

**CITY OF COLUMBUS, MISSISSIPPI
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FOR THE YEAR ENDED SEPTEMBER 30, 2012**

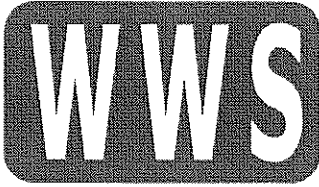
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CITY OF COLUMBUS, MISSISSIPPI

FINANCIAL SECTION



WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

521 18th Ave. North P.O. Box 8180 Columbus, MS 39705
Phone (662) 328-3254 Fax (662) 328-3317

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Columbus, Mississippi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbus, Mississippi, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 no provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Columbus, Mississippi
June 26, 2013

Watkins Ward and Stafford, PLLC

**CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012**

This section of the City of Columbus's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2012. Please read it in conjunction with the City of Columbus's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City has adopted the provisions of Government Auditing Standards Board Statement No. 34.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$102,619,195. Of this amount \$5,118,446 may be used to meet the City of Columbus's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Columbus governmental funds reported combined ending fund balances of \$7,401,643, an increase of \$754,089 in comparison to the prior year.
- The City of Columbus' total debt is \$50,753,622 (exclusive of compensated absences). Of that total, approximately \$10,654,229 of debt was issued for governmental fund capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts –management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents a schedule of expenditures of federal awards for non-major governmental funds and schedule of surety bonds for municipal officers. The basic financial statements include two kinds of statements that present different views of the City of Columbus.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Columbus's overall financial status. (Pages 16-17)
- The remaining statements are fund financial statements that focus on individual parts of the City of Columbus's 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 19-22)

Proprietary fund statements offer short- and long-term financial information about activities the government operates in a similar manner as businesses, and include the Electric and Water Divisions and Unemployment Funds. (Pages 23-25)

**CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fiduciary fund statements are used to account for the resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. (Pages 26, 27)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. (Pages 28-43)

Figure A-1 summarizes the major features of the City of Columbus's financial statements, including the portion of the City of Columbus they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Figure A-1

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as Police, Fire, and Public Works	Activities the City operates similar to private businesses; Electric and Water Departments, and Unemployment Fund	To account for resources held for the benefit of others
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Net Cash Flows	Statement of Net Assets; Statement of Changes in Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payments are due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All collections and deductions during year, regardless of when cash is received or paid

CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012

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 assets 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's net assets and how they have changed. Net assets—the difference between the City of Columbus's assets and liabilities—is one way to measure the City of Columbus's financial health or position.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Columbus's 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.

**CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012**

The City of Columbus has three kinds of funds:

- **Governmental funds**—Most of the City of Columbus's 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's programs. Because this information does not encompass the additional long-term focus of the governmental-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Columbus utilizes four types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.
- **Proprietary funds**—Services for which the City of Columbus charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary funds—enterprise funds. The City of Columbus's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Assets, Statement of Revenues, Expense and Changes in Fund Net Assets, and Statement of Cash Flows are all required statements.
- **Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the City and are not available to support City programs. The City of Columbus has three fiduciary funds that are presented on Pages 26 and 27 of this report.

Government-wide Financial Analysis

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

Net assets may serve over time as a useful indicator of a government's financial position. The City of Columbus's assets exceeded liabilities by \$102,619,195 at the close of the most recent fiscal year.

**CITY OF COLUMBUS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012**

A large portion, 81%, of the City's governmental activities net assets 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table A-1
City of Columbus' Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2012 Total</u>	<u>2011 Total</u>
Cash and Other Assets	\$ 9,873,163	32,717,398	42,590,561	42,999,236
Capital Assets	<u>41,506,212</u>	<u>84,451,446</u>	<u>125,957,658</u>	<u>126,459,914</u>
Total Assets	<u>51,379,375</u>	<u>117,168,844</u>	<u>168,548,219</u>	<u>169,459,150</u>
Other Liabilities	2,209,577	12,450,865	14,660,442	14,027,014
Long-term Liabilities	<u>11,169,189</u>	<u>40,099,393</u>	<u>51,268,582</u>	<u>54,278,165</u>
Total Liabilities	<u>13,378,766</u>	<u>52,550,258</u>	<u>65,929,024</u>	<u>68,305,179</u>
Net Assets:				
Invested in Capital Assets				
Net of Related Debt	30,851,983	45,873,715	76,725,698	72,954,190
Restricted	2,030,180		2,030,180	2,562,736
Unrestricted	<u>5,118,446</u>	<u>18,744,871</u>	<u>23,863,317</u>	<u>25,637,045</u>
Total Net Assets	<u>\$ 38,000,609</u>	<u>64,618,586</u>	<u>102,619,195</u>	<u>101,153,971</u>

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The \$5,118,446 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net assets of our business-type activities were \$18,744,871 at the end of the current fiscal year. These resources cannot be used to increase the net asset surplus in governmental activities. The City of Columbus generally can only use these net assets to finance the continuing operations of the business-type activities.

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

- Reductions of \$1,013,288 and \$9,638,968 of long-term debt for Governmental and Business-Type activities, respectively. Additions of \$726,099 and \$6,901,501 of long-term debt for Governmental and Business-Type activities, respectively.
- Capital asset additions were \$2,166,378 and \$4,445,642 for Governmental and Business-Type activities, respectively.

**CITY OF COLUMBUS MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012**

Changes in net assets. Approximately 11.0 percent of the City of Columbus's revenue comes from property taxes, with 25.8 percent of all revenue coming from some type of tax. (See Table A-2). Another 71.2 percent comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

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

Table A-2

Changes in the City of Columbus's Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenue				
Program Revenues:				
Charges for Services	\$ 4,053,267	50,968,287	55,021,554	58,731,965
Operating Grants & Contributions	1,034,594	-	1,034,594	252,217
Capital Grants & Contributions	792,754	-	792,754	508,826
General Revenues:			-	-
Property Taxes	8,464,451	-	8,464,451	7,717,518
Other Taxes	11,502,200	-	11,502,200	11,053,076
Investment Income	48,735	105,087	153,822	557,267
Unrestricted Use Grants	-	-	-	-
Extraordinary Items	214,685	-	214,685	313,895
Miscellaneous, Donated Capital Assets	-	110,379	110,379	107,279
Total Revenue	<u>26,110,686</u>	<u>51,183,753</u>	<u>77,294,439</u>	<u>79,242,043</u>
Expenses				
General Government	2,520,805	-	2,520,805	2,660,382
Public Safety	11,120,095	-	11,120,095	11,486,074
Public Works	6,475,448	-	6,475,448	7,849,187
Urban & Economic Development	892,229	-	892,229	1,238,341
Cemetery	91,691	-	91,691	91,650
Garage	751,590	-	751,590	719,692
Agency Appropriations	1,284,902	-	1,284,902	1,153,706
Culture & Recreation	1,699,998	-	1,699,998	1,205,531
Interest on Debt	383,761	-	383,761	367,351
Water	-	9,463,350	9,463,350	9,255,468
Electric	-	41,215,623	41,215,623	42,648,191
Other on long-term debt	15,268	-	15,268	19,148
Total Expenses	<u>25,235,787</u>	<u>50,678,973</u>	<u>75,914,760</u>	<u>78,694,721</u>
Increase (Decrease) in Net Assets Before Transfers	874,899	504,780	1,379,679	547,322
Transfers	-	-	-	-
Increase (Decrease) in Net Assets	874,899	504,780	1,379,679	547,322
Net Assets - Beginning, as restated	<u>37,125,710</u>	<u>64,113,806</u>	<u>101,239,516</u>	<u>100,606,649</u>
Net Assets - Ending	<u>\$ 38,000,609</u>	<u>64,618,586</u>	<u>102,619,195</u>	<u>101,153,971</u>

CITY OF COLUMBUS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012

Governmental Activities

Governmental activities increased the City's net assets by \$874,899. Key elements of this are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (44%) and property taxes (32%).

