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CITY OF COLUMBUS, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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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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, 2018, 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, 2018, 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 October 2, 2019, 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
November 7, 2019

Watkins Ward and Staffad, P.C.

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, 2018

This section of the City of Columbus' Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2018. 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 \$12,834,177. Of this amount \$1,848,712 may be used to meet the City of Columbus' ongoing obligations to citizens and creditors. The \$(35,943,795) of unassigned net position shown on the statement of net position includes a \$37,792,507 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 \$7,358,071, a decrease of \$3,121,690 in comparison to the prior year.
- The City of Columbus' total debt is \$26,876,083 (exclusive of compensated absences). Of that total, approximately \$5,275,892 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' 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 \$12,834,177 at the close of the most recent fiscal year.

A substantial portion, 339%, 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 decrease of \$1,629,649 (exclusive of unfunded pension liability).
- Capital asset net decrease of \$1,408,876 for Governmental activities.

Table A-1
City of Columbus Net Position

	Governmental Activities		Increase/ (Decrease)
	2018	2017	
Cash and Other Assets	8,820,952	11,950,401	(3,129,449)
Capital Assets	58,712,113	60,120,989	(1,408,876)
Total Assets	67,533,065	72,071,390	(4,538,325)
Deferred Outflows of Resources	2,771,312	1,916,974	854,338
Other Liabilities	1,550,941	1,573,458	(22,517)
Long-term Liabilities	55,233,851	54,346,664	887,187
Total Liabilities	56,784,792	55,920,122	864,670
Deferred Inflows of Resources	685,408	552,394	133,014
Net Position:			
Invested in Capital Assets			
Net of Related Debt	43,493,673	31,570,577	11,923,096
Restricted	5,284,299	6,720,621	(1,436,322)
Unrestricted	(35,943,795)	(20,775,350)	(15,168,445)
Total Net Position	12,834,177	17,515,848	(4,681,671)

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

Changes in net position. Approximately 36.2 percent of the City of Columbus' revenue comes from property taxes, with 82.4 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 2018	2017	Increase/ (Decrease)
Revenue			
Program Revenues:			
Charges for Services	\$ 3,758,904	3,615,916	142,988
Operating Grants & Contributions	204,261	262,104	(57,843)
Capital Grants & Contributions	416,337	2,684,635	(2,268,298)
General Revenues:			-
Property Taxes	9,812,818	9,340,703	472,115
Other Taxes	12,515,711	12,914,940	(399,229)
Investment Income	45,989	30,201	15,788
Other	327,506	528,696	(201,190)
Total Revenue	<u>27,081,526</u>	<u>29,377,195</u>	<u>(2,295,669)</u>
Expenses			
General Government	3,376,844	2,015,524	1,361,320
Public Safety	13,981,941	13,277,460	704,481
Public Works	7,292,187	8,105,885	(813,698)
Urban & Economic Development	1,455,000	1,756,105	(301,105)
Cemetery	125,698	93,073	32,625
Garage	832,333	817,979	14,354
Agency Appropriations	714,421	1,422,145	(707,724)
Culture & Recreation	3,007,501	2,280,670	726,831
Interest on Debt	969,869	1,011,317	(41,448)
Other on Long-term Debt	7,403	10,544	(3,141)
Total Expenses	<u>31,763,197</u>	<u>30,790,702</u>	<u>972,495</u>
Increase (Decrease) in Net Position	<u>(4,681,671)</u>	<u>(1,413,507)</u>	<u>(3,268,164)</u>
Net Position - Beginning	17,515,848	19,448,062	(1,932,214)
Prior Period Adjustment	-	(518,707)	518,707
Net Position - Ending	<u>\$ 12,834,177</u>	<u>17,515,848</u>	<u>(4,681,671)</u>

CITY OF COLUMBUS, MISSISSIPPI

Management's Discussion and Analysis

Governmental Activities

Governmental activities decreased net assets by \$4,162,964. 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 (46.2%) and property taxes (36.2%).

The largest expense categories for the City's governmental activities are public safety (44.0%) and public works (23.0%).

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 \$1,848,712. 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 \$1,910,428 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 \$4,305,332, all of which is reserved for the payment of debt service. The net decrease in fund balance during the year in the Debt Service Fund was \$785,703.

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 a deficit of \$31,539. The net decrease in the fund balance during the current year in the Capital Projects Fund was \$378,303.

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 2017-2018 operating budget charges amounted to \$31,038,134.

