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CITY OF COLUMBUS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017



CITY OF COLUMBUS, MISSISSIPPI
Audited Financial Statements

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Audited Financial Statements

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CITY OF COLUMBUS, MISSISSIPPI

FINANCIAL SECTION



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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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbus, Mississippi, as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbus, Mississippi, as of September 30, 2017, and the respective changes in financial position 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 4-11 and 43-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus Mississippi's basic financial statements. The other supplemental information, as listed in the contents, is presented for purposes 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, on our consideration of the City of Columbus, 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 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 City of Columbus, Mississippi's internal control over financial reporting and compliance.

Columbus, Mississippi
June 20, 2018

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, 2017

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, 2017. Please read it in conjunction with the City of Columbus' financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$17,515,848. Of this amount \$3,152,896 may be used to meet the City of Columbus' ongoing obligations to citizens and creditors. The \$(20,775,350) of unassigned net position shown on the statement of net position includes a \$23,928,246 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 \$10,479,761, a decrease of \$3,418,074 in comparison to the prior year.
- The City of Columbus' total debt is \$28,550,411 (exclusive of compensated absences). Of that total, approximately \$5,566,806 of debt is for capital assets purchased under lease purchase agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

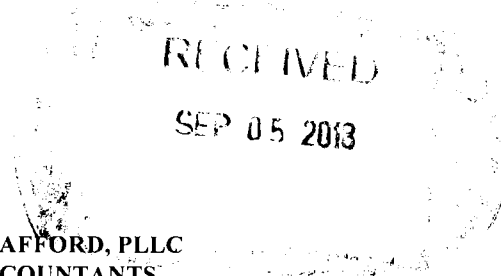
This annual report consists of four parts –management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents schedules for bonded indebtedness and other long-term notes and a schedule of surety bonds for municipal 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 14-15)
- 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 17-20)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. (Pages 23-41)

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.



CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1

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

	Government-wide Statements	Fund Statements	
		Governmental 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	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 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
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	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 collections and deductions during year, regardless of when cash is received or paid

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.

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

- 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.
- *Component Units* – The City includes two separate legal entities in its report – The City of Columbus, Mississippi Light and Water Department Electric Division and The City of Columbus, Mississippi Light and Water Department Water Division.

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.

The City of Columbus has two 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.
- **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 two fiduciary fund types (private purpose trust and agency) that are presented on Pages 21 and 22 of this report.

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

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 \$17,515,848 at the close of the most recent fiscal year.

A substantial portion, 180%, 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.

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

- Governmental long-term debt increase of \$3,259,226 (exclusive of unfunded pension liability).
- Capital asset net additions of \$6,915,358 for Governmental activities.

Table A-1
City of Columbus Net Position

	Governmental Activities 2017	2016	Increase/ (Decrease)
Cash and Other Assets	11,950,401	15,373,075	(3,422,674)
Capital Assets	60,120,989	53,205,631	6,915,358
Total Assets	72,071,390	68,578,706	3,492,684
Deferred Outflows of Resources	1,916,974	4,780,344	(2,863,370)
Other Liabilities	1,573,458	2,084,257	(510,799)
Long-term Liabilities	54,346,664	52,236,637	2,110,027
Total Liabilities	55,920,122	54,320,894	1,599,228
Deferred Inflows of Resources	552,394	108,801	443,593
Net Position:			
Invested in Capital Assets			
Net of Related Debt	31,570,577	27,899,680	3,670,897
Restricted	6,720,621	7,399,199	(678,578)
Unrestricted	(20,775,350)	(16,369,524)	(4,405,826)
Total Net Position	17,515,848	18,929,355	(1,413,507)

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

Changes in net position. Approximately 31.8 percent of the City of Columbus' revenue comes from property taxes, with 75.8 percent of all revenue coming from some type of tax. (See Table A-2). Another 12.3 percent comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

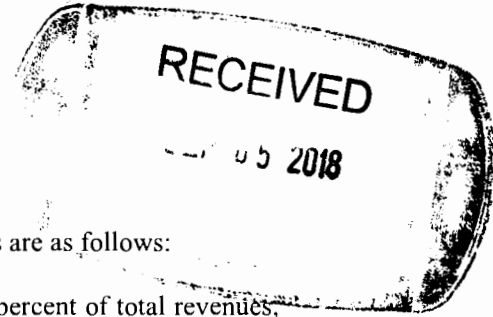
Table A-2 and the narrative that follows consider the operations of governmental activities.

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

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
Revenue			
Program Revenues:			
Charges for Services	\$ 3,615,916	3,654,181	(38,265)
Operating Grants & Contributions	262,104	324,028	(61,924)
Capital Grants & Contributions	2,684,635	3,132,334	(447,699)
General Revenues:			-
Property Taxes	9,340,703	9,966,230	(625,527)
Other Taxes	12,914,940	13,341,032	(426,092)
Investment Income	30,201	26,710	3,491
Other	528,696	433,860	94,836
Total Revenue	29,377,195	30,878,375	(1,501,180)
Expenses			
General Government	2,015,524	2,520,704	(505,180)
Public Safety	13,277,460	12,405,235	872,225
Public Works	8,105,885	7,008,766	1,097,119
Urban & Economic Development	1,756,105	2,161,712	(405,607)
Cemetery	93,073	102,958	(9,885)
Garage	817,979	805,768	12,211
Agency Appropriations	1,422,145	1,571,704	(149,559)
Culture & Recreation	2,280,670	2,278,564	2,106
Interest on Debt	1,011,317	941,840	69,477
Other on Long-term Debt	10,544	40,638	(30,094)
Total Expenses	30,790,702	29,837,889	952,813
Increase (Decrease) in Net Position	(1,413,507)	1,040,486	(2,453,993)
Net Position - Beginning	19,448,062	18,407,576	1,040,486
Prior Period Adjustment	(518,707)	-	(518,707)
Net Position - Ending	\$ 17,515,848	19,448,062	(1,932,214)

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis



Governmental Activities

Governmental activities decreased net assets by \$1,413,507. 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 (44.0%) and property taxes (31.8%).