The largest expense categories for the City's governmental activities are public safety (44%) and public works (26%).

Business-Type Activities

Business-type activities increased the City's net assets by \$504,780.

Charges for services are the major revenue categories for the enterprise funds. Revenue from services totaled \$50,968,287, 99% of the City's Business-Type Revenues. Total business-type expenses are comprised of \$9,463,350 for water and sewer, \$41,215,623 for electric.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$5,347,887. As a measure of the General Fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. The fund balance of the City's General Fund increased by \$847,232 during the current fiscal year.

Debt Service Fund - The Debt Service Fund has a total fund balance of \$23,576, all of which is reserved for the payment of debt service. The net increase in fund balance during the year in the Debt Service Fund was \$13,620.

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 \$1,226,742. The net change in the fund balance during the current year in the Capital Projects Fund was (\$445,092).

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 decrease in the fund balance during the current year in the Special Revenue Fund was zero.

CITY OF COLUMBUS
MANAGEMENTS DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the Proprietary Funds at the end of the current fiscal year totaled \$64,618,586. Changes in net assets, which increased by \$504,780, were as follows: the Electric Fund increased by \$568,255 and the Water & Sewer Fund decreased by \$63,475.

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 2011-2012 operating budget charges amounted to \$23,503,391.

The City’s total tax millage rate for the 2012 fiscal year was 40.13 mills, which increased from fiscal 2011 by 2.50. The breakdown of the millage rate is General Fund 29.86 mills, Police and Firemen’s Retirement 6.08 mills, and Special Assessment 4.19 mills.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City’s investment in capital assets for governmental and business-type activities as of September 30, 2012, amounted to \$125,957,658, net of accumulated depreciation of \$118,822,308. 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’s Capital Assets

	Governmental Activities	Business-Type Activities	2012 Total	2011 Total
Land	\$ 6,540,316	305,926	6,846,242	6,730,368
Buildings	18,068,917	-	18,068,917	17,445,415
Improve. Other Than Bldgs	1,808,373		1,808,373	1,672,484
Light & Water Plant	-	154,426,176	154,426,176	150,711,252
Machinery & Equipment	9,088,276	-	9,088,276	9,952,275
Infrastructure	53,048,518	-	53,048,518	52,644,141
Construction-in-Progress	1,225,859	267,605	1,493,464	1,850,373
Accumulated Depreciation	(48,274,047)	(70,548,261)	(118,822,308)	(114,546,395)
Total	\$ 41,506,212	84,451,446	125,957,658	126,459,913

**CITY OF COLUMBUS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information for the Year Ended September 30, 2012**

Long-Term Debt – At year-end, the City had \$50,753,622 in bonds and notes outstanding. More detailed information about the City of Columbus's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Columbus's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2012 Total</u>	<u>2011 Total</u>
General Obligation Bonds				
Special Assessment Bonds	\$ 9,305,000		9,305,000	9,905,000
Long-term Debt and Lease Obligations	298,162		298,162	135,527
Revenue Bonds (Water Division)		6,421,575	6,421,575	0
Special Obligation Bonds (Water Division)		22,662,547	22,662,547	23,857,620
Other Long-term Debt (Water Division)		1,961,843	1,961,843	9,549,587
Special Obligation Bonds (Electric Division)		9,053,428	9,053,428	9,414,580
Capital Improvement Loans	<u>1,051,067</u>	-	<u>1,051,067</u>	<u>791,335</u>
Total	<u>\$ 10,654,229</u>	<u>33,677,818</u>	<u>50,753,622</u>	<u>53,653,649</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 2013 budget. The total budgeted appropriation for the City operations in the governmental activities is \$32,677,595 (which includes \$23,255,904 in the general fund).

**CONTACTING THE CITY OF COLUMBUS
FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,183,518	14,747,722	21,931,240
Investments, restricted		3,880,536	3,880,536
Receivable, net	446,751	6,526,647	6,973,398
Property tax receivable			-
Landfill receivable			-
Intergovernmental receivable	1,786,840		1,786,840
Fines receivable	41,700		41,700
Inventory		827,674	827,674
Prepaid expense		58,065	58,065
Notes Receivable	139,530		139,530
Deferred asset	274,824		274,824
Other assets		6,676,754	6,676,754
Capital assets:			
Land and construction in progress	7,766,175	573,531	8,339,706
Other capital assets, net of depreciation	33,740,037	83,877,915	117,617,952
Total assets	<u>51,379,375</u>	<u>117,168,844</u>	<u>168,548,219</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	2,059,696	9,373,075	11,432,771
Customer deposits		2,925,098	2,925,098
Deferred revenue	49,496	16,884	66,380
Other liabilities	100,385	135,808	236,193
Long-term liabilities:			
Due within one year	1,109,918	2,748,168	3,858,086
Due in more than one year	10,059,271	37,351,225	47,410,496
Total liabilities	<u>13,378,766</u>	<u>52,550,258</u>	<u>65,929,024</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	30,851,983	45,873,715	76,725,698
Restricted for:			
Expendable:			
Capital Improvements	1,226,742		1,226,742
City-based activities	803,438		803,438
Unrestricted - unassigned	5,118,446	18,744,871	23,863,317
Total net assets	<u>\$ 38,000,609</u>	<u>64,618,586</u>	<u>102,619,195</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense / Revenue)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 2,520,805	935,427	97,532		(1,487,846)
Public safety	11,120,095	838,230	71,700	213,651	(9,996,514)
Public works	6,475,448	2,124,572	865,362	257,771	(3,227,743)
Cemetery	91,691	46,065			(45,626)
Culture and recreation	1,699,998	108,973			(1,591,025)
Conservation, Urban and Economic Development	892,229	-		321,332	(570,897)
Intergovernmental garage	751,590				(751,590)
Agency appropriations	1,284,902				(1,284,902)
Interest on long-term debt	383,761				(383,761)
Other on long-term debt	15,268				(15,268)
Total governmental activities	<u>25,235,787</u>	<u>4,053,267</u>	<u>1,034,594</u>	<u>792,754</u>	<u>(19,355,172)</u>
Business-type Activities					
Electric	41,215,623	41,635,492			419,869
Water	9,463,350	9,332,795			(130,555)
Total business-type activities	<u>50,678,973</u>	<u>50,968,287</u>	<u>-</u>	<u>-</u>	<u>289,314</u>
Total primary government	<u>\$ 75,914,760</u>	<u>55,021,554</u>	<u>1,034,594</u>	<u>792,754</u>	<u>(19,065,858)</u>
Governmental Activities Business-type Activities Total					
Changes in Net Assets:					
Net (expense) / revenue		\$ (19,355,172)	289,314		(19,065,858)
General revenues					
Taxes					
Property taxes			8,464,451		8,464,451
Sales and use taxes			8,782,146		8,782,146
Other taxes			2,720,054		2,720,054
Grants and contributions not restricted to specific programs					
Investment income			48,735	105,087	153,822
Other			214,685	110,379	325,064
Total general revenues			<u>20,230,071</u>	<u>215,466</u>	<u>20,445,537</u>
Change in net assets			<u>874,899</u>	<u>504,780</u>	<u>1,379,679</u>
Net assets, October 1, 2011			37,040,165	64,113,806	101,153,971
Prior period adjustment			85,545		85,545
Net assets, October 1, 2011, restated			<u>37,125,710</u>	<u>64,113,806</u>	<u>101,239,516</u>
Net assets, September 30, 2012			<u>\$ 38,000,609</u>	<u>64,618,586</u>	<u>102,619,195</u>