The City's total tax millage rate for the 2018 fiscal year was 47.59 mills. The breakdown of the millage rate is General Fund 36.47 mills, Police and Firemen's Retirement 5.82 mills, and General Obligation bonds 5.30 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, 2018, amounted to \$58,712,113, net of accumulated depreciation of \$60,319,836. 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)
	2018	2017	
Land	\$ 7,646,708	7,646,708	-
Buildings	22,863,112	22,784,557	78,555
Improv. Other Than Buildings	5,471,051	5,422,439	48,612
Machinery & Equipment	13,652,395	13,971,027	(318,632)
Infrastructure	69,034,020	67,970,223	1,063,797
Construction-in-Progress	364,663	605,518	(240,855)
Accumulated Depreciation	(60,319,836)	(58,279,483)	(2,040,353)
Total	<u>\$ 58,712,113</u>	<u>60,120,989</u>	<u>(1,408,876)</u>

Long-Term Debt – At year-end, the City had \$26,876,083 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)
	2018	2017	
General Obligation Bonds	\$ 4,875,000	5,215,000	(340,000)
Special Assessment Bonds	12,997,996	13,735,746	(737,750)
TIF Bonds	3,033,647	3,166,171	(132,524)
Notes Payable	693,548	866,688	(173,140)
Capital Lease Obligations	5,275,892	5,566,806	(290,914)
Total	<u>\$ 26,876,083</u>	<u>28,550,411</u>	<u>(1,674,328)</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 2019 budget. The total budgeted appropriation for the City operations in the governmental activities is \$30,448,686 (which includes \$24,077,374 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, 2018

	Primary Government Governmental Activities	Major Component Units Electric Department	Water Department
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,294,100	5,275,738	2,670,622
Investments, Restricted			4,140,008
Receivable, Net	779,024	5,617,761	1,455,276
Landfill Receivable	7,490		
Intergovernmental Receivable	1,365,397		
Fines Receivable	45,155		
Inventory		766,336	231,362
Prepaid Expense		60,394	140,385
Notes Receivable	3,329,786		
Other Assets		469,597	350,192
Capital Assets:			
Land and Construction in Progress	8,011,373	360,901	437,046
Other Capital Assets, Net of Depreciation	50,700,740	27,562,796	52,142,067
Total Assets	<u>67,533,065</u>	<u>40,113,523</u>	<u>61,566,958</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized Loss on Bond Defeasance		409,956	379,074
Deferred Outflows Related to			
- Net Pension Liability	2,771,312	599,844	430,416
Total Deferred Outflows of Resources	<u>2,771,312</u>	<u>1,009,800</u>	<u>809,490</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	1,325,881	5,480,798	1,175,786
Customer Deposits		3,243,713	137,966
Other Liabilities	225,060	62,300	
Long-term Liabilities:			
Due Within One Year	2,024,215	606,406	2,447,704
Due in More than One Year	25,399,974	6,920,139	15,985,357
Unfunded Pension Liability	27,809,662	5,839,300	6,326,982
Total Liabilities	<u>56,784,792</u>	<u>22,152,656</u>	<u>26,073,795</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized Gain on Bond Defeasance			16,186
Deferred Inflows Related to			
- Net Pension Liability	685,408	821,477	424,891
Other		760	7,150
Total Deferred Inflows of Resources	<u>685,408</u>	<u>822,237</u>	<u>448,227</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	43,493,673	20,466,137	34,508,940
Restricted for:			
Expendable:			
Capital Improvements	(31,539)		
City-based Activities	1,235,566		
Debt Service	4,080,272		2,373,642
Unemployment Benefits			6,379
Unrestricted - Unassigned	(35,943,795)	(2,317,707)	(1,034,535)
Total Net Position	<u>\$ 12,834,177</u>	<u>18,148,430</u>	<u>35,854,426</u>

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, 2018

	<u>General</u>	<u>ESCO Project Debt Service</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	\$ 1,162,024	367,136		1,764,940	3,294,100
Landfill Receivable	7,490				7,490
Intergovernment Receivables	1,262,975			102,422	1,365,397
Loans Receivable		563,160	2,766,626		3,329,786
Fines Receivable	45,155				45,155
Other Receivables	718,717			60,307	779,024
Due from Other Funds	68,269	25,000		357,469	450,738
	<u>3,264,630</u>	<u>955,296</u>	<u>2,766,626</u>	<u>2,285,138</u>	<u>9,271,690</u>
Total Assets	\$ 3,264,630	955,296	2,766,626	2,285,138	9,271,690
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,272,224	29,266		24,391	1,325,881
Due to Other Funds	6,694			444,044	450,738
Compensated Absences	137,000				137,000
	<u>1,415,918</u>	<u>29,266</u>	<u>-</u>	<u>468,435</u>	<u>1,913,619</u>
Total Liabilities	1,415,918	29,266	-	468,435	1,913,619
<u>FUND BALANCES</u>					
Restricted for:					
Capital Improvements				(31,539)	(31,539)
Debt Service		926,030	2,766,626	612,676	4,305,332
Other Commitments				1,235,566	1,235,566
Unassigned	1,848,712				1,848,712
	<u>1,848,712</u>	<u>926,030</u>	<u>2,766,626</u>	<u>1,816,703</u>	<u>7,358,071</u>
Total Fund Balances	1,848,712	926,030	2,766,626	1,816,703	7,358,071
Total Liabilities and Fund Balances	\$ 3,264,630	955,296	2,766,626	2,285,138	9,271,690