The largest expense categories for the City's governmental activities are public safety (43.1%) and public works (26.3%).

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 \$3,759,140. 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 decreased by \$2,739,496 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 \$5,091,035, 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 \$156,565.

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 \$346,764. The net decrease in the fund balance during the current year in the Capital Projects Fund was \$629,701.

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.

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 2016-2017 operating budget charges amounted to \$33,244,083.

The City's total tax millage rate for the 2017 fiscal year was 43.69 mills. The breakdown of the millage rate is General Fund 30.47 mills, Police and Firemen's Retirement 5.67 mills, and General Obligation bonds 7.55 mills.

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for governmental activities as of September 30, 2017, amounted to \$118,400,472, net of accumulated depreciation of \$58,279,483. 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		Increase/ (Decrease)
	2017	2016	
Land	\$ 7,646,708	7,633,188	13,520
Buildings	22,784,557	20,653,227	2,131,330
Improv. Other Than Buildings	5,422,439	1,834,537	3,587,902
Machinery & Equipment	13,971,027	13,274,273	696,754
Infrastructure	67,970,223	62,754,533	5,215,690
Construction-in-Progress	605,518	2,674,685	(2,069,167)
Accumulated Depreciation	(58,279,483)	(55,618,812)	(2,660,671)
Total	<u>\$ 60,120,989</u>	<u>53,205,631</u>	<u>6,915,358</u>

Long-Term Debt – At year-end, the City had \$28,550,411 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		Increase/ (Decrease)
	2017	2016	
General Obligation Bonds	\$ 5,215,000	5,480,000	(265,000)
Special Assessment Bonds	13,735,746	8,748,496	4,987,250
TIF Bonds	3,166,171	3,298,695	(132,524)
Notes Payable	866,688	1,085,829	(219,141)
Capital Lease Obligations	5,566,806	6,708,122	(1,141,316)
Total	<u>\$ 28,550,411</u>	<u>25,321,142</u>	<u>3,229,269</u>

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 2018 budget. The total budgeted appropriation for the City operations in the governmental activities is \$30,797,094 (which includes \$24,425,782 in the general fund).

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

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.

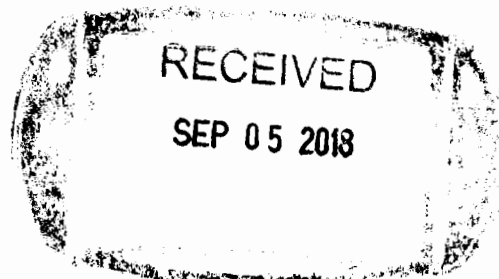
BASIC FINANCIAL STATEMENTS

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
 - Fiduciary funds

In addition, the notes to 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, 2017

	Primary Government Governmental Activities	Major Component Units Electric Department	Water Department
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,158,827	6,080,384	2,775,067
Investments, Restricted			4,073,474
Receivable, Net	767,543	5,203,966	2,356,926
Landfill Receivable	9,352		
Intergovernmental Receivable	2,285,717		
Fines Receivable	41,186		
Inventory		536,075	175,275
Prepaid Expense		60,207	129,063
Notes Receivable	3,687,776		
Other Assets		845,680	450,000
Capital Assets:			
Land and Construction in Progress	8,252,226	275,662	187,794
Other Capital Assets, Net of Depreciation	51,868,763	27,832,507	53,944,401
Total Assets	<u>72,071,390</u>	<u>40,834,481</u>	<u>64,092,000</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized Loss on Bond Defeasance		447,225	523,862
Deferred Outflows Related to			
- Net Pension Liability	1,916,974	1,271,747	295,282
Total Deferred Outflows of Resources	<u>1,916,974</u>	<u>1,718,972</u>	<u>819,144</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	1,333,640	4,784,594	1,108,856
Customer Deposits		3,063,281	136,126
Other Liabilities	239,818	88,923	
Long-term Liabilities:			
Due Within One Year	2,081,851	628,064	3,014,188
Due in More than One Year	26,971,987	7,973,186	18,913,276
Unfunded Pension Liability	25,292,826	6,425,382	5,630,253
Total Liabilities	<u>55,920,122</u>	<u>22,963,430</u>	<u>28,802,699</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized Gain on Bond Defeasance			80,933
Deferred Inflows Related to			
- Net Pension Liability	552,394	994,963	832,015
Other		2,006	7,150
Total Deferred Inflows of Resources	<u>552,394</u>	<u>996,969</u>	<u>920,098</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	31,570,577	19,656,980	32,023,131
Restricted for:			
Expendable:			
Capital Improvements	346,764		
City-based Activities	1,282,822		
Debt Service	5,091,035		
Unrestricted - Unassigned	(20,775,350)	(1,063,926)	3,165,216
Total Net Position	<u>\$ 17,515,848</u>	<u>18,593,054</u>	<u>35,188,347</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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Major Component Units	
						Electric Department	Water Department
Primary Government							
Governmental Activities							
General Government	\$ 2,015,524	583,928	134,478		\$ (1,297,118)		
Public Safety	13,277,460	549,683	81,409	32,790	(12,613,578)		
Public Works	8,105,885	2,234,615	46,217	301,079	(5,523,974)		
Cemetery	93,073	67,280			(25,793)		
Culture and Recreation	2,280,670	180,410		1,325,000	(775,260)		
Conservation, Urban and Economic Development	1,756,105			1,025,766	(730,339)		
Intergovernmental Garage	817,979				(817,979)		
Agency Appropriations	1,422,145				(1,422,145)		
Interest on Long-term Debt	1,011,317				(1,011,317)		
Other on Long-term Debt	10,544				(10,544)		
Total Primary Government	30,790,702	3,615,916	262,104	2,684,635	(24,228,047)		
Major Component Units							
Electric Department	40,354,431	39,522,754				(831,677)	
Water Department	10,328,173	11,371,406					1,043,233
Total Major Component Units	\$ 50,682,604	50,894,160				(831,677)	1,043,233
General Revenues							
Taxes							
Property Taxes					9,340,703		
Sales and Use Taxes					9,815,442		
Other Taxes					3,099,498		
Grants and Contributions not Restricted to Specific Programs							
Investment Income					30,201	15,385	16,994
Other					528,696	59,906	83,003
Total General Revenues					22,814,540	75,291	99,997
Change in Net Position					(1,413,507)	(756,386)	1,143,230
Net Position, October 1, 2016					19,448,062	19,520,290	34,777,180
Prior Period Adjustment					(518,707)	(170,850)	(732,063)
Net Position, September 30, 2017					\$ 17,515,848	18,593,054	35,188,347

