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**CITY OF CHARLESTON, MISSISSIPPI**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**MAY 23 2019**

**OFFICE OF THE  
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**CITY OF CHARLESTON, MISSISSIPPI  
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**CERTIFIED PUBLIC ACCOUNTANTS**  
**POST OFFICE BOX 9369**  
**GREENWOOD, MISSISSIPPI 38930-9369**  
**662-453-6432**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Commissioners  
City of Charleston  
Charleston, Mississippi

**Report on the Financial Statement**

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Charleston, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statement which collectively comprise the City's basic financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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

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## Opinion

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Charleston, Mississippi as of September 30, 2018, or changes in financial position or cash flows thereof for the year then ended. Further, the City has not presented management's discussion and analysis nor required supplemental information that accounting principles generally accepted in the United States has determined is necessary to supplement, although they are not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of each fund of the City of Charleston, Mississippi, as of September 30, 2018, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note 1.

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019 on our consideration of the City of Charleston, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Charleston, Mississippi's internal control over financial reporting and compliance.

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

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

April 11, 2019

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CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Governmental Activities					Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Business-Type Activities	Memorandum Only)	
					Water & Sewer Fund	September 30,	
					2018	2017	
<b>RECEIPTS</b>							
<b>REVENUE RECEIPTS:</b>							
General property taxes:							
Current year levy	\$ 469,984.09	\$ 41,644.17		\$	\$	\$ 511,628.26	\$ 515,554.96
Prior year's levy	205.85	18.24				224.09	5,063.10
Autos	108,405.38	9,605.61				118,010.99	106,360.50
Penalties and interest	<u>1,933.67</u>					<u>1,933.67</u>	<u>3,157.13</u>
Total taxes	<u>580,528.99</u>	<u>51,268.02</u>				<u>631,797.01</u>	<u>630,135.69</u>
Licenses and permits:							
Permits and inspections	2,412.45					2,412.45	4,080.21
Franchise fees – utilities	<u>102,349.64</u>					<u>102,349.64</u>	<u>68,318.78</u>
Total licenses and permits	<u>104,762.09</u>					<u>104,762.09</u>	<u>72,398.99</u>
Fines and forfeits – net of amounts remitted to state, refunds & restitution	<u>-</u>			<u>29,325.05</u>		<u>29,325.05</u>	<u>33,062.65</u>
Intergovernmental revenue:							
Federal grants:							
C.D.B.G. - Sewer Rehabilitation Project Grant						<u>255,672.58</u>	
Total federal grants						<u>255,672.58</u>	

See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

RECEIPTS REVENUE RECEIPTS: (Cont'd)	Governmental Activities				Business-Type Activities Water & Sewer Fund	Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund		Memorandum Only)	
						September 30.	
					2018	2017	
Intergovernmental revenue: (Cont'd)							
State of Mississippi:							
MEMA Mitigation Grant	\$	\$	\$	\$	\$	\$	3,400.41
Solid Waste Assistance Grant							275.00
Homestead exemption reimbursement	33,852.96	2,999.64				36,852.60	37,036.62
Grand Gulf funds	21,293.63					21,293.63	21,536.04
General sales tax diversion	349,887.11					349,887.11	337,742.61
Municipal Revolving fund	1,093.61					1,093.61	2,095.88
Gasoline tax	6,578.98					6,578.98	6,578.98
Alcoholic beverages licenses	2,250.00					2,250.00	1,800.00
Fire state rebate and code funds	12,518.28					12,518.28	12,278.75
Airport Multi-modal Grant			33,645.65			33,645.65	200,526.22
Police training reimbursement	7,200.00					7,200.00	7,200.00
Health Education & Farmer's Market Grants	3,698.06	-				3,698.06	
Total State of Mississippi	<u>438,372.63</u>	<u>2,999.64</u>	<u>33,645.65</u>			<u>475,017.92</u>	<u>630,470.51</u>
County shared revenues:							
Road maintenance	107,769.59					107,769.59	123,941.66
Fire protection contribution	3,300.00					3,300.00	3,600.00
Total county shared revenues	<u>111,069.59</u>					<u>111,069.59</u>	<u>127,541.66</u>

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

RECEIPTS REVENUE RECEIPTS: (Cont'd)	Governmental Activities					Business-Type		Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Water & Sewer Fund	Memorandum Only)			
						September 30,			
					2018	2017			
Intergovernmental Revenue: (Cont'd)									
Charges for services:									
Refuse collection fees	\$ 148,076.92	\$	\$	\$	\$	\$ 148,076.92	\$	\$ 139,474.71	
Water and Sewer Fees					524,699.63	524,699.63		521,748.72	
Total charges for services	148,076.92				524,699.63	672,776.55		661,223.43	
Miscellaneous:									
Interest	147.59		200.78		406.85	755.22		1,056.07	
Rent and lease – use of property	42,263.86		103,500.00			145,763.86		135,926.16	
Sale of fixed assets	3,000.00					3,000.00			
Sundry receipts	4,044.00		-	1,171.09	-	5,215.09		19,300.89	
Total miscellaneous	49,455.45		103,700.78	1,171.09	406.85	154,734.17		156,283.12	
Total revenue receipts	1,432,265.67	54,267.66	137,346.43	30,496.14	525,106.48	2,179,482.38		2,566,788.63	
OTHER SOURCES:									
Operating transfers:									
Airport fund – excess revenues	40,000.00					40,000.00		75,000.00	
Interfund Loans	20,499.12	2,232.35		20,383.76	17,455.79	60,571.02		88,270.76	
Total other sources	60,499.12	2,232.35	-	20,383.76	17,455.79	100,571.02		163,270.76	
Total receipts	1,492,764.79	56,500.01	137,346.43	50,879.90	542,562.27	2,280,053.40		2,730,059.39	