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

**CITY OF COLUMBUS, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,983,811	2,199,707	7,183,518
Property Tax Receivable	93,695		93,695
Landfill Receivable	29,221		29,221
Intergovernment Receivables	931,278	855,562	1,786,840
Loans Receivable	139,530		139,530
Fines Receivable	41,700		41,700
Other Receivables	323,835		323,835
Due from other funds	216,784		216,784
	<u>6,759,854</u>	<u>3,055,269</u>	<u>9,815,123</u>
Total Assets	<u>\$ 6,759,854</u>	<u>3,055,269</u>	<u>9,815,123</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,263,000	796,696	2,059,696
Due to other funds		216,784	216,784
Compensated balances	137,000		137,000
	<u>1,400,000</u>	<u>1,013,480</u>	<u>2,413,480</u>
Total Liabilities	<u>1,400,000</u>	<u>1,013,480</u>	<u>2,413,480</u>
<u>FUND BALANCES</u>			
Restricted for:			
Capital Improvements		1,226,742	1,226,742
Debt Service		23,576	23,576
Other Commitments		791,471	791,471
Assigned	11,967		11,967
Unassigned	5,347,887		5,347,887
	<u>5,359,854</u>	<u>2,041,789</u>	<u>7,401,643</u>
Total Fund Balances	<u>5,359,854</u>	<u>2,041,789</u>	<u>7,401,643</u>
Total Liabilities and Fund Balances	<u>\$ 6,759,854</u>	<u>3,055,269</u>	<u>9,815,123</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

Fund Balances - total governmental funds		\$ 7,401,643
Amounts reported for governmental activities in Statement of Net Assets are different because:		
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	89,780,259	
Less accumulated depreciation	<u>(48,274,047)</u>	41,506,212
2 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	(11,032,189)	
Accrued interest payable	(100,385)	
Deferred assets	274,824	
Deferred revenue	<u>(49,496)</u>	<u>(10,907,246)</u>
Net Assets of Governmental Activities		<u>\$ 38,000,609</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property taxes	\$ 7,495,365	969,086	8,464,451
Licenses and permits	574,959		574,959
Intergovernmental revenues	10,130,293	3,470,847	13,601,140
Charges for governmental services	2,467,337	123,196	2,590,533
Fines and forfeits	613,549	2,634	616,183
Interest income	35,160	13,575	48,735
Other revenues	197,654	17,031	214,685
Total Revenues	<u>21,514,317</u>	<u>4,596,369</u>	<u>26,110,686</u>
<u>EXPENDITURES</u>			
Current:			
General government	2,532,550		2,532,550
Public safety	10,537,012	353,036	10,890,048
Public works	4,941,158	1,864,587	6,805,745
Cemetery	91,691		91,691
Culture and recreation	267,810	1,532,089	1,799,899
Conservation, Urban and Economic Development	764,128	190,135	954,263
Intergovernmental-garage	751,775		751,775
Agency appropriations	1,284,902		1,284,902
Debt service:			
Principal	270,993	632,739	903,732
Interest	31,852	355,614	387,466
Paying Agent Fees		2,625	2,625
Total Expenditures	<u>21,473,871</u>	<u>4,930,825</u>	<u>26,404,696</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,446</u>	<u>(334,456)</u>	<u>(294,010)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of Debt	726,099		726,099
Transfers from other departments	220,783	140,096	360,879
Transfers to other departments	(140,096)	(220,783)	(360,879)
Net other financing sources (uses)	<u>806,786</u>	<u>(80,687)</u>	<u>726,099</u>
Net change in fund balances	847,232	(415,143)	432,089
Fund balances, October 1, 2011	4,190,622	2,456,932	6,647,554
Prior Period Adjustment	322,000		322,000
Fund balances, October 1, 2011, restated	<u>4,512,622</u>	<u>2,456,932</u>	<u>6,969,554</u>
Fund balances, September 30, 2012	<u>\$ 5,359,854</u>	<u>2,041,789</u>	<u>7,401,643</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

Net change in Fund Balances - total governmental funds \$ 432,089

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

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

Expenditures for capital assets	890,935	
Less current year depreciation	<u>(726,376)</u>	164,559

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

Bond and loan proceeds	(726,099)	
Principal payments	<u>903,732</u>	177,633

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 fund:

Change in long-term compensated absences	109,556	
Change in accrued interest payable	3,580	
Change in deferred assets	(3,925)	
Change in deferred revenue	<u>(8,593)</u>	<u>100,618</u>

Change in Net Assets of Governmental Funds		<u><u>\$ 874,899</u></u>
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See accompanying notes to basic financial statements.

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2012

	<u>June 30, 2012</u>	<u>September 30, 2012</u>	<u>Total</u>
	<u>Light</u>	<u>Water</u>	<u>Enterprise</u>
	<u>Department</u>	<u>Department</u>	<u>Funds</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 10,935,207	3,812,515	14,747,722
Receivables, net	5,713,445	813,202	6,526,647
Inventory	628,260	199,414	827,674
Prepaid expense	57,159	906	58,065
Total current assets	<u>17,334,071</u>	<u>4,826,037</u>	<u>22,160,108</u>
Non-current assets:			
Restricted investments		3,880,536	3,880,536
Capital assets:			
Fixed assets, net of depreciation	22,902,086	61,549,360	84,451,446
Other assets	6,202,932	473,822	6,676,754
Total non-current assets	<u>29,105,018</u>	<u>65,903,718</u>	<u>95,008,736</u>
Total Assets	<u>46,439,089</u>	<u>70,729,755</u>	<u>117,168,844</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	7,963,846	805,649	8,769,495
Customer deposits	2,620,103	304,995	2,925,098
Interest payable	184,365	412,715	597,080
Bonds, notes and loans payable	380,000	2,368,168	2,748,168
Total current liabilities	<u>11,148,314</u>	<u>3,891,527</u>	<u>15,039,841</u>
Non-current liabilities:			
Bonds, notes and loans payable	8,673,428	28,677,797	37,351,225
Deferred credits	16,884	6,500	23,384
Advances from others	135,808		135,808
Total non-current liabilities	<u>8,826,120</u>	<u>28,684,297</u>	<u>37,510,417</u>
Total Liabilities	<u>19,974,434</u>	<u>32,575,824</u>	<u>52,550,258</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,370,324	30,503,391	45,873,715
Unrestricted	11,094,331	7,650,540	18,744,871
Total Net Assets	<u>\$ 26,464,655</u>	<u>38,153,931</u>	<u>64,618,586</u>

See accompanying notes to basic financial statements.