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

FUND FINANCIAL STATEMENTS

CITY OF COLUMBUS, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2017

	<u>General</u>	<u>Infrastructure Improvements - 2016 Bonds</u>	<u>Digital Water Meter Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,335,243	159,613		2,663,971	5,158,827
Landfill Receivable	9,352				9,352
Intergovernment Receivables	1,394,728			890,989	2,285,717
Loans Receivable			2,970,325	717,451	3,687,776
Fines Receivable	41,186				41,186
Other Receivables	717,081			50,462	767,543
Due from Other Funds	526,133			-	526,133
	<u>5,023,723</u>	<u>159,613</u>	<u>2,970,325</u>	<u>4,322,873</u>	<u>12,476,534</u>
Total Assets	<u>\$ 5,023,723</u>	<u>159,613</u>	<u>2,970,325</u>	<u>4,322,873</u>	<u>12,476,534</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,127,583	21,574		184,483	1,333,640
Due to Other Funds	-			526,133	526,133
Compensated Absences	137,000				137,000
	<u>1,264,583</u>	<u>21,574</u>	<u>-</u>	<u>710,616</u>	<u>1,996,773</u>
Total Liabilities	<u>1,264,583</u>	<u>21,574</u>	<u>-</u>	<u>710,616</u>	<u>1,996,773</u>
<u>FUND BALANCES</u>					
Restricted for:					
Capital Improvements		138,039		208,725	346,764
Debt Service			2,970,325	2,120,710	5,091,035
Other Commitments				1,282,822	1,282,822
Unassigned	3,759,140				3,759,140
	<u>3,759,140</u>	<u>138,039</u>	<u>2,970,325</u>	<u>3,612,257</u>	<u>10,479,761</u>
Total Fund Balances	<u>3,759,140</u>	<u>138,039</u>	<u>2,970,325</u>	<u>3,612,257</u>	<u>10,479,761</u>
Total Liabilities and Fund Balances	<u>\$ 5,023,723</u>	<u>159,613</u>	<u>2,970,325</u>	<u>4,322,873</u>	<u>12,476,534</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, 2017

Fund Balances - Total Governmental Funds	\$	10,479,761
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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	118,400,472	
Less Accumulated Depreciation	<u>(58,279,483)</u>	60,120,989

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	(54,209,664)	
Accrued Interest Payable	(239,818)	
Deferred Outflows of Resources	1,916,974	
Deferred Inflows of Resources	<u>(552,394)</u>	<u>(53,084,902)</u>

Net Position of Governmental Activities	\$	<u><u>17,515,848</u></u>
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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, 2017

	General	Infrastructure Improvements - 2016 Bonds	Digital Water Meter Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 7,610,214			1,730,491	9,340,705
Licenses and Permits	571,516				571,516
Intergovernmental Revenues	11,110,504		93,140	4,896,009	16,099,653
Charges for Governmental Services	2,404,806			132,362	2,537,168
Fines and Forfeits	359,498			2,898	362,396
Interest Income	28,328			1,873	30,201
Other Revenues	413,479			22,077	435,556
Total Revenues	22,498,345	-	93,140	6,785,710	29,377,195
EXPENDITURES					
Current:					
General Government	2,719,939				2,719,939
Public Safety	11,762,615			464,758	12,227,373
Public Works	5,515,721	4,831,176		694,159	11,041,056
Cemetery	93,073				93,073
Culture and Recreation	313,074			4,363,012	4,676,086
Conservation, Urban and Economic Development	1,117,851			969,174	2,087,025
Intergovernmental-Garage	761,501				761,501
Agency Appropriations	1,422,145				1,422,145
Debt Service:					
Principal	1,253,596		197,681	905,167	2,356,444
Interest	44,765		93,140	862,178	1,000,083
Paying Agent Fees	4,880			5,664	10,544
Total Expenditures	25,009,160	4,831,176	290,821	8,264,112	38,395,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,510,815)	(4,831,176)	(197,681)	(1,478,402)	(9,018,074)
OTHER FINANCING SOURCES (USES)					
Proceeds of Debt		5,600,000			5,600,000
Transfers from Other Departments	752,742			981,423	1,734,165
Transfers to Other Departments	(981,423)	(545,142)		(207,600)	(1,734,165)
Net Other Financing Sources (Uses)	(228,681)	5,054,858	-	773,823	5,600,000
Net Change in Fund Balances	(2,739,496)	223,682	(197,681)	(704,579)	(3,418,074)
Fund Balances, October 1, 2016	6,498,636	(85,643)	3,168,006	4,316,836	13,897,835
Fund Balances, September 30, 2017	\$ 3,759,140	138,039	2,970,325	3,612,257	10,479,761

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
For the Year Ended September 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (3,418,074)

Amounts reported for governmental activities in the 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	9,598,150	
Current Year Retirements	(18,118)	
Less Current Year Depreciation	<u>(2,664,674)</u>	<u>6,915,358</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	(5,600,000)	
Principal Payments	2,356,444	
Note Adjustment for Totaled Police Cruiser	13,013	
Amortization of Bond Premiums	2,750	
Amortization of Bond Discounts	<u>(1,476)</u>	<u>(3,229,269)</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	(1,639,057)	
Change in long-term Compensated Absences	(29,957)	
Change in Accrued Interest Payable	<u>(12,508)</u>	<u>(1,681,522)</u>

Change in Net Position of Governmental Funds		<u><u>\$ (1,413,507)</u></u>
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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, 2017