See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Governmental Activities				Business-Type Activities Water & Sewer Fund	Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund		Memorandum Only)	
						September 30.	
					2018	2017	
<b>DISBURSEMENTS</b>							
<b>OPERATING DISBURSEMENTS:</b>							
<b>General Government:</b>							
<b>Legislative:</b>							
Commissioner's salaries	\$ 27,600.00			\$	\$ 27,600.00	\$ 27,600.00	
Payroll taxes	2,111.40				2,111.40	2,111.40	
State retirement	3,477.60				3,477.60	3,454.66	
<b>Total legislative</b>	<b>33,189.00</b>				<b>33,189.00</b>	<b>33,166.06</b>	
<b>Judicial:</b>							
Salaries	27,900.00			46,493.56	74,393.56	75,822.44	
Payroll taxes	2,134.35			3,354.26	5,488.61	12,713.97	
State retirement	2,693.25			5,432.79	8,126.04	9,990.10	
<b>Total judicial</b>	<b>32,727.60</b>			<b>55,280.61</b>	<b>88,008.21</b>	<b>98,526.51</b>	
<b>Executive:</b>							
Mayor's salary	29,259.82				29,259.82	20,954.86	
Payroll taxes	2,231.32				2,231.32	1,600.12	
State retirement	4,593.75				4,593.75	2,755.91	
Mayor's expenditures	6,233.77				6,233.77	8,279.78	
<b>Total executive</b>	<b>42,318.66</b>				<b>42,318.66</b>	<b>33,590.67</b>	
<b>Financial Administration:</b>							
Salaries	50,029.36				50,029.36	49,411.58	
Payroll taxes	4,019.52				4,019.52	3,630.39	
State retirement	7,809.34				7,809.34	6,514.84	

See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

DISBURSEMENTS OPERATING DISBURSEMENTS: (Cont'd)	Governmental Activities				Business-Type	Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Activities	Memorandum Only)	
					Water & Sewer Fund	September 30.	
					2018	2017	
General Government: (Cont'd)							
Financial Administration: (Cont'd)							
Benefits – medical insurance	\$ 8,838.47	\$		\$ 6,308.83		\$ 15,147.30	\$ 7,193.08
Office supply	24,390.68			681.06		25,071.74	23,700.13
Professional fees	56,683.00					56,683.00	34,622.50
Telephone	10,417.84					10,417.84	11,316.20
Travel and convention	18,860.37			1,201.19		20,061.56	19,511.62
Publishing	2,432.85					2,432.85	3,530.16
Insurance	5,531.73			748.14		6,279.87	5,705.96
Dues and subscriptions	4,104.93			50.00		4,154.93	480.00
Computer expense	14,894.35					14,894.35	20,275.19
Office equipment maintenance	440.00					440.00	286.47
Election expense						-	12,681.53
Miscellaneous	23,750.32	822.31		-		24,572.63	12,285.16
Total financial administration	<u>232,202.76</u>	<u>822.31</u>		<u>8,989.22</u>		<u>242,014.29</u>	<u>211,144.81</u>
Building and plant:							
Salaries	10,139.13					10,139.13	-
Payroll taxes	775.63					775.63	-
Supplies	5,377.85					5,377.85	3,654.87
Repairs	1,577.30					1,577.30	1,160.95
Utilities	11,637.25					11,637.25	13,469.27
Insurance	339.04					339.04	395.58
Total building and plant	<u>29,846.20</u>	<u>-</u>		<u>-</u>		<u>29,846.20</u>	<u>18,680.67</u>
Total general government	<u>370,284.22</u>	<u>822.31</u>		<u>64,269.83</u>		<u>435,376.36</u>	<u>395,108.72</u>

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See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