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>June 30, 2012</u>	<u>September 30, 2012</u>	<u>Total</u>
	<u>Light</u>	<u>Water</u>	<u>Enterprise</u>
	<u>Department</u>	<u>Department</u>	<u>Funds</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ 41,635,492	9,332,795	50,968,287
Total operating revenues	<u>41,635,492</u>	<u>9,332,795</u>	<u>50,968,287</u>
<u>OPERATING EXPENSES</u>			
Purchased power	34,310,589		34,310,589
Distribution expense	425,724		425,724
Maintenance expense	942,141	920,328	1,862,469
Water treatment		789,976	789,976
Wastewater treatment		2,063,541	2,063,541
Administrative and general	3,780,525	1,830,446	5,610,971
Depreciation	<u>1,352,702</u>	<u>2,614,335</u>	<u>3,967,037</u>
Total operating expenses	<u>40,811,681</u>	<u>8,218,626</u>	<u>49,030,307</u>
Operating income (loss)	<u>823,811</u>	<u>1,114,169</u>	<u>1,937,980</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest and investment income	85,021	20,066	105,087
Other revenue	63,365	47,014	110,379
Interest expense	(384,119)	(1,163,505)	(1,547,624)
Other expenses	<u>(19,823)</u>	<u>(81,219)</u>	<u>(101,042)</u>
Total non-operating revenues (expenses)	<u>(255,556)</u>	<u>(1,177,644)</u>	<u>(1,433,200)</u>
Income (loss) before contributions	<u>568,255</u>	<u>(63,475)</u>	<u>504,780</u>
Capital contributions		<u>474,075</u>	<u>474,075</u>
Change in net assets	568,255	410,600	978,855
Amortization of grants		(474,075)	(474,075)
Total net assets, beginning	<u>25,896,400</u>	<u>38,217,406</u>	<u>64,113,806</u>
Total net assets, ending	<u>\$ 26,464,655</u>	<u>38,153,931</u>	<u>64,618,586</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>June 30, 2012</u>	<u>September 30, 2012</u>	<u>Total Enterprise Funds</u>
	<u>Light Department</u>	<u>Water Department</u>	
<u>Cash Flows From Operating Activities</u>			
Cash received from customers	\$ 41,994,760	9,330,266	51,325,026
Cash paid to employees	(1,317,590)	(1,812,828)	(3,130,418)
Cash paid to suppliers	(36,578,378)	(3,571,824)	(40,150,202)
Cash paid to city	(1,600,000)		(1,600,000)
Net Cash Flows from Operating Activities	<u>2,498,792</u>	<u>3,945,614</u>	<u>6,444,406</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Customer conservation and TVA loan activity	(675)		(675)
Note proceeds	1,957		1,957
Bond issue proceeds	(1,541)		(1,541)
Other Receipts	56,601		56,601
Net Cash Flows from Noncapital Financing Activities	<u>56,342</u>		<u>56,342</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Payment of debt	(361,153)	(1,664,248)	(2,025,401)
Payment of interest	(386,329)	(1,163,505)	(1,549,834)
Purchase of capital assets	(1,812,570)	(2,194,345)	(4,006,915)
Other receipts (payments)		29,391	29,391
Net Cash Flows from Capital and Related Financing Activities	<u>(2,560,052)</u>	<u>(4,992,707)</u>	<u>(7,552,759)</u>
<u>Cash Flows from Investing Activities</u>			
Receipt of interest	85,021	20,066	105,087
Increase in bond sinking funds	(993)		(993)
Interest in other special funds	(5,038,097)		(5,038,097)
Net Cash Flows from Investing Activities	<u>(4,954,069)</u>	<u>20,066</u>	<u>(4,934,003)</u>
Net Change in Cash	(4,958,987)	(1,027,027)	(5,986,014)
Cash and Cash Equivalents, October 1, 2011	15,894,194	4,839,542	20,733,736
Cash and Cash Equivalents, September 30, 2012	<u>\$ 10,935,207</u>	<u>3,812,515</u>	<u>14,747,722</u>
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>			
Operating Income (Loss)	\$ 823,811	1,114,169	1,937,980
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation & amortization	1,352,702	2,614,335	3,967,037
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	272,347	(10,625)	261,722
(Increase) decrease in inventory	(65,255)	(24,351)	(89,606)
(Increase) decrease in prepaid expenses	(6,101)	145,771	139,670
(Increase) decrease in clearing accounts		14,673	14,673
Increase (decrease) in payables	(114,226)	65,817	(48,409)
Increase (decrease) in accrued liabilities	66,353		66,353
Increase (decrease) in customer deposits	157,053	22,072	179,125
Increase (decrease) in other liabilities	12,108	3,753	15,861
Total adjustments	<u>1,674,981</u>	<u>2,831,445</u>	<u>4,506,426</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,498,792</u>	<u>3,945,614</u>	<u>6,444,406</u>

See accompanying notes to basic financial statements.

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Employee Benefit Trust Fund	Private- Purpose Trust	Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 73,140	473,586	576,941
Receivables (net)	7,430		
Total Assets	<u>80,570</u>	<u>473,586</u>	<u>576,941</u>
<u>LIABILITIES</u>			
Accounts payable	95,308		
Other liabilities		473,586	576,941
Total Liabilities	<u>95,308</u>	<u>473,586</u>	<u>576,941</u>
<u>NET ASSETS</u>			
Deficit Net Assets	<u>(14,738)</u>	<u>-</u>	<u>-</u>

See accompanying notes to basic financial statements.

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Employee Benefit Trust Fund	Private- Purpose Trust
ADDITIONS		
Collections		
Property taxes	\$ 1,142,365	
Other		
Total collections	1,142,365	-
Total Additions	1,142,365	-
DEDUCTIONS		
Payments to other governments	1,157,373	
Tax redemptions		
Transfers		
Other charges and fees		5,620
Total Deductions	1,157,373	5,620
Change in Net Assets	(14,738)	(5,620)
Net Assets, October 1, 2011		5,620
Net Assets, September 30, 2012	\$ (14,738)	-

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. The Financial Reporting Entity

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

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

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

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements – Government-Wide Statements

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

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

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

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

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

1. Governmental Funds

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

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

2. Proprietary Funds

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds (Continued)

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

3. Fiduciary Funds

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

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

E. Basis of Accounting

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

1. Accrual:

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual:

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

F. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Inventory:

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

3. Capital Assets:

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications based on their useful lives.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 district:

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 District'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 board of alderman pursuant to authorization established by the City's approved fund balance policy.