	Private- Purpose Trust	Agency Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 234,759	700,272
Receivables (Net)		52,775
	<u>234,759</u>	<u>753,047</u>
Total Assets		
<u>LIABILITIES</u>		
Accounts Payable		147,074
Other Liabilities		605,973
		<u>753,047</u>
Total Liabilities	<u>-</u>	
<u>NET POSITION</u>		
Net Position	<u>\$ 234,759</u>	<u>-</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, 2017

	<u>Private- Purpose Trust</u>
<u>ADDITIONS</u>	
Revenues	
Interest Income	\$ 740
Total Revenues	<u>740</u>
Other Financing Sources	
Transfers from Other Departments	3,855
Total Other Financing Sources	<u>3,855</u>
Total Additions	<u>4,595</u>
Change in Net Position	4,595
Net Position, October 1, 2016	<u>230,164</u>
Net Position, September 30, 2017	<u><u>\$ 234,759</u></u>

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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 component units of the City, for GAAP purposes, include the Columbus Light and Water Department (Electric and Water Division). The Electric and Water Divisions were created to provide electric, water, and sewer services to residents of the City. The governing bodies of the Electric and Water Division are appointed by the City council. Both the Electric and Water Divisions were audited separately and the complete audited financial statements may be obtained from each respective administrative office.

Component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Each component unit is considered major and is therefore shown separately.

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 does not have any business type activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column and is 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 (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.). 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) 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. 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 (private-purpose trust 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.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Governmental activities in the government-wide financial statements and the 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.

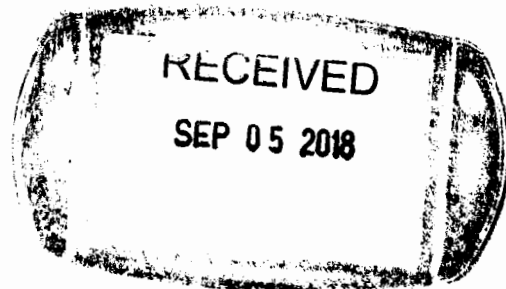
f. Financial Statement Amounts

1. Cash and Cash Equivalents:

The City defines cash equivalents as short-term, highly liquid investments with original maturity dates of three months or less.

2. Inventory:

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



CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1: 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, 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.

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.

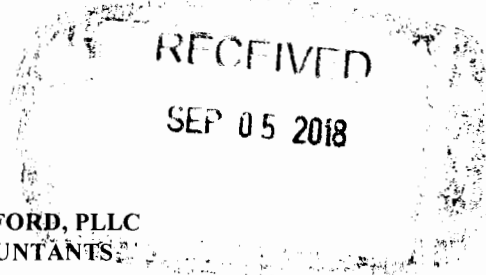
Budgeted amounts are as originally adopted, or as amended by the City Council.

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. Significant estimates include depreciation expense and net pension liability.

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. All cash deposits of the City were properly included in the state pool.

The carrying amount of the City's deposits with financial institutions was \$6,093,858 on September 30, 2017, and the bank balance was \$6,498,988. Of the \$6,093,858 carrying amount, \$5,158,827 is shown on the Statement of Net Position and the remaining \$935,031 is shown on the Statement of Net Position – Fiduciary Funds.

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.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2017, are:

A. Due from/to other funds

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 526,133	
Other Governmental Funds	<u> </u>	526,133
Total Funds	\$ <u>526,133</u>	<u>526,133</u>

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	\$ 752,742	981,423
Infrastructure Improvements – 2016 Bonds	-	545,142
Other Governmental Funds	<u>981,423</u>	<u>207,600</u>
	<u>\$ 1,734,165</u>	<u>1,734,165</u>

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

NOTE 4: NOTES RECEIVABLE

On the Statement of Net Position, notes receivable from Columbus Light & Water in the amount of \$3,687,776 consists of a \$717,451 receivable from the Electric Division and \$2,970,325 due from the Water Division.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 9/30/2016	Additions	Retire- ments	Completed Construction	Adjustments	Balance 9/30/2017
Governmental Activities						
<i>Non-depreciable Capital Assets</i>						
Land	\$ 7,633,188	13,520				7,646,708
Construction in Progress	2,674,685	8,532,370		(10,601,537)		605,518
Total Non-depreciable Capital Assets	10,307,873	8,545,890	-	(10,601,537)	-	8,252,226
<i>Depreciable Capital Assets</i>						
Buildings	20,653,227	14,253		2,117,077		22,784,557
Equipment	10,562,701	718,875			833,082	12,114,658
Improvements Other than Buildings	1,834,537	288,755		3,299,147		5,422,439
Infrastructure	62,754,533	30,377		5,185,313		67,970,223
Leased Property Under Capital Lease	2,711,572		(22,121)		(833,082)	1,856,369
Total Depreciable Capital Assets	98,516,570	1,052,260	(22,121)	10,601,537	-	110,148,246
<i>Less Accumulated Depreciation for:</i>						
Buildings	7,577,380	461,511				8,038,891
Equipment	8,327,018	430,727			240,951	8,998,696
Improvements Other than Buildings	430,966	216,898				647,864
Infrastructure	38,796,187	1,159,822				39,956,009
Leased Property Under Capital Lease	487,261	395,716	(4,003)		(240,951)	638,023
Total Accumulated Depreciation	55,618,812	2,664,674	(4,003)	-	-	58,279,483
Total Depreciable Capital Assets, Net	42,897,758	(1,612,414)	(18,118)	10,601,537	-	51,868,763
Governmental Activities Capital Assets, Net	\$ 53,205,631	6,933,476	(18,118)	-	-	60,120,989

Amounts in the adjustments column above represent the cost and accumulated depreciation of leased property under capital leases that matured during the year ended September 30, 2017.