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, 2018

Fund Balances - Total Governmental Funds	\$	7,358,071
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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	119,031,949	
Less Accumulated Depreciation	<u>(60,319,836)</u>	58,712,113

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	(55,096,851)	
Accrued Interest Payable	(225,060)	
Deferred Outflows of Resources	2,771,312	
Deferred Inflows of Resources	<u>(685,408)</u>	<u>(53,236,007)</u>

Net Position of Governmental Activities	\$	<u><u>12,834,177</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, 2018

	General	ESCO Project Debt Service	Digital Water Meter Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Property Taxes	\$ 8,618,063			1,194,755	9,812,818
Licenses and Permits	548,625				548,625
Intergovernmental Revenues	10,737,846	20,709	87,122	2,422,915	13,268,592
Charges for Governmental Services	2,598,444			134,944	2,733,388
Fines and Forfeits	429,294			2,437	431,731
Interest Income	44,510			1,479	45,989
Other Revenues	300,663			2,238	302,901
Total Revenues	23,277,445	20,709	87,122	3,758,768	27,144,044
<u>EXPENDITURES</u>					
Current:					
General Government	3,223,554				3,223,554
Public Safety	12,156,906			171,292	12,328,198
Public Works	5,432,018			685,440	6,117,458
Cemetery	125,698				125,698
Culture and Recreation	1,372,270			1,588,086	2,960,356
Conservation, Urban and Economic Development	1,272,193			65,108	1,337,301
Intergovernmental-Garage	792,391				792,391
Agency Appropriations	714,421				714,421
Debt Service:					
Principal	682,918	107,173	203,699	989,263	1,983,053
Interest	25,046	44,393	87,122	829,340	985,901
Paying Agent Fees	1,947			5,456	7,403
Total Expenditures	25,799,362	151,566	290,821	4,333,985	30,575,734
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,521,917)	(130,857)	(203,699)	(575,217)	(3,431,690)
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds of Debt	310,000				310,000
Transfers from Other Departments	1,198,112			25,208	1,223,320
Transfers to Other Departments	(896,623)			(326,697)	(1,223,320)
Net Other Financing Sources (Uses)	611,489	-	-	(301,489)	310,000
Net Change in Fund Balances	(1,910,428)	(130,857)	(203,699)	(876,706)	(3,121,690)
Fund Balances, October 1, 2017	3,759,140	1,056,887	2,970,325	2,693,409	10,479,761
Fund Balances, September 30, 2018	\$ 1,848,712	926,030	2,766,626	1,816,703	7,358,071

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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (3,121,690)

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	1,445,369	
Current Year Retirements	(94,645)	
Less Current Year Depreciation	<u>(2,759,600)</u>	<u>(1,408,876)</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	(310,000)	
Principal Payments	1,983,054	
Amortization of Bond Premiums	2,750	
Amortization of Bond Discounts	<u>(1,476)</u>	<u>1,674,328</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	(1,795,512)	
Change in long-term Compensated Absences	(44,679)	
Change in Accrued Interest Payable	<u>14,758</u>	<u>(1,825,433)</u>

Change in Net Position of Governmental Funds		<u><u>\$ (4,681,671)</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, 2018

	Private- Purpose Trust	Agency Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 238,171	1,322,177
Receivables (Net)		57,285
	<hr/>	<hr/>
Total Assets	238,171	1,379,462
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Accounts Payable		773,489
Other Liabilities		605,973
		<hr/>
Total Liabilities	-	1,379,462
	<hr/>	<hr/>
<u>NET POSITION</u>		
Net Position	\$ 238,171	-
	<hr/>	<hr/>

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, 2018

	<u>Private- Purpose Trust</u>
<u>ADDITIONS</u>	
Revenues	
Interest Income	\$ 2,396
Total Revenues	<u>2,396</u>
Other Financing Sources	
Transfers from Other Departments	1,016
Total Other Financing Sources	<u>1,016</u>
Total Additions	<u>3,412</u>
Change in Net Position	3,412
Net Position, October 1, 2017	<u>234,759</u>
Net Position, September 30, 2018	<u>\$ 238,171</u>

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

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

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

b. The Financial Reporting Entity

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

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

Based on the criteria above, the 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 modified accrual basis of accounting.