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

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

5. Revenues:

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

8. Interfund Activity:

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

9. Basis of Budgeting:

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

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

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company does not expect them to do so, actual settlements and claims could have an adverse effect on the results of operations and financial condition.

11. Use of Estimates:

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

NOTE 2: CASH, OTHER DEPOSITS, AND INVESTMENTS

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

The carrying amount of the City's deposits with financial institutions was \$8,307,185 on September 30, 2012, and the bank balance was \$8,567,970.

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

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

**CITY OF COLUMBUS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 3: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2012, are:

A. Due from/to other funds

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 216,784	
Other governmental funds	_____	<u>216,784</u>
Total Funds	<u>\$ 216,784</u>	<u>216,784</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	220,783	140,096
Other governmental funds	<u>140,096</u>	<u>220,783</u>
	<u>\$ 360,879</u>	<u>\$ 360,879</u>

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

NOTE 4: NOTES RECEIVABLE

Notes receivable balance at September 30, 2012, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
American Power Assoc.	9/1/09	3.00%	9/1/19	<u>\$139,530</u>

CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>9/30/2011</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Completed</u> <u>Construction</u>	<u>Adjustments</u>	<u>Balance</u> <u>9/30/2012</u>
Governmental Activities						
<i>Non-depreciable Capital Assets</i>						
Land	\$ 6,517,366	23,950	(1,000)			6,540,316
Construction in progress	894,097	1,690,531		(1,358,769)		1,225,859
Total Non-depreciable Capital Assets	<u>7,411,463</u>	<u>1,714,481</u>	<u>(1,000)</u>	<u>(1,358,769)</u>		<u>7,766,175</u>
<i>Depreciable Capital Assets</i>						
Buildings	17,445,416			623,501		18,068,917
Equipment	9,952,275	410,444	(1,274,443)			9,088,276
Improvements other than buildings	1,672,484			135,889		1,808,373
Infrastructure	52,644,141	41,453		599,379	(236,455)	53,048,518
Total Depreciable Capital Assets	<u>81,714,316</u>	<u>451,897</u>	<u>(1,274,443)</u>	<u>1,358,769</u>	<u>(236,455)</u>	<u>82,014,084</u>
<i>Less accumulated depreciation for:</i>						
Buildings	5,656,785	376,913				6,033,698
Equipment	7,916,195	432,096	(1,146,999)			7,201,292
Improvements other than buildings	66,899	72,335				139,234
Infrastructure	33,907,792	992,031				34,899,823
Total Accumulated Depreciation	<u>47,547,671</u>	<u>1,873,375</u>	<u>(1,146,999)</u>			<u>48,274,047</u>
Total Depreciable Capital Assets, Net	<u>34,166,645</u>	<u>(1,421,478)</u>	<u>(127,444)</u>	<u>1,358,769</u>	<u>(236,455)</u>	<u>33,740,037</u>
Governmental Activities Capital Assets, Net	\$ <u>41,578,108</u>	<u>293,003</u>	<u>(128,444)</u>		<u>(236,455)</u>	<u>41,506,212</u>
Adjustment was due to amount being erroneously included as construction in progress in the prior year.						
Business-Type Activities						
<i>Non-depreciable Capital Assets</i>						
Land	\$ 305,926					305,926
Construction in progress	956,276	162,895		(851,566)		267,605
Total Non-depreciable Capital Assets	<u>1,262,202</u>	<u>162,895</u>		<u>(851,566)</u>		<u>573,531</u>
<i>Depreciable Capital Assets</i>						
Wastewater treatment plant	18,551,751	250,055				18,801,806
Utility plant in service	90,154,741	1,495,543	(167,058)			91,483,226
Distribution plant	37,018,091	1,766,934	(117,851)			38,667,174
General plant	4,893,745	770,215	(189,990)			5,473,970
Total Depreciable Capital Assets	<u>150,618,328</u>	<u>4,282,747</u>	<u>(474,899)</u>			<u>154,426,176</u>
<i>Less accumulated depreciation for:</i>						
All plant property	66,998,724	3,991,402	(441,865)			70,548,261
Total Accumulated Depreciation	<u>66,998,724</u>	<u>3,991,402</u>	<u>(441,865)</u>			<u>70,548,261</u>
Total Depreciable Capital Assets, Net	<u>83,619,604</u>	<u>291,345</u>	<u>(33,034)</u>			<u>83,877,915</u>
Business-type Activities Capital Assets, Net	\$ <u>84,881,806</u>	<u>454,240</u>	<u>(33,034)</u>	<u>(851,566)</u>		<u>84,451,446</u>

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

	Amount
Governmental Activities:	
General Government	\$ 11,010
Public Safety	353,730
Public Works	1,151,694
Culture and Recreation	143,033
Conservation, Urban and Economic Development	208,520
Intergovernmental Garage	5,388
Total Depreciation Expense - Governmental Activities	\$ 1,873,375
Business-Type Activities:	
Electric Division	\$ 1,377,067
Water Division	2,614,335
Total Depreciation Expense - Business-Type Activities	\$ 3,991,402

NOTE 6: LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Balance 9/30/2011	Additions	Re- ductions	Adjustments	Balance 9/30/2012	Within One Year
Governmental Activities						
General obligation bonds						
Special assessment bonds payable						
Public Improvement Series, 1996A	\$ 715,000		125,000		590,000	135,000
Public Improvement Series, 1996B	290,000		50,000		240,000	55,000
Mississippi Development Bank, 2010	8,900,000	-	425,000		8,475,000	435,000
Notes payable						
Regions Bank Lease	4,283		4,283		-	-
Mississippi Development Authority, 1997	163,301		83,142		80,159	80,159
Mississippi Development Authority, 1998	174,244		51,898		122,346	54,559
Mississippi Development Authority, 1999	38,574		10,506		28,068	12,384
Mississippi Development Authority, 2007	204,167		28,457		175,710	29,901
Mississippi Development Authority, 2007	118,996		15,994		103,002	16,497
Mississippi Development Authority, 2012	-	250,000	19,113		230,887	23,157
Mississippi Development Authority, 2012	-	223,332			223,332	17,696
Light and Water	10,351		10,351		-	-
BancorpSouth	120,893		59,456		61,437	61,437
Mississippi Development Authority, 2009	92,053		4,490		87,563	4,355
Regions Bank	-	252,767	16,042		236,725	48,803
Compensated absences	624,516		109,556		514,960	-
Total	\$ 11,456,378	726,099	1,013,288	0	11,169,189	973,948

Adjustments is due in previous years part of the principal payment was erroneously recorded as interest.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