DISBURSEMENTS OPERATING DISBURSEMENTS: (Cont'd)	Governmental Activities				Business-Type	Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Activities	Memorandum Only)	
					Water & Sewer Fund	September 30.	
					2018	2017	
Public Safety:							
Police:							
Salaries	\$ 341,402.90					\$ 341,402.90	\$ 394,367.14
Payroll taxes	25,945.02					25,945.02	29,660.26
State retirement	52,210.94					52,210.94	52,604.95
Benefits – medical insurance	22,066.08					22,066.08	24,610.24
Supplies and uniforms	12,978.82					12,978.82	14,605.96
Fuel	19,735.43					19,735.43	14,681.20
Repairs	10,537.48					10,537.48	6,644.76
Travel and training	2,502.54					2,502.54	6,444.94
Telephone and utilities	678.33					678.33	552.92
Insurance	33,248.73					33,248.73	28,126.59
Crime lab and professional fees	725.00					725.00	616.86
Office and computer supplies	3,436.00					3,436.00	2,049.65
Narcotics enforcement expense							
Dispatcher service-county	10,000.00					10,000.00	10,000.00
K-9 Unit and dog pound expense	109.75					109.75	669.07
Miscellaneous	3,883.08					3,883.08	2,208.66
Total police	<u>539,460.10</u>					<u>539,460.10</u>	<u>587,843.20</u>
Fire:							
Salaries	26,466.74					26,466.74	31,080.81
Payroll taxes	2,008.32					2,008.32	2,377.68
Supplies and uniforms	40.97					40.97	169.98

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Governmental Activities</u>				<u>Business-Type Activities</u> Water & Sewer Fund	<u>Totals</u> <u>Memorandum Only)</u> <u>September 30,</u>	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund		2018	2017
<b>DISBURSEMENTS</b>							
<b>OPERATING DISBURSEMENTS: (Cont'd)</b>							
Public Safety: (Cont'd)							
Fire: (Cont'd)							
Fuel	\$ 541.53				\$ 541.53	\$ 284.57	
Repairs	3,388.43				3,388.43	4,425.92	
Utilities	2,161.00				2,161.00	953.10	
Insurance	12,824.22				12,824.22	11,906.49	
Miscellaneous	-				-	447.04	
Total fire	<u>47,431.21</u>				<u>47,431.21</u>	<u>51,645.59</u>	
Total public safety	<u>586,891.31</u>				<u>586,891.31</u>	<u>639,488.79</u>	
Public Works:							
Streets:							
Salaries	108,762.13				108,762.13	115,818.99	
Payroll taxes	7,684.23				7,684.23	8,519.44	
State retirement	17,130.35				17,130.35	15,392.23	
Benefits – medical insurance	24,208.75				24,208.75	16,277.17	
Materials and supplies	24,167.77				24,167.77	17,489.06	
Fuel	9,771.15				9,771.15	7,864.35	
Repairs and maintenance	29,322.61				29,322.61	31,033.80	
Utilities – street lights	21,656.36				21,656.36	24,462.44	
Insurance	15,242.04				15,242.04	14,682.12	
Miscellaneous	-				-	-	
Total streets	<u>257,945.39</u>				<u>257,945.39</u>	<u>251,539.60</u>	



See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

DISBURSEMENTS OPERATING DISBURSEMENTS: (Cont'd)	Governmental Activities				Business-Type	Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Activities	Memorandum Only)	
					Water & Sewer Fund	September 30.	
					2018	2017	
Public Works: (Cont'd)							
Health and Welfare:							
Sanitation:							
Closing landfill costs	\$		\$		\$	\$	28,665.40
Refuse collection-Waste Mgt., Inc.	181,020.40				181,020.40	178,149.18	
Total sanitation	<u>181,020.40</u>				<u>181,020.40</u>	<u>206,814.58</u>	
Appropriations for the benefit of:							
National guard						-	200.00
Public library	350.00					350.00	2,100.00
County district attorney's office	-					-	200.00
Total program appropriations	<u>350.00</u>					<u>350.00</u>	<u>2,500.00</u>
Special Revenue – Airport:							
Supply, repairs and maintenance			1,828.26			1,828.26	
Utilities			2,173.14			2,173.14	2,602.04
Professional fees			7,500.00			7,500.00	6,000.00
Insurance			<u>1,695.20</u>			<u>1,695.20</u>	<u>1,977.90</u>
Total municipal airport			<u>13,196.60</u>			<u>13,196.60</u>	<u>10,579.94</u>
Enterprise:							
Water and Sewer Fund:							
Salaries and water service assistance					142,525.15	142,525.15	153,793.18
Payroll taxes					10,252.30	10,252.30	11,334.58
State retirement					21,073.29	21,073.29	20,438.96

See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Governmental Activities					Business-Type		Totals		
	General Fund	Debt Service Fund	Special Revenue Airport Airport	Municipal Court Fund	Water & Sewer Fund	Memorandum Only)				
						September 30,				
						2018	2017	2018	2017	
Fund	Fund	Fund	Fund	Fund	2018	2017	2018	2017		
DISBURSEMENTS										
OPERATING DISBURSEMENTS: (Cont'd)										
Enterprise: (Cont'd)										
Water and Sewer Fund: (Cont'd)										
Benefits – medical insurance	\$	\$	\$	\$	\$	21,039.43	\$	21,039.43	\$	18,550.24
Repairs, maintenance and supplies						49,068.42		49,068.42		34,910.10
Chemicals and lab fees						50,049.58		50,049.58		35,946.47
Telephone						1,026.00		1,026.00		110.37
Utilities						39,260.40		39,260.40		24,669.13
Insurance						20,517.79		20,517.79		18,581.70
Professional fees						15,870.80		15,870.80		14,439.92
Collection fees including East										
Charleston						5,742.02		5,742.02		7,648.54
Fuel and travel						11,228.39		11,228.39		11,630.21
Total water and sewer fund	-	-	-	-		387,653.57		387,653.57		352,053.40
Total operating disbursements	1,396,491.32	822.31	13,196.60	64,269.83		387,653.57		1,862,433.63		1,858,085.03
OTHER DISBURSEMENTS:										
Debt service:										
Interfund Loans		40,071.90		20,499.12				60,571.02		88,270.76
FMHA – sewer improvement bonds:										
Principal						4,081.07		4,081.07		3,901.82
Interest						2,878.93		2,878.93		3,058.18
Regions Bank - Equipment Loans:										
Principal		7,523.06						7,523.06		7,834.95
Interest		356.57						356.57		44.68