Depreciation expense was charged to functions as follows:

	Amount
Governmental Activities:	
General Government	\$ 99,379
Public Safety	662,400
Public Works	1,526,839
Culture and Recreation	139,530
Conservation, Urban and Economic Development	236,526
Total Depreciation Expense - Governmental Activities	\$ 2,664,674

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CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2017, was as follows:

Governmental Activities	Balance 9/30/2016	Additions	Re- ductions	Adjustments	Balance 9/30/2017	Within One Year
General Obligation Bonds						
General Obligation Note, Series 2013	\$ 480,000		240,000		240,000	240,000
General Obligation Note, Series 2014	5,000,000		25,000		4,975,000	100,000
Special Assessment Bonds Payable						
Mississippi Development Bank, 2010	6,670,000		480,000		6,190,000	495,000
Add: Premiums	38,496			(2,750)	35,746	2,750
Mississippi Development Bank, 2013	2,040,000		130,000		1,910,000	140,000
Mississippi Development Bank, 2016		5,600,000			5,600,000	100,000
Tax Increment Financing Bonds						
Tax Increment Financing Bonds, 2015	2,150,000		80,000		2,070,000	80,000
Less: Discounts	(23,305)			1,476	(21,829)	(1,476)
Tax Increment Financing Bonds, 2016	1,172,000		54,000		1,118,000	54,000
Notes Payable						
Mississippi Development Authority, 2007	52,620		32,357		20,263	20,263
Mississippi Development Authority, 2007	35,075		35,075		-	-
Mississippi Development Authority, 2009	69,674		4,691		64,983	4,812
Mississippi Development Authority, 2012	135,436		25,074		110,362	25,633
Mississippi Development Authority, 2012	143,024		21,944		121,080	22,445
Columbus Light & Water Department	650,000		100,000		550,000	100,000
Capital Leases						
Regions Bank, Lease Purchase Note	30,868		30,868		-	-
Regions Bank, Lease Purchase Note	1,531,007		103,811		1,427,196	107,173
Regions Bank, Lease Purchase Note	3,168,006		197,681		2,970,325	203,699
Regions Bank, Lease Purchase Note	213,330		114,482		98,848	98,848
Regions Bank, Lease Purchase Note	45,215		12,599		32,616	12,852
Regions Bank, Lease Purchase Note	129,992		33,052	(13,013)	83,927	30,142
Trustmark National Bank	1,060,155		106,261		953,894	108,710
Trustmark National Bank	184,529		184,529		-	-
Trustmark National Bank	345,020		345,020		-	-
Compensated Absences	473,470	29,957			503,427	137,000
Total	\$ 25,794,612	5,629,957	2,356,444	(14,287)	29,053,838	2,081,851

Disclosure of future maturities for all long-term liabilities is contained in the other supplemental information that follows the notes to financial statements.

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 \$115,000 to \$999,180 each through various dates, the last of which is the year 2031. Interest rates range from 2.0% to 4.55%.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

The outstanding issues of tax increment financing bonds are due in annual installments ranging from \$80,000 to \$295,000 each through various dates, the last of which is the year 2032. Interest rates range from 5.75% to 7.125%.

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 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 capital lease agreement 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 capital lease agreements 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%.

The outstanding capital lease agreements with Trustmark National Bank terms consist of monthly payments ranging from \$3,612 to \$10,777, the last of which is the year 2025. Interest rates range from 1.62% to 2.28%.

The outstanding note payable with Columbus Light & Water Department terms consist of annual payments ranging from \$100,000 to \$150,000, the last of which is the year 2020.

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 City has no unfunded pension liability with respect to the Pension Trust Fund.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 7: DISABILITY RELIEF FUND (CONTINUED)

The contribution made for active and retired employees for the years ended September 30, 2017, 2016, and 2015, were \$1,030,986, \$969,546, and \$971,894, 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.

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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, 2017 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, 2017, 2016 and 2015 were \$1,575,411, \$1,566,462 and \$1,458,235, 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, 2017, the City reported a liability of \$25,292,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.152152 percent.

For the year ended September 30, 2017, the City recognized pension expense of \$1,639,058. At September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 363,377	(184,554)
Net difference between projected and actual earnings on pension plan investments		(324,741)
Changes of assumptions	562,160	(43,099)
Change in proportion percentage	545,059	
City contributions subsequent to the measurement date	<u>446,378</u>	
	<u>\$ 1,916,974</u>	<u>(552,394)</u>

\$446,378 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, 2018. 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,	
2018	\$ 674,452
2019	629,603
2020	102,715
2021	<u>(488,568)</u>
	<u>\$ 918,202</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 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 – 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27	%	4.60	%
International Equity	18		4.50	
Emerging Markets Equity	4		4.75	
Global	12		4.75	
Fixed Income	18		0.75	
Real Assets	10		3.50	
Private Equity	8		5.10	
Emerging Debt	2		2.25	
Cash	1		0.00	
Total	100	%		

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	\$ 33,173,230	\$ 25,292,826	\$ 18,750,379

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 hotels 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.

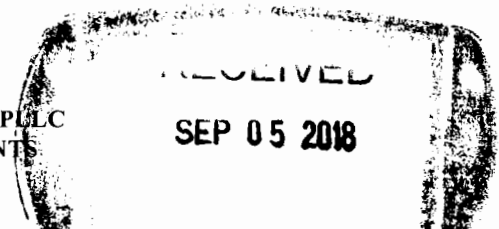
The City and County also share in the operation of the E-911 salaries expense. The City, through an interlocal agreement, assigns certain personnel, and provides office space and utilities to the Metro Narcotics Unit.

As of October 1, 2017, Lowndes County is no longer affiliated with the Recreation Authority.

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.

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risks Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters at September 30, 2017; therefore, no liability has been accrued at this time.



CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

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.

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 ADJUSTMENT

A prior period adjustment is made on these financial statements to record a \$518,707 reduction in unrestricted net position of governmental activities. This adjustment is required by Statement No. 65 of the Governmental Accounting Standards Board which requires local governments to expense the issuance costs of debt in the year the costs are incurred. Prior period adjustments of \$170,850 and \$732,063 are made to the net position of the Electric and Water Departments, respectively, for the same reason.