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 \$5,237,149 on September 30, 2018, and the bank balance was \$4,854,448. Of the \$4,854,448 carrying amount, \$3,294,100 is shown on the Statement of Net Position and the remaining \$1,560,348 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, 2018, are:

A. Due from/to other funds

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 68,269	6,694
ESCO Project Debt Service	25,000	
Other Governmental Funds	<u>357,469</u>	<u>444,044</u>
Total Funds	\$ <u>450,738</u>	<u>450,738</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	\$ 1,198,112	896,623
Other Governmental Funds	<u>25,208</u>	<u>326,697</u>
	<u>\$ 1,223,320</u>	<u>1,223,320</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 \$3,329,786 consists of a \$563,160 receivable from the Electric Division and \$2,766,626 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, 2018, was as follows:

	Balance 9/30/2017	Additions	Retire- ments	Completed Construction	Adjustments	Balance 9/30/2018
Governmental Activities						
<i>Non-depreciable Capital Assets</i>						
Land	\$ 7,646,708	-	-	-	-	7,646,708
Construction in Progress	605,518	329,994	-	(570,849)	-	364,663
Total Non-depreciable Capital Assets	8,252,226	329,994	-	(570,849)	-	8,011,371
<i>Depreciable Capital Assets</i>						
Buildings	22,784,557	78,555	-	-	-	22,863,112
Equipment	12,114,658	225,735	(813,892)	-	495,379	12,021,880
Improvements Other than Buildings	5,422,439	48,612	-	-	-	5,471,051
Infrastructure	67,970,223	492,948	-	570,849	-	69,034,020
Leased Property Under Capital Lease	1,856,369	269,525	-	-	(495,379)	1,630,515
Total Depreciable Capital Assets	110,148,246	1,115,375	(813,892)	570,849	-	111,020,578
<i>Less Accumulated Depreciation for:</i>						
Buildings	8,038,891	466,585	-	-	-	8,505,476
Equipment	8,998,696	372,366	(719,247)	-	495,379	9,147,194
Improvements Other than Buildings	647,864	218,842	-	-	-	866,706
Infrastructure	39,956,009	1,200,469	-	-	-	41,156,478
Leased Property Under Capital Lease	638,023	501,338	-	-	(495,379)	643,982
Total Accumulated Depreciation	58,279,483	2,759,600	(719,247)	-	-	60,319,836
Total Depreciable Capital Assets, Net	51,868,763	(1,644,225)	(94,645)	570,849	-	50,700,742
Governmental Activities Capital Assets, Net	\$ 60,120,989	(1,314,231)	(94,645)	-	-	58,712,113

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, 2018.

Depreciation expense was charged to functions as follows:

	Amount
Governmental Activities:	
General Government	\$ 89,061
Public Safety	701,278
Public Works	1,392,106
Culture and Recreation	171,825
Conservation, Urban and Economic Development	405,330
Total Depreciation Expense - Governmental Activities	\$ 2,759,600

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS (CONTINUED)

Discretely presented component units

Activity for Columbus Light and Water Department – Electric Division for the year ended June 30, 2018, was as follows:

	<u>Balance at</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2018</u>
Distribution Plant	\$49,060,767	1,505,815	(535,370)	\$50,031,212
General Plant	<u>5,810,265</u>	<u>257,469</u>	<u>(146,439)</u>	<u>5,921,295</u>
	54,871,032	1,763,284	(681,809)	55,952,507
Construction work in progress	<u>150,692</u>	<u>65,239</u>	<u>-</u>	<u>215,931</u>
	55,021,724	1,828,523	(681,809)	56,168,438
Accumulated depreciation	<u>(26,913,555)</u>	<u>(2,239,936)</u>	<u>908,750</u>	<u>(28,244,741)</u>
Total Net Plant and Equipment	<u>\$28,108,169</u>	<u>(411,413)</u>	<u>226,941</u>	<u>\$27,923,697</u>

Depreciation in the discretely presented component unit, Columbus Light and Water- Electric Division, for the fiscal year June 30, 2018 was \$2,030,633

Activity for Columbus Light and Water Department – Water Division for the year ended September 30, 2018, was as follows:

	<u>Balance</u> <u>9/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2018</u>
Wastewater Treatment Plant	\$ 18,943,393	32,375	-	18,975,768
Utility Plant in Service	97,189,603	1,041,223	-	98,230,826
General Plant	<u>2,508,573</u>	<u>124,705</u>	<u>-</u>	<u>2,633,278</u>
	118,641,569	1,198,303	-	119,839,872
Accumulated Depreciation	<u>(64,516,211)</u>	<u>(3,000,637)</u>	<u>-</u>	<u>(67,516,848)</u>
	54,125,358	(1,802,334)	-	52,323,024
Construction in Progress	<u>6,837</u>	<u>550,682</u>	<u>(301,430)</u>	<u>256,089</u>
	<u>\$ 54,132,195</u>	<u>(1,251,652)</u>	<u>(301,430)</u>	<u>52,579,113</u>

Depreciation in the discretely presented component unit, Columbus Light and Water- Water Division, for the fiscal year September 30, 2018 was \$2,460,599

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018, was as follows:

Governmental Activities	Balance 9/30/2017	Additions	Re- ductions	Adjustments	Balance 9/30/2018	Within One Year
General Obligation Bonds						
General Obligation Note, Series 2013	\$ 240,000		240,000		-	-
General Obligation Note, Series 2014	4,975,000		100,000		4,875,000	200,000
Special Assessment Bonds Payable						
Mississippi Development Bank, 2010	6,190,000		495,000		5,695,000	510,000
Add: Premiums	35,746			(2,750)	32,996	2,750
Mississippi Development Bank, 2013	1,910,000		140,000		1,770,000	145,000
Mississippi Development Bank, 2016	5,600,000		100,000		5,500,000	150,000
Tax Increment Financing Bonds						
Tax Increment Financing Bonds, 2015	2,070,000		80,000		1,990,000	85,000
Less: Discounts	(21,829)			1,476	(20,353)	(1,476)
Tax Increment Financing Bonds, 2016	1,118,000		54,000		1,064,000	57,000
Notes Payable						
Mississippi Development Authority, 2007	20,263		20,263		-	-
Mississippi Development Authority, 2009	64,983		4,812		60,171	4,909
Mississippi Development Authority, 2012	110,362		25,627		84,735	26,107
Mississippi Development Authority, 2012	121,080		22,438		98,642	22,898
Columbus Light & Water Department	550,000		100,000		450,000	150,000
Capital Leases						
Bankfirst, Lease Purchase Note		310,000	39,489		270,511	55,067
Regions Bank, Lease Purchase Note	1,427,196		107,173		1,320,023	110,644
Regions Bank, Lease Purchase Note	2,970,325		203,699		2,766,626	209,900
Regions Bank, Lease Purchase Note	98,848		98,848		-	-
Regions Bank, Lease Purchase Note	32,616		12,852		19,764	13,110
Regions Bank, Lease Purchase Note	83,927		30,142		53,785	35,091
Trustmark National Bank	953,894		108,711		845,183	111,215
Compensated Absences	503,427	44,679			548,106	137,000
Total	\$ 29,053,838	354,679	1,983,054	(1,274)	27,424,189	2,024,215

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%.

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%.

CITY OF COLUMBUS, MISSISSIPPI

Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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.

The capital lease agreement with Bankfirst Financial Services dated February 6, 2018, terms consist of monthly payments in the amount of \$5,494 for 60 months with 2.40% annual interest.

CITY OF COLUMBUS, MISSISSIPPI

Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Discretely presented component units

Long-term debt for Columbus Light and Water – Electric Division at June 30, 2018 consisted of the following:

	<u>Balance at</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/2018</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable to City of Columbus for Construction	\$ 755,260	-	(153,064)	\$ 602,196	158,034
Mississippi Development Bank Special Obligation Bonds - Series 2009 dated August 5, 2009	1,221,743	-	(823,371)	398,372	398,372
Mississippi Development Bank Revenue Refunding Bonds - Series 2017 dated February 9, 2017	<u>6,624,247</u>	<u>-</u>	<u>(98,270)</u>	<u>6,525,977</u>	<u>50,000</u>
Total Long-term Debt	<u>\$ 8,601,250</u>	<u>-</u>	<u>(1,074,705)</u>	<u>\$ 7,526,545</u>	<u>606,406</u>

Long-term debt for Columbus Light and Water – Water Division at September 30, 2018 consisted of the following:

	<u>Balance at</u> <u>9/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>9/30/2018</u>	<u>Due Within</u> <u>One Year</u>
Special Obligation Bonds 2007 Series	\$ 7,089,356	-	(1,480,352)	5,609,004	1,565,000
Total Special Obligation Bonds	<u>7,089,356</u>	<u>-</u>	<u>(1,480,352)</u>	<u>5,609,004</u>	<u>1,565,000</u>
Revenue Refunding Bonds					
2012 Series	1,654,241	-	(1,096,437)	557,804	557,804
2015 Series	9,623,751	-	(124,124)	9,499,627	115,000
Total Revenue Refunding Bonds	<u>11,277,992</u>	<u>-</u>	<u>(1,220,561)</u>	<u>10,057,431</u>	<u>672,804</u>
Other Long-term Debt					
State of Mississippi-					
Environmental Quality					
Revolving Loans	589,791	-	(589,791)	-	-
City of Columbus -					
Water Meter Project	<u>2,970,325</u>	<u>-</u>	<u>(203,699)</u>	<u>2,766,626</u>	<u>209,900</u>
Total Other Long-term Debt	<u>3,560,116</u>	<u>-</u>	<u>(793,490)</u>	<u>2,766,626</u>	<u>209,900</u>
Total Long-term Debt	<u>\$21,927,464</u>	<u>-</u>	<u>(3,494,403)</u>	<u>18,433,061</u>	<u>2,447,704</u>

CITY OF COLUMBUS, MISSISSIPPI

Notes to Financial Statements

NOTE 7: DISABILITY RELIEF FUND

In the past, the City has sponsored and administered the Policemen's and Firemen's Disability Relief Fund. It was accounted for as a separate Pension Trust Fund. Effective July 1, 1987, this fund was administered by the Public Employees' Retirement System of Mississippi (PERS). All required contributions and property taxes are being transferred monthly. The Pension Fund is funded by contributions from employees and from a tax assessment of 5.67 mills. The City is not obligated to fund the Pension Trust Fund with any general fund resources. Benefits are paid to the participants or beneficiaries based on a percentage of the base pay when the person qualifies. The City has no unfunded pension liability with respect to the Pension Trust Fund.