See Accompanying Notes to the Financial Statements.



CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

DISBURSEMENTS OTHER DISBURSEMENTS: (Cont'd)	Governmental Activities				Business-Type	Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Activities	Memorandum Only)	
					Water & Sewer Fund	September 30,	
					2018	2017	
Trustmark National Bank - Equipment Loans:							
Principal	\$ 18,170.16	\$	\$	\$	\$	\$ 18,170.16	\$ 17,746.79
Interest	2,292.96					2,292.96	2,716.33
Capital Improvements Loan:							
Principal	20,162.99					20,162.99	19,142.66
Interest	6,801.82					6,801.82	7,812.70
General Obligation Bonds, Series 2014:							
Principal		35,000.00				35,000.00	35,000.00
Interest		21,000.00				21,000.00	22,470.00
Rural Development - Water Utility:							
Principal					56,242.39	56,242.39	53,821.26
Interest					105,296.69	105,296.69	107,717.82
Total debt service	<u>95,379.46</u>	<u>56,000.00</u>	<u>20,499.12</u>		<u>168,499.08</u>	<u>340,377.66</u>	<u>369,537.95</u>
Operating transfer to general fund			40,000.00			40,000.00	75,000.00
Capital outlay:							
Police equip./Drug Dog						-	9,962.15
Culture and recreations:							
Playground improvements						-	1,143.34



See Accompanying Notes to the Financial Statements.

CITY OF CHARLESTON, MISSISSIPPI  
 COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Governmental Activities</u>					Totals	
	General Fund	Debt Service Fund	Special Revenue Airport	Municipal Court Fund	Business-Type Activities Water & Sewer Fund	Memorandum Only	
						September 30,	
					2018	2017	
DISBURSEMENTS							
OTHER DISBURSEMENTS: (Cont'd)							
Capital outlay: (Cont'd)							
Sewer rehabilitation	\$	\$	\$	\$	\$ -	\$ -	\$ 255,672.58
Street improvements							
Buildings and equipment	4,525.00				3,885.00		
Runway Rehabilitation and improvements	-	-	47,394.70	-	-	47,394.70	418,944.03
Total other disbursements	<u>99,904.46</u>	<u>56,000.00</u>	<u>107,893.82</u>	<u>-</u>	<u>172,384.08</u>	<u>436,182.36</u>	<u>1,130,260.05</u>
Total disbursements	<u>1,496,395.78</u>	<u>56,822.31</u>	<u>121,090.42</u>	<u>64,269.83</u>	<u>560,037.65</u>	<u>2,298,615.99</u>	<u>2,988,345.08</u>
EXCESS RECEIPTS, DISBURSEMENTS (-)	(3,630.99)	(322.30)	16,256.01	(13,389.93)	(17,475.38)	(18,562.59)	(258,285.69)
CASH AND INVESTMENTS - BEGINNING, Gen Fund restated	<u>179,208.41</u>	<u>12,907.53</u>	<u>144,136.03</u>	<u>16,362.85</u>	<u>363,876.14</u>	<u>716,490.96</u>	<u>953,422.42</u>
CASH AND INVESTMENTS - ENDING	<u>\$ 175,577.42</u>	<u>\$ 12,585.23</u>	<u>\$ 160,392.04</u>	<u>\$ 2,972.92</u>	<u>\$ 346,400.76</u>	<u>\$ 697,928.37</u>	<u>\$ 695,136.73</u>

See Accompanying Notes to the Financial Statements.

**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

The City uses the following funds:

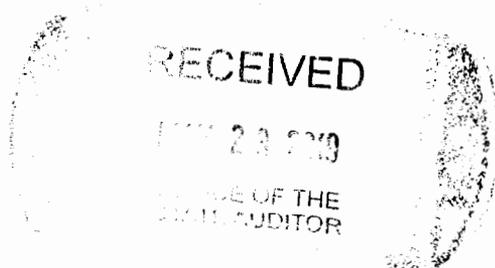
**Governmental Fund Types:**

*General Fund*

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

*Special Revenue Fund*

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



**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Fund Types: (Continued)**

*Debt Service Fund*

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

*Capital Projects Fund*

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

**Proprietary Fund Types:**

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

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

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

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

**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary Fund Types: (Continued)**

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

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

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

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

**NOTE 2 – PROPERTY TAXES**

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

The City’s millage rate for 2017 taxes, which were collected in the year ended September 30, 2018, was at a rate of 86 mills.

