting phases, specifically the handling of cash. The Mayor and City Board of Commissioners have agreed to increase their involvement in the daily accounting activities of the City and have instituted several controls in order to increase control effectiveness. Unfortunately, for this fiscal year under audit, the turnover of City and Deputy Clerks was such that adequate financial records were unable to be produced in a timely manner and thus monitoring was virtually impossible for ten out of twelve months of the fiscal year.

Material Weakness

2017-2. Ability to Properly Produce Financial Statements and Maintain Financial Records

Conditions: Inability of management to prepare the financial statements on the Cash Receipts and Disbursements basis which is an accounting practice prescribed and permitted by the Mississippi State Department of Audit. Also, the City improperly recorded some transactions necessary to produce a set of materially correct financial statements.

Criteria: Part of effective internal controls over financial reporting is the ability to properly produce financial statements in accordance with the cash basis of accounting. Management is responsible for ensuring that all items are reported inclusively and correctly on the City's financial statements.

Effect: During our audit we discovered several material transactions that were not recorded correctly in the general ledger. As a result the City lacks internal controls over the maintenance of its financial records and in its preparation of financial statements, and instead, relies, primarily, on its external auditors for assistance with these tasks.

Recommendation: Special consideration should be made as to classification so that amounts are recorded correctly. Also, bank reconciliations should be done timely in order to guarantee all transactions are recorded. Also, accounting personnel should be trained in the preparation of financial statements in the applicable prescribed form.

City's Response: As of the date of this report, the City has had four City Clerks in less than three years and multiple deputy and water clerks. At fiscal year-end, the City's current City Clerk and Deputy Clerk had only been employed, in their current positions, for two months and the City's financial records were left in a state of disarray. During the fiscal year under audit, the City hired an outside accounting firm to "catch up" the City's financial records and produce a balanced set of books/funds for the City. However, our external auditors were still forced to reclassify many items as proposed journal entries in order to produce a set of materially correct financial statements. The City will take full responsibility for all adjusting or reclassifying journal entries proposed by our external auditors.

The current City Clerk and Water Clerk are being trained in governmental procedures including financial, fiscal, and the city's internal control procedures. Also, the City has contracted with an outside accounting firm for payroll services. The contracted accounting firm, with the Mayor and Board's oversight, and the continued training of the City's clerks should increase the effectiveness and efficiency of the City's management of its financial procedures.

**CITY OF CHARLESTON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017**

Findings – Financial Statements Audit: (Continued)

Compliance and Other Matters

2017-3. Compliance with Grant Expenditures

Condition: It was noted during the inspection of the revenues and expenditures of the US Department of Housing and Urban Development Community Development Block Grant (CDBG) for the City's sewer rehabilitation and improvements project, that seven expenditures totaling \$173,085.73 were not paid within three days of receiving the grant funds for the same amount.

Criteria: All CDBG grant expenditures must be paid within three days of receiving grant funds.

Effect: Noncompliance with grant procedures could potentially jeopardize future grant awards.

Recommendation: The City should immediately comply with grant procedures. Grant revenues should not be requested until the related expenditures are ready for processing. Expenditures should be paid within three days of receiving grant funds.

City's Response: The request for grant funds and the related delay in expending those funds unfortunately occurred during a time that the City had no City Clerk or Deputy Clerk. The funds were expended as soon as management was made aware of the need. The current City Clerk is being diligent to pay all federal expenditures within three days of receiving grant revenues.