The contribution made for active and retired employees for the years ended September 30, 2018, 2017, and 2016, were \$1,083,472, \$1,030,986, and \$969,546, respectively.

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 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, 2018, 2017 and 2016 were \$1,697,735, \$1,575,411, and \$1,566,462, 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, 2018, the City reported a liability of \$27,809,662 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.167196 percent.

For the year ended September 30, 2018, the City recognized pension expense of \$1,795,512. At September 30, 2018 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	\$ 121,916	(117,231)
Net difference between projected and actual earnings on pension plan investments		(552,819)
Changes of assumptions	16,407	(15,358)
Change in proportion percentage	2,170,127	
City contributions subsequent to the measurement date	<u>462,862</u>	
	<u>\$ 2,771,312</u>	<u>(685,408)</u>

\$462,862 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, 2019. 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,	
2019	\$ 1,194,309
2020	630,376
2021	(76,582)
2022	<u>(125,061)</u>
	<u>\$ 1,623,042</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 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, 2018 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	\$ 36,617,345	\$ 27,809,662	\$ 20,489,315

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 Redevelopment Authority
 Purpose: To lead a major restoration project in Columbus.
 Government: A board made up of five members appointed by the Mayor and City.

 Financing: Bond issued to Columbus Redevelopment Authority that includes an agreement with the City to include in its General Fund budget sufficient monies to repay the principal and interest of the Bond. In August 2017 the council voted to earmark one mill for the Urban Renewal Project for 2017 and thereafter and then .75 mill for the next 2 years until the bonded debt has been satisfied. In the current year the City paid \$63,360 of interest.

 Degree of Control
 Over Budgeting and N/A
 Financing:

 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

CITY OF COLUMBUS, MISSISSIPPI
Notes to Financial Statements

NOTE 9: JOINT VENTURES AND OTHER (CONTINUED)

	(4); and the County and City jointly appoint one individual at large.
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.

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, 2018; 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: 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 November 7, 2019, 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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive(Negative)
<u>REVENUES</u>				
Property Taxes	\$ 8,687,304	8,687,304	8,618,063	(69,241)
Licenses and Permits	574,000	574,000	548,625	(25,375)
Intergovernmental Revenues	11,824,427	11,824,427	10,737,846	(1,086,581)
Charges for Services	2,036,000	2,036,000	2,598,444	562,444
Fines and Forfeits	371,018	371,018	429,294	58,276
Interest Income	22,000	22,000	44,510	22,510
Miscellaneous Revenues	262,433	262,433	300,663	38,230
Total Revenues	<u>23,777,182</u>	<u>23,777,182</u>	<u>23,277,445</u>	<u>(499,737)</u>
<u>EXPENDITURES</u>				
Current:				
General Government	4,283,951	4,634,989	3,223,554	1,411,435
Public Safety	11,770,964	11,770,964	12,156,906	(385,942)
Public Works	4,830,455	4,830,455	5,432,018	(601,563)
Cemetery	104,870	104,870	125,698	(20,828)
Culture and Recreation	284,160	284,160	1,372,270	(1,088,110)
Conservation, Urban and Economic Development	825,811	825,811	1,272,193	(446,382)
Intergovernmental-Garage	816,488	816,488	792,391	24,097
Agency Appropriations	870,217	870,217	714,421	155,796
Debt Service	528,868	528,868	709,911	(181,043)
Total Expenditures	<u>24,315,784</u>	<u>24,666,822</u>	<u>25,799,362</u>	<u>(1,132,540)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(538,602)</u>	<u>(889,640)</u>	<u>(2,521,917)</u>	<u>(1,632,277)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Debt	310,000	310,000	310,000	-
Transfers from Other Departments	228,600	228,600	1,198,112	969,512
Transfers to Other Departments	(1,572,283)	(1,221,245)	(896,623)	324,622
Net Other Financing Sources (Uses)	<u>(1,343,683)</u>	<u>(992,645)</u>	<u>611,489</u>	<u>1,294,134</u>
Net Change in Fund Balance	(1,882,285)	(1,882,285)	(1,910,428)	(338,143)
Fund Balance - Beginning	<u>6,157,570</u>	<u>6,157,570</u>	<u>3,759,140</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,275,285</u>	<u>4,275,285</u>	<u>1,848,712</u>	<u>(2,426,573)</u>