	<u>Balance 9/30/2011</u>	<u>Additions</u>	<u>Re- ductions</u>	<u>Balance 9/30/2012</u>	<u>Within One Year</u>
Business-type Activities					
Bonds and notes payable					
Water Division, Special Obligation Bonds					
2007 Series	\$ 23,790,000		1,180,000	22,610,000	1,230,000
Revenue Refunding Bonds					
2012 Series	-	7,251,540	479,931	6,771,609	976,677
Deferred gain on current refunding of Series					
1994 Revenue Bonds	469,415		196,400	273,015	
Deferred loss on current refunding of Series					
1998 Revenue Bonds	(196,400)		(166,829)	(29,571)	
Deferred loss on defeasance of Series 2012					
Revenue Bonds	-	(350,034)		(350,034)	
Discount on Special Obligation Bonds					
Series 2007	(205,395)		(14,498)	(190,897)	
Total Water Division, Revenue Bonds	<u>23,857,620</u>	<u>6,901,506</u>	<u>1,675,004</u>	<u>29,084,122</u>	<u>2,206,677</u>
Water Division, Other Long-Term Debt					
Environmental Quality Revolving Loans	8,298,340		6,908,922	1,389,418	121,673
Department of Health Revolving Loans	1,062,613		661,790	400,823	22,793
Department of Economic and Community	97,252		12,156	85,096	12,157
Mississippi Development Bank	91,382		4,876	86,506	4,868
Total Water Division, Other Long-term Debt	<u>9,549,587</u>		<u>7,587,744</u>	<u>1,961,843</u>	<u>161,491</u>
Bonds and notes payable					
Electric Division - Special Obligation Bonds					
2009 Series	9,665,000		375,000	9,290,000	380,000
Discount on Special Obligation Bonds					
Series 2009	(250,420)		(13,848)	(236,572)	
	<u>9,414,580</u>		<u>361,152</u>	<u>9,053,428</u>	<u>380,000</u>
Total Business-type Activities Bonds and Notes Payable	<u>\$ 42,821,787</u>	<u>6,901,506</u>	<u>9,623,900</u>	<u>40,099,393</u>	<u>2,748,168</u>

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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

The outstanding issues of special assessment bonds are due in annual installments ranging from \$65,080 to \$143,590 each through various dates, the last of which is the year 2016. Interest rates range from 5.0% to 5.3%.

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 two percent annual interest.

The notes payable with Mississippi Development Authority dated June 12, 2007, terms consist of monthly payments in the amount of \$1,533.53 for 120 months with two percent 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 two percent annual interest.

The notes payable with Mississippi Development Authority dated February 1, 2012, had been expended in the amount of \$250,000. The loan terms consist of monthly payments in the amount of \$2,300.34 for 120 months with two percent annual interest.

The notes payable with Mississippi Development Authority dated August 5, 2010, had been expended in the amount of \$223,332. The loan terms consist of monthly payments in the amount of \$2,128.56 for 120 months with two percent annual interest.

The notes payable with Regions Bank dated May 17, 2012, had been expended in the amount of \$252,767. The loan terms consist of monthly payments in the amount of \$4,440.40 for 60 months with 2.09 percent annual interest.

NOTE 7: PRIOR PERIOD ADJUSTMENTS

A summary of significant fund balance adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct overstatement of capital assets	\$ (236,455)
2. To correct overstatement of transfer in prior year	<u>322,000</u>
Total	<u>\$ 85,545</u>

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct overstatement of transfer in prior year	<u>\$ 322,000</u>
		<u>\$ 322,000</u>

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 8: RETIREMENT PLANS

Policemen's and Firemen's 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 7.41 mills. The City is not obligated to fund the Pension Trust Fund with any general fund resources. Benefits are paid to the participants or beneficiaries based on a percentage of the base pay when the person qualifies.

The contribution made for active and retired employees for the years ended September 30, 2012, 2011, and 2010, were \$1,076,865, \$1,902,183, and \$1,779,520, respectively.

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

Funding Policy. 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 rate at September 30, 2012, was 12.93% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$1,197,814, \$1,088,870, and \$1,082,950, respectively, equal to the required contributions for each year.

NOTE 9: JOINT VENTURES AND OTHER

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

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

**CITY OF COLUMBUS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 9: JOINT VENTURES AND OTHER (CONTINUED)

Financing:	Taxes levied by both the City and County and certain fees.
Degree of Control Over Budgeting and Financing:	A budget must be submitted and approved by both the City Council and Board of Supervisors.
II. Name:	Columbus/Lowndes County Library
Purpose:	To operate a public library
Government:	A board made up of ten members appointed by the Mayor and City Council (5) and the Lowndes County Board of Supervisors (5).
Financing:	Taxes levied by both the City and County.
Degree of Control Over Budgeting and Financing:	A budget is submitted to the City Council and Board of Supervisors for review and approval. After reviewing the budget the governing bodies advise the Library Board how much they will provide for the operation of the Library.
III. Name:	Columbus/Lowndes County Convention and Visitors Bureau
Purpose:	To promote tourism within the City and County.
Government:	A board made up of nine members appointed by the Mayor and City Council (4); the Board of Supervisors for Lowndes County (4); and the County and City jointly appoint one individual at large.
Financing:	A special two percent (2%) sales tax on certain restaurants and lounges has been designated to be used to promote tourism in Columbus and Lowndes County.
Degree of Control Over Budgeting and Financing:	N/A

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

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

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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 9: JOINT VENTURES AND OTHER (CONTINUED)

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

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

NOTE 10: RISK MANAGEMENT

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

NOTE 11: PROPERTY TAX

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

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

Delinquent taxes are not recorded as assets.

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 as the result of these audits is not believed to be material.

NOTE 13: SUBSEQUENT EVENTS

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of City of Columbus, Mississippi evaluated the activity of the city through June 26, 2013, 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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive(Negative)</u>
<u>REVENUES</u>				
Property taxes	\$ 6,878,780	6,878,780	7,020,047	141,267
Licenses and permits	614,875	614,875	539,061	(75,814)
Intergovernmental revenues	11,013,434	11,013,434	11,204,722	191,288
Charges for services	1,673,800	1,673,800	1,675,490	1,690
Fines and forfeits	718,078	718,078	635,474	(82,604)
Interest income	36,000	36,000	35,568	(432)
Miscellaneous revenues	411,900	487,842	361,552	(126,290)
Total Revenues	<u>21,346,867</u>	<u>21,422,809</u>	<u>21,471,914</u>	<u>49,105</u>
<u>EXPENDITURES</u>				
Current:				
General government	3,105,451	3,105,451	2,584,718	520,733
Public safety	10,296,122	10,570,818	10,195,874	374,944
Public works	4,175,982	4,372,407	4,118,465	253,942
Cemetery	101,450	101,450	91,691	9,759
Culture and recreation	341,814	352,647	318,946	33,701
Conservation, Urban and Economic Development	1,573,451	1,573,451	1,580,508	(7,057)
Intergovernmental-garage	751,922	758,922	751,560	7,362
Agency appropriations	1,233,754	1,267,024	1,284,902	(17,878)
Debt service	381,476	381,476	240,312	141,164
Total Expenditures	<u>21,961,422</u>	<u>22,483,646</u>	<u>21,166,976</u>	<u>1,316,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (614,555)</u>	<u>(1,060,837)</u>	<u>304,938</u>	<u>1,365,775</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Other financing sources	\$ 1,636,400	1,640,486	1,019,381	(621,105)
Other financing uses	(1,021,845)	(1,028,019)	(38,039)	989,980
Net other financing sources (uses)	<u>\$ 614,555</u>	<u>612,467</u>	<u>981,342</u>	<u>368,875</u>