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 June 20, 2018, 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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive(Negative)
<u>REVENUES</u>				
Property Taxes	\$ 7,276,130	7,276,130	7,610,214	334,084
Licenses and Permits	580,914	580,914	571,516	(9,398)
Intergovernmental Revenues	11,741,000	11,741,000	11,110,504	(630,496)
Charges for Services	1,940,100	1,940,100	2,404,806	464,706
Fines and Forfeits	673,050	673,050	359,498	(313,552)
Interest Income	20,000	20,000	28,328	8,328
Miscellaneous Revenues	217,650	217,650	413,479	195,829
Total Revenues	22,448,844	22,448,844	22,498,345	49,501
<u>EXPENDITURES</u>				
Current:				
General Government	2,764,683	2,764,683	2,719,939	44,744
Public Safety	11,572,147	11,572,147	11,762,615	(190,468)
Public Works	4,855,736	4,855,736	5,515,721	(659,985)
Cemetery	107,000	107,000	93,073	13,927
Culture and Recreation	300,788	300,788	313,074	(12,286)
Conservation, Urban and Economic Development	890,710	890,710	1,117,851	(227,141)
Intergovernmental-Garage	814,131	814,131	761,501	52,630
Agency Appropriations	1,567,910	1,567,910	1,422,145	145,765
Debt Service	388,339	388,339	1,303,241	(914,902)
Total Expenditures	23,261,444	23,261,444	25,009,160	(1,747,716)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(812,600)</u>	<u>(812,600)</u>	<u>(2,510,815)</u>	<u>(1,698,215)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Departments	812,600	812,600	752,742	(59,858)
Transfers to Other Departments	<u>(341,066)</u>	<u>(341,066)</u>	<u>(981,423)</u>	<u>(640,357)</u>
Net Other Financing Sources (Uses)	471,534	471,534	(228,681)	(700,215)
Net Change in Fund Balance	(341,066)	(341,066)	(2,739,496)	(2,398,430)
Fund Balance - Beginning	6,498,636	6,498,636	6,498,636	-
Fund Balance - Ending	\$ 6,157,570	6,157,570	3,759,140	(2,398,430)

The accompanying notes to required supplementary information is an integral part of this schedule.

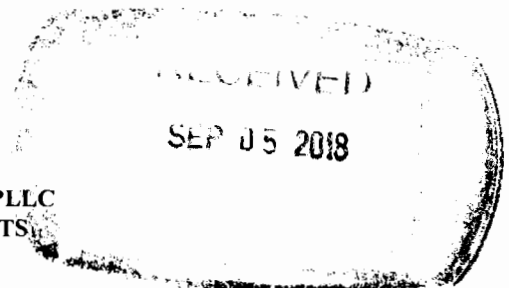
CITY OF COLUMBUS, MISSISSIPPI
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	2017	2016	2015
City's proportion of the net pension liability	\$ 25,292,826	26,457,216	22,769,212
City's proportionate share of the net pension liability	0.152152%	0.148116%	0.147297%
City's covered-employee payroll	\$ 9,760,641	9,475,346	9,202,286
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	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.

The accompanying notes to required supplementary information is an integral part of this schedule.



CITY OF COLUMBUS, MISSISSIPPI
Schedule of the City's Contributions
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,575,411	1,566,462	1,458,235
Contribution in relation to the contractually required contribution	1,575,411	1,566,462	1,458,235
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 10,002,615	9,945,790	9,258,635
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	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.

The accompanying notes to required supplementary information is an integral part of this schedule.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Required Supplementary Information

Budgetary Information

NOTE 1 – GENERAL INFORMATION

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the City Council of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various departments, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the encumbered cash and investment balances. When during the fiscal year it appears to the City Council that the budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the modified accrual basis of accounting. All appropriations lapse at year end.

NOTE 2 – BASIS OF PRESENTATION

The Budgetary Comparison Schedule – Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule – Budget and Actual is a part of required supplemental information.

NOTE 3 – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2017:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 825,571
Home Improvements Program	74,620
Victim Advocate Program	17,807
Plantation Pointe Debt Service	18,760
Police & Fireman Disability & Relief Retirement	45,917

The excess expenditures over budget in the above funds is a violation of Section 21-35-15 Miss Code Ann. (1972).

NOTE 4 – UNBUDGETED FUNDS

The following were unbudgeted funds that had expenditures for the year ended September 30, 2017:

<u>Fund</u>	<u>Expenditures</u>
Hazardous Mitigation Grant	\$ 13,520
General Obligation Bonds Debt Service	983,817
Urban Renewal Projects	650
Infrastructure Improvements - 2016 Bonds	196,000

CITY OF COLUMBUS, MISSISSIPPI
Notes to Required Supplementary Information

Pension Schedules

NOTE 1 – CHANGES OF ASSUMPTIONS

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

In 2017, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. Finally, the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

NOTE 2 – CHANGES OF BENEFIT PROVISIONS

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

NOTE 3 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTAL INFORMATION

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Bonded Indebtedness - Governmental Activities
September 30, 2017