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*

	2018	2017	2016	2015
City's proportion of the net pension liability	\$ 27,809,662	25,292,826	26,457,216	22,769,212
City's proportionate share of the net pension liability	0.167196%	0.152152%	0.148116%	0.147297%
City's covered-employee payroll	\$ 10,677,041	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	260.46%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,697,735	1,575,411	1,566,462	1,458,235
Contribution in relation to the contractually required contribution	1,697,735	1,575,411	1,566,462	1,458,235
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 10,780,512	10,002,615	9,945,790	9,258,635
Contributions as a percentage of covered-employee payroll	15.75%	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, 2018:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 191,073
Landfill	86,242
Victim Advocate Program	5,120
Moore's Creek Crossing - TIF Bonds	1,940
University Mall - TIF Bonds	492
Airport Improvement Program	85,047
Ampitheater/Riverwalk Extension	48,612

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

CITY OF COLUMBUS, MISSISSIPPI
Notes to Required Supplementary Information

NOTE 4 – UNBUDGETED FUNDS

The following were unbudgeted funds that had expenditures for the year ended September 30, 2018:

<u>Fund</u>	<u>Expenditures</u>
Parks and Recreations	\$ 955,503
Urban Renewal Bond	63,360
Series 2014 Bonds	189,426
Infrastructure Improvements - 2016 Bonds	140,265

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.

CITY OF COLUMBUS, MISSISSIPPI
Notes to Required Supplementary Information

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, 2018

Name and Date	Maturity Date	Interest Percent	Balance 10/1/17	Transactions		Balance 9/30/18
				Issued	Redeemed	
General Obligation, Special Obligation, and TIF Bonds						
Governmental Activities:						
Special Obligation Bonds, Series 2010	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
	2023	4.25	360,000			360,000
	Thereafter	4.25	3,430,000			3,430,000
Total			6,190,000	-	495,000	5,695,000
General Obligation Note, Series 2013	2018	1.52	240,000		240,000	-
Total			240,000	-	240,000	-
Special Obligation Bonds, Series 2013	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
	2023	4.55	170,000			170,000
	Thereafter	4.55	985,000			985,000
Total			1,910,000	-	140,000	1,770,000
General Obligation Note, Series 2014	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
	2023	3.25	500,000			500,000
	Thereafter	3.25	2,775,000			2,775,000
Total			4,975,000	-	100,000	4,875,000
Tax Increment Financing, Series 2015	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
	2023	6.00	110,000			110,000
	Thereafter	7.125	1,500,000			1,500,000
Total			2,070,000	-	80,000	1,990,000
Tax Increment Financing, Series 2016	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
	2023	5.75	72,000			72,000
	Thereafter	5.75	743,000			743,000
Total			1,118,000	-	54,000	1,064,000

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Bonded Indebtedness - Governmental Activities
September 30, 2018

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/17</u>	<u>Transactions</u>		<u>Balance 9/30/18</u>
				<u>Issued</u>	<u>Redeemed</u>	
Special Obligation Bonds, Series 2016	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
	2023	2.48	235,000			235,000
	Thereafter	2.48	4,665,000			4,665,000
Total			<u>5,600,000</u>	<u>-</u>	<u>100,000</u>	<u>5,500,000</u>
Total General Obligation, Special Obligation, and TIF Bonds			<u><u>\$ 22,103,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,209,000</u></u>	<u><u>\$ 20,894,000</u></u>
Governmental Activities						

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Long-Term Notes - Governmental Activities
September 30, 2018

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2017</u>	<u>Transactions</u>		<u>Balance 9/30/2018</u>
				<u>Issued</u>	<u>Redeemed</u>	
Notes Payable						
Governmental Activities:						
Mississippi Development Authority, 2007	2018	2.00	20,263		20,263	-
Total			20,263	-	20,263	-
Mississippi Development Authority, 2009	2018	2.00	4,812		4812	-
	2019	2.00	4,909			4,909
	2020	2.00	5,008			5,008
	2021	2.00	5,110			5,110
	2022	2.00	5,213			5,213
	2023	2.00	5,318			5,318
	Thereafter	2.00	34,613			34,613
Total			64,983	-	4,812	60,171
Mississippi Development Authority, 2012	2018	2.00	25,627		25,627	-
	2019	2.00	26,107			26,107
	2020	2.00	26,634			26,634
	2021	2.00	27,171			27,171
	2022	2.00	4,824			4,824
Total			110,363	-	25,627	84,736
Mississippi Development Authority, 2012	2018	2.00	22,438		22,438	-
	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
	2023	2.00	4,238			4,238
Total			121,079	-	22,438	98,641
Columbus Light & Water Department	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			550,000	-	100,000	450,000
Total Notes Payable, Governmental Activities			\$ 866,688	\$ -	\$ 173,140	\$ 693,548

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Capital Lease Obligations - Governmental Activities
September 30, 2018