This is reported on the cash basis.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF BONDED INDEBTEDNESS
SEPTEMBER 30, 2012**

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/11</u>	<u>Transactions</u>		<u>Balance 9/30/12</u>
				<u>Issued</u>	<u>Redeemed</u>	
General Obligation Bonds						
Governmental Activities:						
Public Improvement Series, 1996A	9/1/2012	5.00	125,000		125,000	-
	9/1/2013	5.00	135,000			135,000
	9/1/2014	5.00	145,000			145,000
	9/2/2015	5.00	150,000			150,000
	9/1/2016	5.00	160,000			160,000
Total			<u>715,000</u>	<u>-</u>	<u>125,000</u>	<u>590,000</u>
Public Improvement Series, 1996B	9/1/2012	5.10	50,000		50,000	-
	9/1/2013	5.20	55,000			55,000
	9/1/2014	5.20	60,000			60,000
	9/2/2015	5.40	60,000			60,000
	9/1/2016	5.40	65,000			65,000
Total			<u>290,000</u>	<u>-</u>	<u>50,000</u>	<u>240,000</u>
Mississippi Development Bank, 2010	12/1/2011	2.00	425,000		425,000	-
	12/1/2012	2.00	435,000			435,000
	12/1/2013	2.00	445,000			445,000
	12/1/2014	2.00	455,000			455,000
	12/1/2015	2.00	470,000			470,000
	12/1/2016	2.25	480,000			480,000
	Thereafter	2.50	6,190,000			6,190,000
Total			<u>8,900,000</u>	<u>-</u>	<u>425,000</u>	<u>8,475,000</u>
Total General Obligation Bond Liability, Governmental Activities			<u>\$ 9,905,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 9,305,000</u>

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES
SEPTEMBER 30, 2012**

<u>Pavee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2011</u>	<u>Transactions</u>		<u>Balance 9/30/2012</u>
				<u>Issued</u>	<u>Redeemed</u>	
Notes Payable						
Governmental Activities:						
Regions Bank Lease	FY12	4.49%	4,283		4,283	-
Total			4,283	-	4,283	-
Mississippi Development Authority, 1997	FY12	4.25%	83,142		83,142	-
	FY13	4.25%	80,159			80,159
Total			163,301	-	83,142	80,159
Mississippi Development Authority, 1998	FY12	4.95%	51,898		51,898	-
	FY13	4.95%	54,559			54,559
	FY14	4.95%	57,324			57,324
	FY15	4.95%	10,463			10,463
Total			174,244	-	51,898	122,346
Mississippi Development Authority, 1999	FY12	4.65%	10,506		10,506	-
	FY13	4.65%	11,354			11,354
	FY14	4.65%	11,893			11,893
	FY15	4.65%	4,821			4,821
Total			38,574	-	10,506	28,068
Mississippi Development Authority, 2007	FY12	2.00%	28,457		28,457	-
	FY13	2.00%	29,901			29,901
	FY14	2.00%	30,504			30,504
	FY15	2.00%	31,120			31,120
	FY16	2.00%	31,748			31,748
	FY17	2.00%	32,396			32,396
	Thereafter	2.00%	20,041			20,041
Total			204,167	-	28,457	175,710
Mississippi Development Authority, 2007	FY12	2.00%	15,994		15,994	-
	FY13	2.00%	16,497			16,497
	FY14	2.00%	16,830			16,830
	FY15	2.00%	17,169			17,169
	FY16	2.00%	17,515			17,515
	FY17	2.00%	17,868			17,868
	Thereafter	2.00%	17,123			17,123
Total			118,996	-	15,994	103,002
Mississippi Development Authority, 2012	FY12	2.00%		19,113	19,113	-
	FY13	2.00%		23,157		23,157
	FY14	2.00%		23,624		23,624
	FY15	2.00%		24,101		24,101
	FY16	2.00%		24,588		24,588
	FY17	2.00%		25,084		25,084
	Thereafter	2.00%		110,333		110,333
Total			-	250,000	19,113	230,887

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES
SEPTEMBER 30, 2012**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2011</u>	<u>Transactions</u>		<u>Balance 9/30/2012</u>
				<u>Issued</u>	<u>Redeemed</u>	
Mississippi Development Authority, 2012	FY12	2.00%		17,696	-	17,696
	FY13	2.00%		21,628		21,628
	FY14	2.00%		22,064		22,064
	FY15	2.00%		22,509		22,509
	FY16	2.00%		22,964		22,964
	FY17	2.00%		23,427		23,427
	Thereafter	2.00%		93,044		93,044
Total			-	223,332	-	223,332
Light and Water	FY12		10,351		10,351	-
	Total		10,351		10,351	-
BancorpSouth	FY12	3.28%	59,456		59,456	-
	FY13	3.28%	61,437			61,437
Total			120,893	-	59,456	61,437
Mississippi Development Authority, 2009	FY12	2.00%	4,490		4,490	-
	FY13	2.00%	4,355			4,355
	FY14	2.00%	4,443			4,443
	FY15	2.00%	4,532			4,532
	FY16	2.00%	4,624			4,624
	FY17	2.00%	4,719			4,719
	Thereafter	2.00%	64,890			64,890
Total			92,053	-	4,490	87,563
Regions Bank	FY12	2.09%		16,042	16,042	-
	FY13	2.09%		48,803		48,803
	FY14	2.09%		49,833		49,833
	FY15	2.09%		50,884		50,884
	FY16	2.09%		51,958		51,958
	FY17	2.09%		35,247		35,247
Total			-	252,767	16,042	236,725
Total Notes Payable, Governmental Activities			\$ 926,862	\$ 726,099	\$ 303,732	\$ 1,349,229

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF BONDS AND NOTES PAYABLE
SEPTEMBER 30, 2012**