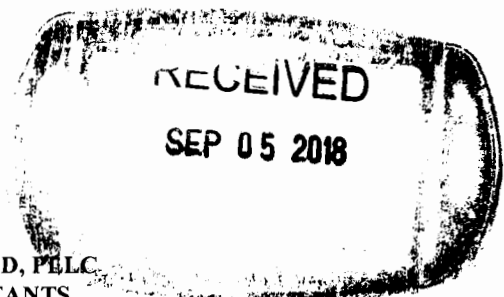
<u>Name and Date</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>	<u>Transactions</u>		<u>Balance</u>
	<u>Date</u>	<u>Percent</u>	<u>10/1/16</u>	<u>Issued</u>	<u>Redeemed</u>	<u>9/30/17</u>
General Obligation, Special Obligation, and TIF Bonds						
Governmental Activities:						
Special Obligation Bonds, Series 2010	2017	2.25	\$ 480,000		\$ 480,000	\$ -
	2018	2.50	495,000			495,000
	2019	2.75	510,000			510,000
	2020	3.75	515,000			515,000
	2021	4.00	530,000			530,000
	2022	4.25	350,000			350,000
	Thereafter	4.25	3,790,000			3,790,000
	Total		6,670,000	-	480,000	6,190,000
General Obligation Note, Series 2013	2017	1.52	240,000		240,000	-
	2018	1.52	240,000			240,000
Total			480,000	-	240,000	240,000
Special Obligation Bonds, Series 2013	2017	4.55	130,000		130,000	-
	2018	4.55	140,000			140,000
	2019	4.55	145,000			145,000
	2020	4.55	150,000			150,000
	2021	4.55	155,000			155,000
	2022	4.55	165,000			165,000
	Thereafter	4.55	1,155,000			1,155,000
	Total		2,040,000	-	130,000	1,910,000
General Obligation Note, Series 2014	2017	3.25	25,000		25,000	-
	2018	3.25	100,000			100,000
	2019	3.25	200,000			200,000
	2020	3.25	400,000			400,000
	2021	3.25	500,000			500,000
	2022	3.25	500,000			500,000
	Thereafter	3.25	3,275,000			3,275,000
	Total		5,000,000	-	25,000	4,975,000
Tax Increment Financing, Series 2015	2017	6.00	80,000		80,000	-
	2018	6.00	80,000			80,000
	2019	6.00	85,000			85,000
	2020	6.00	90,000			90,000
	2021	6.00	100,000			100,000
	2022	6.00	105,000			105,000
	Thereafter	7.125	1,610,000			1,610,000
	Total		2,150,000	-	80,000	2,070,000
Tax Increment Financing, Series 2016	2017	5.75	54,000		54,000	-
	2018	5.75	54,000			54,000
	2019	5.75	57,000			57,000
	2020	5.75	60,000			60,000
	2021	5.75	64,000			64,000
	2022	5.75	68,000			68,000
	Thereafter	5.75	815,000			815,000
	Total		1,172,000	-	54,000	1,118,000

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Bonded Indebtedness - Governmental Activities
September 30, 2017

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/16</u>	<u>Transactions</u>		<u>Balance 9/30/17</u>
				<u>Issued</u>	<u>Redeemed</u>	
Special Obligation Bonds, Series 2016	2017	2.48				-
	2018	2.48		100,000		100,000
	2019	2.48		150,000		150,000
	2020	2.48		150,000		150,000
	2021	2.48		150,000		150,000
	2022	2.48		150,000		150,000
	Thereafter	2.48		4,900,000		4,900,000
Total			<u>-</u>	<u>5,600,000</u>	<u>-</u>	<u>5,600,000</u>
Total General Obligation, Special Obligation, and TIF Bonds Governmental Activities			<u><u>\$ 17,512,000</u></u>	<u><u>\$ 5,600,000</u></u>	<u><u>\$ 1,009,000</u></u>	<u><u>\$ 22,103,000</u></u>

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Long-Term Notes - Governmental Activities
September 30, 2017

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
Notes Payable						
Governmental Activities:						
Mississippi Development Authority, 2007	2017	2.00	\$ 32,357		\$ 32,357	\$ -
	2018	2.00	20,263			20,263
Total			52,620	-	32,357	20,263
Mississippi Development Authority, 2007	2017	2.00	35,075		35,075	-
Total			35,075	-	35,075	-
Mississippi Development Authority, 2009	2017	2.00	4,691		4,691	-
	2018	2.00	4,812			4,812
	2019	2.00	4,909			4,909
	2020	2.00	5,008			5,008
	2021	2.00	5,110			5,110
	2022	2.00	5,204			5,204
	Thereafter	2.00	39,940			39,940
Total			69,674	-	4,691	64,983
Mississippi Development Authority, 2012	2017	2.00	25,074		25,074	-
	2018	2.00	25,590			25,590
	2019	2.00	26,107			26,107
	2020	2.00	26,634			26,634
	2021	2.00	27,171			27,171
	2022	2.00	4,860			4,860
Total			135,436	-	25,074	110,362
Mississippi Development Authority, 2012	2017	2.00	21,944		21,944	-
	2018	2.00	22,445			22,445
	2019	2.00	22,898			22,898
	2020	2.00	23,360			23,360
	2021	2.00	23,832			23,832
	2022	2.00	24,313			24,313
	Thereafter	2.00	4,232			4,232
Total			143,024	-	21,944	121,080
Columbus Light & Water Department	2017	0.05	100,000		100,000	-
	2018	0.05	100,000			100,000
	2019	0.05	150,000			150,000
	2020	0.05	150,000			150,000
	2021	0.05	150,000			150,000
Total			650,000	-	100,000	550,000
Total Notes Payable, Governmental Activities			\$ 1,085,829	\$ -	\$ 219,141	\$ 866,688

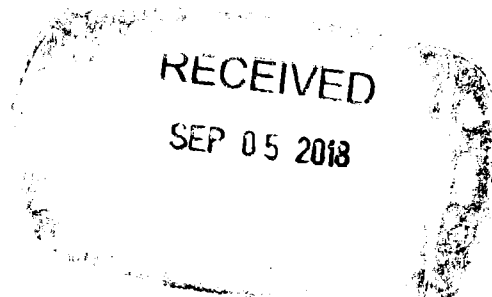


CITY OF COLUMBUS, MISSISSIPPI
Schedule of Capital Lease Obligations - Governmental Activities
September 30, 2017