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

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

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

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments consist of bank deposits in the form of checking accounts, savings accounts and certificates of deposit with the City’s depository banks. At September 30, 2018, the carrying amount of the City’s deposits with financial institutions was \$697,928.37 and the bank balance was \$868,742.05. The collateral for public entities’ deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972).

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

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Under this program, the entity's funds are protected through the collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 500,000.00
Amount collateralized through the Statewide Collateral Pool Program Sponsored by the State of Mississippi Treasury Department	368,742.05
Uncollateralized	_____
Total bank balance	<u>\$ 868,742.05</u>

**NOTE 4 – BOND RESERVE REQUIREMENTS**

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

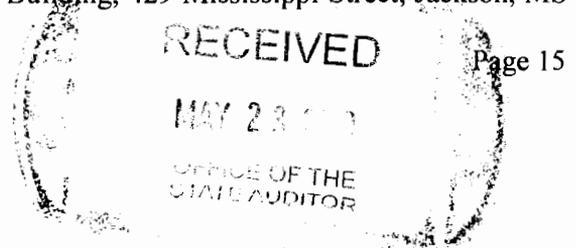
The maximum reserve balances and monthly deposit requirements for the bonds are as follows:

	Monthly Deposit Amount	Total Reserve Requirement	Balance in Account at 9-30-18
Sewer System Revenue Bond	\$ 59.00	\$ 6,955.00	\$ 6,955.00
Combined Water and Sewer System Jr. Lien Revenue Bond	2,277.16	261,539.16	261,539.16

Any funds withdrawn from these accounts during the life of the loans must be replaced in accordance with the above schedule. The reserve requirements for both the Sewer System Revenue Bond and the Combined Water and Sewer System Jr. Lien Revenue Bond were fully funded at September 30, 2018.

**NOTE 5 – PENSION PLAN**

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



**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 5 – PENSION PLAN (Continued)**

Funding Policy – PERS members are required to contribute 9.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City’s contributions for the years ending September 30, 2018, 2017, and 2016 were \$114,421.31, \$111,151.64, and \$112,442.87, respectively, equal to the required contributions for each year.

**NOTE 6 – LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>Balance Outstanding 10-1-2017</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding 9-30-2018</u>
		<u>Issued</u>	<u>Redeemed</u>	
<b>REVENUE BONDS:</b>				
Sewer System Revenue Bond, issued on 4-5-2000. Payment of interest only shall be made on the first anniversary of the bond. Principal payments with interest on the unpaid balance from the date thereof, at the rate of 4.50% per annum shall be paid in equal annual installments of principal and interest in the amount of \$6,953.00 beginning on the second anniversary date of the bond and continuing through the 13 <sup>th</sup> anniversary of the bond. Final payment if not sooner paid shall be due and payable 35 years from date of bond.	\$ 65,840.71		\$ 4,081.07	\$ 61,759.64
Combined Water and Sewer System Junior Lien Revenue Bond \$2,867,220 dated as of 5-30-2008 payable in monthly installments of \$13,461.59 for 35 years maturing 5-30-2043 at a rate of 4.375%. First payment due 6-30-2008.	2,432,997.02		56,242.39	2,376,754.63
General Obligation Street Improvement Bonds, Series 2014 \$600,000 dated as of 8-18-2014. Interest is payable on June 1 <sup>st</sup> and interest and principal are payable on December 1 <sup>st</sup> of each year at an effective interest rate of 4.2%. Principal amounts will vary and increase over time. Final maturity, if not paid sooner, shall be 12-1-2029.	500,000.00		35,000.00	465,000.00

**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**NOTE 6 – LONG-TERM DEBT (Continued)**

	Balance Outstanding 10-1-2017	Transactions During Fiscal Year Issued      Redeemed	Balance Outstanding 9-30-2018
<b>OTHER LONG-TERM DEBT:</b>			
Tallahatchie County Bank (now, Bank of Commerce) loan, dated 7-7-16 matures on 7-10-2021. Original loan amount is \$38,878.90 at 4.00% fixed rate. Payments of \$716.33 principal and interest starting 8-10-2016.	\$ 29,886.29	\$ 7,523.06	\$ 22,363.23
2009 Capital Improvements Revolving Loan for \$324,000 at 233 months at 3% per annum with a monthly payment of \$1,836.35 beginning 10-1-2010, maturing 02-1-2030.	228,627.75	20,162.99	208,464.76
Trustmark National Bank, Dated 3-6-2013 for \$182,119 payable in 120 payments of \$1,705.26, including interest at 2.36%. First payment due 4-5-2013, maturing 3-5-2023.	105,452.30	18,170.16	87,282.14
Total long-term debt	\$ 3,362,804.07	\$ 141,179.67	\$ 3,221,624.40