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2017</u>	<u>Transactions</u>		<u>Balance 9/30/2018</u>
				<u>Issued</u>	<u>Redeemed</u>	
Regions Equipment Finance Corp	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
	2023	3.00	125,688			125,688
	Thereafter	3.00	729,792			729,792
Total			1,427,196	-	107,173	1,320,023
Regions Equipment Finance Corp	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
	2023		236,649			236,649
	Thereafter	3.01	1,651,255			1,651,255
Total			2,970,325	-	203,699	2,766,626
Regions Equipment Finance Corp	2018	2.02	98,848		98,848	-
Total			98,848	-	98,848	-
Regions Equipment Finance Corp	2018	1.99	12,852		12,852	-
	2019	1.99	13,110			13,110
	2020	1.99	6,654			6,654
Total			32,616	-	12,852	19,764
Regions Equipment Finance Corp	2018	1.99	30,142		30,142	-
	2019	1.99	35,091			35,091
	2020	1.99	18,693			18,693
Total			83,926	-	30,142	53,784
Trustmark National Bank	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
	2023	2.28	121,824			121,824
Total	Thereafter	2.28	262,888			262,888
			953,893	-	108,710	845,183
Bankfirst Financial Services	2018	2.40		39,489	39,489	-
	2019	2.40		55,067		55,067
	2020	2.40		61,341		61,341
	2021	2.40		62,864		62,864
	2022	2.40		64,411		64,411
	2023	2.40		26,829		26,829
Total			-	310,001	39,489	270,512
Total Capital Lease Obligations, Governmental Activities			\$ 5,566,804	\$ 310,001	\$ 600,913	\$ 5,275,892

CITY OF COLUMBUS, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2018

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Robert Smith	Mayor	Western Surety Company	\$ 50,000
Gene A. Taylor	Councilman	Western Surety Company	\$100,000
Joseph W. Mickens	Councilman	Western Surety Company	\$100,000
Charles E. Box	Councilman	Western Surety Company	\$100,000
Fredrick Jackson	Councilman	Western Surety Company	\$100,000
Stephen Jones	Councilman	Western Surety Company	\$100,000
William E. Gavin	Councilman	Western Surety Company	\$100,000
Milton Rawle Jr.	CFO	Western Surety Company	\$100,000
Fred Shelton	Chief of Police	Western Surety Company	\$ 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, 2018, 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 November 7, 2019.

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:

2018-001. Material Weakness

Bank statements should be reconciled to the general ledger. Management is responsible for ensuring that all assets of the City are properly safeguarded. Proper internal control requires that bank accounts be reconciled to the general ledger on a monthly basis. The reconciliation process enables the City to make adjusting entries to correct any mistakes in its financial records.

The City's bank accounts were not reconciled to the general ledger.

Recommendation

We recommend the City implement policies and procedures to ensure all bank accounts are reconciled monthly to the general ledger.

Management's Response to Finding

The City will implement policies and procedures to ensure all bank accounts are reconciled to the general ledger on a monthly basis.

2018-002. Material Weakness (Repeat of prior year finding)

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 has implemented new procedures to correct this finding.

2018-003. Material Weakness (Repeat of prior year finding)

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 has implemented 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:

2018-004. Significant Deficiency

Transfers were made from The City's General Fund bank account that were not approved by the City Council.

Recommendation

We recommend The City implement policies and procedures to ensure that all disbursements from the bank accounts are approved by the City Council.

Management's Response to Finding

The City will implement policies and procedures to ensure that all disbursements are approved by the City Council.

Auditors' Note

This matter has been referred to the Investigative Division of the Office of the State Auditor of Mississippi.

2018-005. Significant Deficiency (Repeat of prior year finding)

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

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.

2018-006. Significant Deficiency (Repeat of prior year finding)

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
November 7, 2019

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, 2018, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated November 7, 2019. 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 (Repeat of prior year finding)

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. Section 21-35-25 requires that the budget be amended if needed, by July of the fiscal year. The City amended their budget after the close of their fiscal year. We recommend that the City adopt a budget for each fund and amendments to the budget as prescribed.

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 as prescribed.

2. Municipal Compliance Questionnaire

The Municipal Compliance Questionnaire is to be completed at the end of The City's fiscal year and entered into the official minutes of the City Council at their next regular meeting. The City Council did not enter the Municipal Compliance Questionnaire into their official minutes until their second meeting of the new fiscal year.

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 enter the Municipal Compliance Questionnaire into their _____ official minutes as prescribed.

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
November 7, 2019

Watkins Ward and Stafford, PUC



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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, 2018, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated November 7, 2019. 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, matters were detected which requires the attention of management. These matters do 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 findings and recommendations are as follows:

CURRENT YEAR FINDINGS:

ADMINISTRATIVE

1. Finding: (Repeat of Prior Year Finding)

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

Recommendation:

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

2. Finding:

The City has a policy that states that meals cannot be purchased with City credit cards. It was found that meals were purchased with the City credit card.

Recommendation:

The City should start adhering to its policy and stop using the City's credit card to purchase meals.

3. Finding

The City paid for the food for the employee's Christmas party. City funds should not be used for that purpose.

Recommendation:

The City should not purchase food for the employee's Christmas party.

The findings in this report came to our attention as a result of the audit procedures and tests that we applied. Other than the findings 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
November 7, 2019

Watkins Ward and Stafford, PLLC