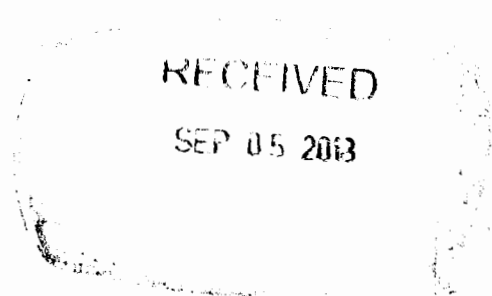
<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
				<u>Issued</u>	<u>Redeemed</u>	
Regions Equipment Finance Corp	2017	2.00	30,868		30,868	-
Total			30,868	-	30,868	-
Regions Equipment Finance Corp	2017	3.00	103,811		103,811	-
	2018	3.00	107,173			107,173
	2019	3.00	110,644			110,644
	2020	3.00	114,227			114,227
	2021	3.00	117,926			117,926
	2022	3.00	121,746			121,746
	Thereafter	3.00	855,480			855,480
Total			1,531,007	-	103,811	1,427,196
Regions Equipment Finance Corp	2017	3.01	197,681		197,681	-
	2018	3.01	203,699			203,699
	2019	3.01	209,900			209,900
	2020	3.01	216,290			216,290
	2021	3.01	222,874			222,874
	2022	3.01	229,658			229,658
	Thereafter	3.01	1,887,904			1,887,904
Total			3,168,006	-	197,681	2,970,325
Regions Equipment Finance Corp	2017	2.02	114,482		114,482	-
	2018	2.02	98,848			98,848
Total			213,330	-	114,482	98,848
Regions Equipment Finance Corp	2017	1.99	12,599		12,599	-
	2018	1.99	12,852			12,852
	2019	1.99	13,110			13,110
	2020	1.99	6,654			6,654
Total			45,215	-	12,599	32,616
Regions Equipment Finance Corp	2017	1.99	46,065		46,065	-
	2018	1.99	34,400			34,400
	2019	1.99	35,091			35,091
	2020	1.99	14,436			14,436
Total			129,992	-	46,065	83,927
Trustmark National Bank	2017	2.28	106,261		106,261	-
	2018	2.28	108,710			108,710
	2019	2.28	111,215			111,215
	2020	2.28	113,777			113,777
	2021	2.28	116,399			116,399
	2022	2.28	119,080			119,080
	Thereafter	2.28	384,713			384,713
Total			1,060,155	-	106,261	953,894
Trustmark National Bank	2017	1.65	184,529		184,529	-
Total			184,529	-	184,529	-
Trustmark National Bank	2016	1.62	345,020		345,020	-
Total			345,020	-	345,020	-
Total Capital Leases, Governmental Activities			\$ 6,708,122	\$ -	\$ 1,141,316	\$ 5,566,806

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2017

<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
Fredrick Jackson	Councilman	CNA Surety	\$100,000
Stephen Jones	Councilman	CNA Surety	\$100,000
William E. Gavin	Councilman	CNA Surety	\$100,000
Milton Rawle	CFO	CNA Surety	\$100,000
Fred Shelton	Chief of Police	CNA Surety	\$ 50,000
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



**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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbus, Mississippi, as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated June 20, 2018.

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 opinion 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.

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 have not been identified. However, as described below, 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 following to be material weaknesses:

2017-001. Material Weakness

In the Municipal Court division, offenders enrolled in the work program do not sign in or out daily on their time sheet. The work program supervisor signs offenders in and out on their time sheet.

Recommendation

Offenders enrolled in the work program should sign in and out daily, and note the hours worked under the direct supervision of the work program supervisor, who should verify their presence daily.

Management's Response to Finding

The Municipal Court division is implementing new procedures to correct this finding.

2017-002. Material Weakness

In the Municipal Court division, some offenders enrolled in the work program are receiving credit for hours worked on days when the offender and work program supervisor were not present.

Recommendation

Time sheets that are submitted to the Municipal Court division for work program completion credit should be reviewed by a second officer that is familiar and involved with the work program. The reviewing officer should sign the time sheet as having been reviewed. Any discrepancies that come to the reviewer's attention should be investigated.

Management's Response to Finding

The Municipal Court division is implementing new procedures to correct this finding.

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 following to be significant deficiencies:

2017-003. Significant Deficiency

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.

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.

Management's Response to Finding

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

2017-004. Significant Deficiency

The City of Columbus does not maintain adequate internal control over landfill gate receipts.

Recommendation

The City of Columbus should design and implement a system of internal controls that allows management to monitor landfill gate receipts.

Management's Response to Finding

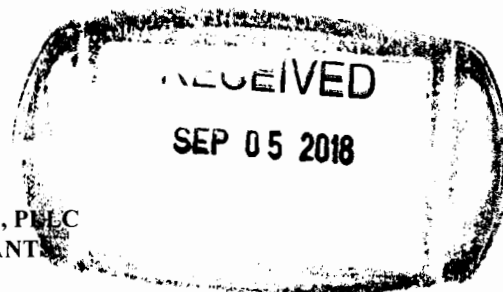
The City of Columbus has designed and implemented internal controls over the landfill.

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 Columbus, Mississippi's Response to Findings

City of Columbus, Mississippi's responses to the findings identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

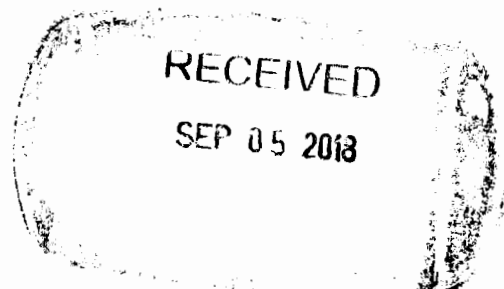


Purpose of this Report

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
June 20, 2018

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 discretely presented component units, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2017, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated June 20, 2018. 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:

1. Budgetary Process

Section 21-35-5 of the Mississippi Code requires that the governing authorities of each municipality of the State of Mississippi prepare, and when necessary, revise a fiscal year budget that reflects all of the revenues, expenses and working cash balances estimated for the next fiscal year, for each fund. Section 21-35-15 of the Mississippi Code states that the governing authorities shall at all times keep within the sums named in their budget. The City did not meet the requirement of preparing a budget for each fund, or staying within the sums named in their budget. We recommend that the City adopt a budget for each fund and amendments to the budget when necessary.

Views of Responsible Officials and Planned Corrective Actions

The City understands that they did not meet the requirements stated above. Management will implement procedures to prepare and, when necessary, amend the budget for each of the City's funds.

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
June 20, 2018

Watkins Ward and Stafford, PLLC

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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 discretely presented component units, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2017, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated June 20, 2018. 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 basic 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 is 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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SEP 05 2018

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
June 20, 2018

Watkins Ward and Stafford, PLLC