The annual aggregate maturities for the Sewer System Revenue Bond for the years subsequent to September 30, 2018 are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 4,268.14	\$ 2,691.86	\$ 6,960.00
2020	4,464.20	2,495.80	6,960.00
2021	4,669.30	2,290.70	6,960.00
2022	4,883.80	2,076.20	6,960.00
2023	5,108.16	1,851.84	6,960.00
2024-2028	29,284.03	5,515.97	34,800.00
2029-2030	9,082.01	294.90	9,376.91
Total	\$ 61,759.64	\$ 17,217.27	\$ 78,976.91

The annual aggregate maturities for the Combined Water and Sewer System Junior Lien Revenue Bond for the years subsequent to September 30, 2018 are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 58,724.33	\$ 102,814.75	\$ 161,539.08
2020	61,345.68	100,193.40	161,539.08
2021	64,084.01	97,455.07	161,539.08
2022	66,944.61	94,594.47	161,539.08
2023	69,932.89	91,606.19	161,539.08
2024-2028	399,371.23	408,324.17	807,695.40
2029-2033	496,827.88	310,867.52	807,695.40
2034-2038	618,066.36	189,629.04	807,695.40
2039-2042	541,457.64	45,138.71	586,596.35
Total	\$ 2,376,754.63	\$ 1,440,623.32	\$ 3,817,377.95

**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 6 – LONG-TERM DEBT (Continued)**

The annual aggregate maturities for the General Obligations Street Improvement Bond for the years subsequent to September 30, 2018 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 35,000.00	\$ 19,530.00	\$ 54,530.00
2020	35,000.00	18,060.00	53,060.00
2021	40,000.00	16,590.00	56,590.00
2022	40,000.00	14,910.00	54,910.00
2023	40,000.00	13,230.00	53,230.00
2024-2028	225,000.00	39,690.00	264,690.00
2029	<u>50,000.00</u>	<u>2,100.00</u>	<u>52,100.00</u>
Total	<u>\$ 465,000.00</u>	<u>\$ 124,110.00</u>	<u>\$ 589,110.00</u>

The annual aggregate maturities for the 2009 Capital Improvements Revolving Loan for the years subsequent to September 30, 2018 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 16,001.09	\$ 6,035.11	\$ 22,036.20
2020	16,487.78	5,548.42	22,036.20
2021	16,989.27	5,046.93	22,036.20
2022	17,505.99	4,530.21	22,036.20
2023	18,038.46	3,997.74	22,036.20
2024-2028	98,763.65	11,417.35	110,181.00
2029-2030	<u>24,678.52</u>	<u>455.95</u>	<u>25,134.47</u>
Total	<u>\$ 208,464.76</u>	<u>\$ 37,031.71</u>	<u>\$ 245,496.47</u>

The annual aggregate maturities for the Trustmark National Bank dated March 6, 2013 for the years subsequent to September 30, 2018 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 18,603.62	\$ 1,859.50	\$ 20,463.12
2020	19,047.45	1,415.67	20,463.12
2021	19,501.88	961.24	20,463.12
2022	19,967.14	495.98	20,463.12
2023	<u>10,162.05</u>	<u>69.50</u>	<u>10,231.55</u>
Total	<u>\$ 87,282.14</u>	<u>\$ 4,801.89</u>	<u>\$ 92,084.03</u>

**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 6 – LONG-TERM DEBT (Continued)**

The annual aggregate maturities for the Tallahatchie County Bank (now, Bank of Commerce) dated July 7, 2016 for the years subsequent to September 30, 2018 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,844.21	\$ 751.75	\$ 8,595.96
2020	8,163.77	432.19	8,595.96
2021	<u>6,355.25</u>	<u>106.58</u>	<u>6,461.83</u>
Total	<u>\$ 22,363.23</u>	<u>\$ 1,290.52</u>	<u>\$ 23,653.75</u>

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

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

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

**NOTE 8 – RISK MANAGEMENT**

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

**NOTE 9 – SCHEDULE OF CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases(-)</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets:				
Land	\$ 116,310	\$	\$	\$ 116,310
Buildings and improvements	1,673,857			1,673,857
Machinery and equipment	1,101,904	4,525	(9,500)	1,096,929
Infrastructure	3,089,735	493,987		3,583,722
Construction in process	<u>446,592</u>	<u>47,395</u>	<u>(493,987)</u>	<u></u>
Total governmental activities	<u>\$ 6,428,398</u>	<u>\$ 545,907</u>	<u>\$ (503,487)</u>	<u>\$ 6,470,818</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets:				
Land, buildings and Infrastructure	\$ 3,108,967	\$ 474,231		\$ 3,583,198
Machinery and equipment	1,105,750	3,885		1,109,635
Construction in process	<u>474,231</u>	<u></u>	<u>(474,231)</u>	<u></u>
Total business-type activities	<u>\$ 4,688,948</u>	<u>\$ 478,116</u>	<u>\$ (474,231)</u>	<u>\$ 4,692,833</u>