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/11</u>	<u>Transactions</u>		<u>Balance 9/30/12</u>
				<u>Issued</u>	<u>Redeemed</u>	
Business-type Activities						
Water Division:						
Special Obligation Bonds						
	2012	4.12%	1,180,000		1,180,000	-
	2013	4.12%	1,230,000			1,230,000
	2014	4.12%	1,280,000			1,280,000
	2015	4.12%	1,335,000			1,335,000
	2016	4.12%	1,390,000			1,390,000
	2017	4.12%	1,450,000			1,450,000
	2018-2027	4.12%	15,925,000			15,925,000
Total			<u>23,790,000</u>	<u>-</u>	<u>1,180,000</u>	<u>22,610,000</u>
Other Long-term Debt						
	2012	3-4.5%	816,135	7,251,540	8,067,675	-
	2013	3-4.5%	1,034,068			1,034,068
	2014	3-4.5%	1,074,098			1,074,098
	2015	3-4.5%	1,033,454			1,033,454
	2016	3-4.5%	1,056,710			1,056,710
	2017	3-4.5%	1,048,562			1,048,562
	2018-2027	3-4.5%	3,486,560			3,486,560
Total			<u>9,549,587</u>	<u>7,251,540</u>	<u>8,067,675</u>	<u>8,733,452</u>
Electric Division:						
Special Obligation Bonds						
	2012	2-4.5%	375,000		375,000	-
	2013	2-4.5%	380,000			380,000
	2014	2-4.5%	390,000			390,000
	2015	2-4.5%	400,000			400,000
	2016	2-4.5%	415,000			415,000
	2017	2-4.5%	425,000			425,000
	2018-2029	2-4.5%	7,280,000			7,280,000
Total			<u>9,665,000</u>	<u>-</u>	<u>375,000</u>	<u>9,290,000</u>
Total Bonds and Notes Payable, Business-type Activities			<u>\$ 43,004,587</u>	<u>7,251,540</u>	<u>9,622,675</u>	<u>40,633,452</u>

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2012**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Robert Smith	Mayor	CNA Surety	\$ 10,000
Gene A. Taylor	Councilman	CNA Surety	\$100,000
Joseph W. Mickens	Councilman	CNA Surety	\$100,000
Charles E. Box	Councilman	CNA Surety	\$100,000
Fred E. Stewart	Councilman	CNA Surety	\$100,000
Kabir Karriem	Councilman	CNA Surety	\$100,000
William E. Gavin	Councilman	CNA Surety	\$100,000
Michael Bernsen	Secretary-Treasurer	Liberty Mutual	\$100,000
Selvain McQueen	Chief of Police	CNA Surety	\$ 50,000
All departments under jurisdiction of Mayor and City Council	Blanket Bond All Employees	State Auto Property and Insurance Company	\$100,000
Proprietary Fund – Water Department	Blanket Bond Covering All Employees	State Auto Property and Insurance Company	\$ 50,000

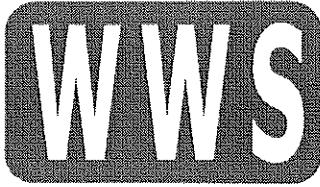
**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Agency/ Pass-through Entity/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security:</u>		
Direct Program:		
Homeland Security Grant Program	97.067	\$ 166,025
Total U.S. Department of Health & Human Services		<u>166,025</u>
<u>U.S. Department of Transportation:</u>		
Direct Programs:		
Airport Improvement Program	20.106	103,798
Total U.S. Department of Transportation		<u>103,798</u>
<u>U.S. Department of Energy:</u>		
Direct Programs:		
Energy Efficiency and Conservation Block Grant Program	81.128	2,492
Total U.S. Department of Energy		<u>2,492</u>
<u>U.S. Department of Commerce:</u>		
Direct Programs:		
Investments for Public Works and Economic Development Facilities	11.300	170
Total U.S. Department of Commerce		<u>170</u>
<u>U.S. Department of Defense:</u>		
Direct Programs:		
ARRA-Mississippi Environmental Infrastructure	12.124	18,303
Total U.S. Department of Defense		<u>18,303</u>
<u>U.S. Department of Justice:</u>		
Direct Programs		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	24,194
Public Safety Partnership and Community Policing Grants	16.710	193,447
Total U.S. Department of Justice		<u>217,641</u>
<u>U.S. Department of Transportation:</u>		
Passed-through State Department of Transportation:		
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205	992,197
Recreational Trails Program	20.219	39,611
Total Highway Planning and Construction Cluster		<u>1,031,808</u>
Total U.S. Department of Transportation		<u>1,031,808</u>
<u>Total Expenditures of Federal Awards</u>		<u>\$ 1,540,237</u>

Notes to Schedule

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

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



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

521 18th Ave. North P.O. Box 8180 Columbus, MS 39705
Phone (662) 328-3254 Fax (662) 328-3317

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
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Robert E. Cordle, Jr., CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE BASIC 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated June 26, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Columbus, Mississippi is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Columbus, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Columbus, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Columbus, Mississippi's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency

described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-1 to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbus, Mississippi's financial statements are free of 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of City of Columbus, Mississippi in a separate letter dated June 26, 2013.

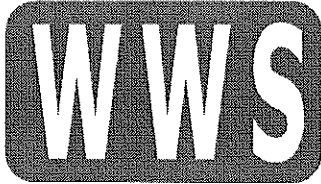
The City of Columbus, Mississippi's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Columbus, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Columbus, Mississippi
June 26, 2013

Watkins Ward and Stafford, PLLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



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Robert E. Cordle, Jr., CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Columbus, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2012. City of Columbus, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Columbus, Mississippi's management. Our responsibility is to express an opinion on the City of Columbus, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Columbus, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Columbus, Mississippi's compliance with those requirements.

In our opinion, City of Columbus, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

The management of City of Columbus, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Columbus, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in a city's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will be not be prevented, or detected and corrected, on a timely basis.

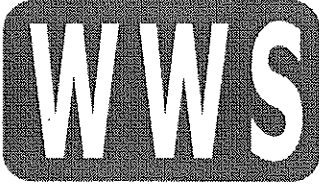
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Columbus, Mississippi
June 26, 2013

Watkins Ward and Stafford, PLLC

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



WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

521 18th Ave. North P.O. Box 8180 Columbus, MS 39705
Phone (662) 328-3254 Fax (662) 328-3317

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
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Robin Y. McCormick, CPA/PFS
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

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

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated June 26, 2013. 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 no instances of noncompliance.

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

Columbus, Mississippi
June 26, 2013

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section 1: Summary of Auditor's Results:

Financial Statements

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

Federal Awards:

- | | |
|---|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Highway Planning and Construction
CFDA #20.205
CFDA #20.219 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

Section 2: Findings Relating to the Financial Statements

Significant Deficiencies Not Considered to be Material Weaknesses

- 2012-1 **Statement of Condition (Repeat of Prior Year Finding)**
The City of Columbus does not maintain adequate records for fixed assets. There is not a subsidiary ledger. The City does not perform an annual physical inventory. The City also does not maintain property control tags.

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Criteria

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

Recommendation

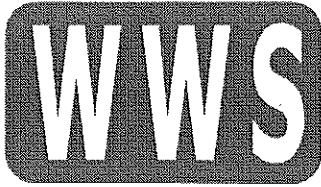
The City of Columbus needs to implement a subsidiary ledger for fixed assets. An annual physical inventory needs to be performed. All fixed assets need to be marked with a property control tag.

Response

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

Section 3: Findings and Questioned Costs for Federal Awards

No findings to report.



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MANAGEMENT REPORT

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbus, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated June 17, 2013. 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, certain matters were detected which require the attention of management. These matters do not have a material effect on the general purpose financial statements. Any findings and recommendations of the prior year have been corrected by management unless it is specifically stated otherwise in the following findings and recommendations. 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.

The finding in this report came to our attention as a result of the audit procedures and tests that we applied. Other than those 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
June 26, 2013

Watkins Ward and Stafford, PLLC