**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 10-RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS**

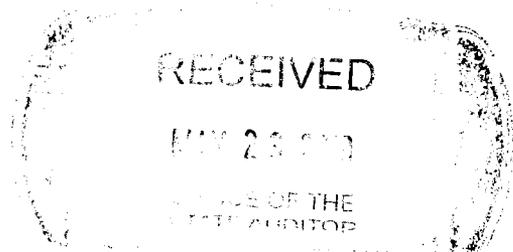
Tax assessments were found to be mathematically correct and in agreement with collections as follows:

	Taxable Assessed Values	Millage	Tax
Realty	\$ 5,379,656	86	\$ 462,650
Personal other than autos	1,274,719	86	109,626
Public utilities	545,823	86	46,941
Mobile homes	61,519	86	5,291
Autos collected by county	<u>1,372,221</u>	86	<u>118,011</u>
	<u>\$ 8,633,938</u>		742,519
Homestead exemptions allowed	<u>\$ 1,078,182</u>		-92,724
Homestead exemption reimbursement- state			36,853
Prior year taxes collected			224
Penalties and interest-delinquent taxes			1,934
Adjustment to Rolls			<u>          </u>
Total taxes to account for			<u>\$ 688,806</u>

	Taxes, Penalties and Interest	Homestead Exemption Reimbursement from State	Total
Credits:			
General Fund	\$ 580,529	\$ 33,853	
Debt Service Fund	<u>51,268</u>	<u>3,000</u>	
	<u>\$ 631,797</u>	<u>\$ 36,853</u>	\$ 668,650
Balance represented by:			
Unpaid personalty			16,592
Unpaid mobile homes			2,753
Unsettled – (over)/under			<u>811</u>
Total taxes accounted for			<u>\$ 688,806</u>

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

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



**CITY OF CHARLESTON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 11-SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS**

Sedrick Smith	Mayor	Western Surety	\$ 50,000
		Travelers Casualty & Surety Co.	169,000
Ana Ealy	City clerk	RLI Insurance Company	50,000
Vanisha Powell	Water clerk	Travelers Casualty & Surety Co.	50,000
Perry Herron	Commissioner	MS Municipal Association	50,000
Sandy F. Smith	Commissioner	MS Municipal Association	50,000
Tawanda Shannon	Commissioner	MS Municipal Association	50,000
Lloyd C. Smith	Commissioner	MS Municipal Association	50,000
Gyrone Kenniel	Commissioner	MS Municipal Association	50,000
Justin Gammage	Chief of Police	Travelers Casualty & Surety Co.	50,000
Priscilla Curtis	Fine Clerk	Brierfield Insurance Company	10,000
Each Police Officer	Fourteen Officers	Travelers Casualty & Surety Co.	25,000 Each

**NOTE 12-SCHEDULE OF INVESTMENTS – ALL FUNDS**

Airport Fund:

Bank of Commerce, Certificate of  
Deposit #20382, dated July 6, 2018 at a  
rate of 2.15%, maturing August 6, 2019

\$ 110,535.24

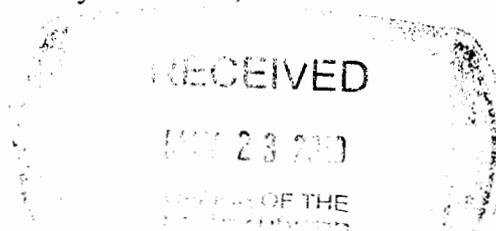
**NOTE 13 – BEGINNING CASH RESTATEMENT**

Beginning cash for the General Fund was restated from \$157,854.18 to \$179,208.41 due to the voiding of long outstanding checks in the Accounts Payable Agency Fund (which is closed to the General Fund at fiscal year-end).

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 11, 2019, the date the financial statements were available to be issued.

On October 26, 2018 the City was awarded a federal Community Development Block Grant for Sewer Improvements in the amount of \$449,892. No matching funds are required. The improvement project is approved to begin October 26, 2018 and is to be completed by October 26, 2020.



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662-453-6432

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

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

We have audited the Statement of Cash Receipts and Disbursements – All Funds of the City of Charleston, MS as of and for the year ended September 30, 2018 and have issued our report dated April 11, 2019. We have conducted our audit in accordance with auditing standards prescribed by the Office of the State Auditor and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

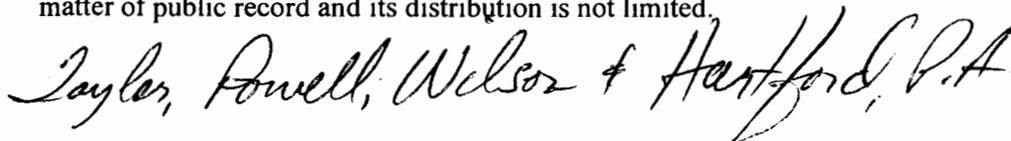
The results of those procedures and our audit of the general purpose financial statements disclosed the following instances of noncompliance with state laws and regulations that we presume to be material.

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

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

City’s Response: The City has taken inventory for the clerk’s office and will endeavor to inventory and tag all fixed assets in other departments at fiscal year end as outlined in the guidelines of the Municipal Audit and Accounting Guide in order to be in compliance.

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



April 11, 2019

TAYLOR, POWELL, WILSON & HARTFORD, P.A.  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the Statement of Cash Receipts and Disbursements-All Funds of the City of Charleston, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Charleston, Mississippi's basic financial statements and have issued our report thereon dated April 11, 2019. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

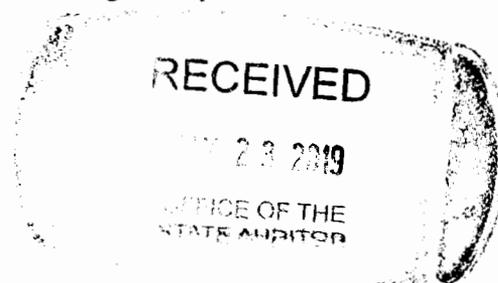
**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2018-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2018-1.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Charleston, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. That finding is a repeat finding and can be found in the Independent Auditor's Report on Compliance with State Laws and Regulations.

## City of Charleston, Mississippi's Response to Findings

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

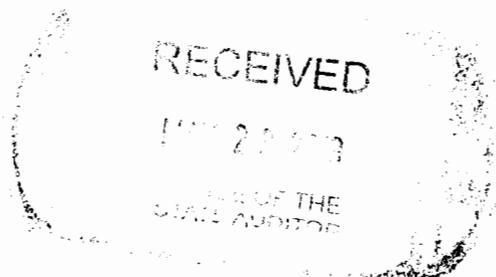
## Purpose of this Report

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

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

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

April 11, 2019



**CITY OF CHARLESTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2018**

**Summary of Auditor's Results:**

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

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

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

Significant deficiencies, material weaknesses, and compliance matters relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and included below as findings 2018-1 and 2018-2.

**Findings – Financial Statements Audit:**

**Significant Deficiency**

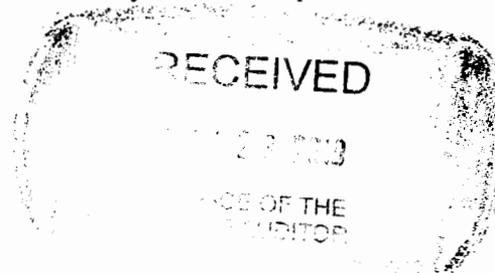
**2018-1. Segregation of Duties and Adequately Trained Personnel**

*Condition:* The desired level of internal control obtained by adequate separation of duties in the accounting control categories is not being achieved due to the small number of persons employed. This is a repeat finding.

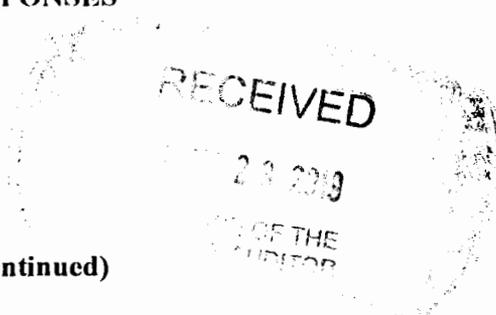
*Criteria:* In several instances, a single employee performs various procedures in the accounting process which would normally be divided among other employees in an environment where there were more clerical and accounting employees.

*Effect:* The City has certain inherent weaknesses in its internal control structure. As typical for a city this size, it is not economically feasible to employ additional persons solely for the purpose of achieving adequate internal controls.

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



**CITY OF CHARLESTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2018**



**Findings – Financial Statements Audit: (Continued)**

**Significant Deficiency (Continued)**

**2018-1. Segregation of Duties and Adequately Trained Personnel (Continued)**

*City's Response:* The Mayor and Board of Commissioners understand the inherent weaknesses in internal control that exists due to employing limited personnel who have access to many accounting phases, specifically the handling of cash. The Mayor and City Board of Commissioners have agreed to increase their involvement in the daily accounting activities of the City and have instituted several controls in order to increase control effectiveness. Unfortunately, for this fiscal year under audit, the City's computer system crashed losing crucial data resulting in inadequate financial records needed to produce accurate and complete financials in a timely manner, and thus monitoring was virtually impossible for several months of the fiscal year. The entire city's bookkeeping had to be recreated for the year.

**Material Weakness**

**2018-2. Ability to Properly Produce Financial Statements and Maintain Financial Records**

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

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

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

*Recommendation:* Special consideration should be made as to classification so that amounts are recorded correctly. Also, accounting personnel should be trained in the preparation of financial statements in the applicable prescribed form.

*City's Response:* During the fiscal year under audit, the City hired an outside accounting firm to "catch up" the City's financial records and produce a balanced set of books/funds for the City. However, our external auditors were still forced to reclassify many items as proposed journal entries in order to produce a set of materially correct financial statements. The City will take full responsibility for all adjusting or reclassifying journal entries proposed by our external auditors.

The current City Clerk and Water Clerk are being trained in governmental procedures including financial, fiscal, and the city's internal control procedures. With the Mayor and Board's oversight, and the continued training of the City's clerks, the city should see an increase in the effectiveness and efficiency of the City's management of its financial procedures.