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CITY OF COLUMBUS, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2006

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

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CITY OF COLUMBUS, MISSISSIPPI

FINANCIAL AUDIT REPORT



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the 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, 2006, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2006, 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 April 25, 2007, on our consideration of the City of Columbus, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and page 45 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Columbus, Mississippi
April 25, 2007

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, 2006

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, 2006. 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 \$91,877,777. Of this amount \$2,879,568 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 \$3,051,841, an increase of \$1,689,429 in comparison to the prior year.
- The City of Columbus; total debt is \$38,954,827 (exclusive of compensated absences). Approximately \$1,095,532 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

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 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

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

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 \$91,877,777 at the close of the most recent fiscal year.

CITY OF COLUMBUS, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 92%, 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**

	Governmental Activities	Business-Type Activities	2006 Total	2005 Total
Cash and Other Assets	\$ 4,646,700	22,031,869	26,678,569	21,497,151
Capital Assets	45,846,125	69,985,651	115,831,776	120,443,001
Total Assets	50,492,825	92,017,520	142,510,345	141,940,152
Other Liabilities	1,417,402	9,820,830	11,238,232	10,598,587
Long-term Liabilities	7,981,833	31,412,503	39,394,336	41,010,468
Total Liabilities	9,399,235	41,233,333	50,632,568	51,609,055
Net Assets:				
Invested in Capital Assets				
Net of Related Debt	38,238,090	38,573,147	76,811,237	79,478,445
Restricted	(24,068)		(24,068)	946,435
Unrestricted	2,879,568	12,211,040	15,090,608	9,906,217
Total Net Assets	\$ 41,093,590	50,784,187	91,877,777	90,331,097

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The \$2,879,568 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 \$12,211,040 at the end of the current fiscal year. These resources cannot be used to add 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 \$826,214 and \$1,885,540 of long-term debt for Governmental and Business-Type activities, respectively. Additions of \$1,095,532 and \$0 of long-term debt for Governmental and Business-Type activities, respectively.
- Capital asset additions were \$1,263,974 and \$386,153 for Governmental and Business-Type activities, respectively.

CITY OF COLUMBUS MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net assets. Approximately 10.39 percent of the City of Columbus's revenue comes from property taxes, with 25.08 percent of all revenue coming from some type of tax. (See Table A-2). Another 69.05 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>2006 Total</u>	<u>2005 Total</u>
Revenue				
Program Revenues:				
Charges for Services	\$ 1,981,301	42,560,333	44,541,634	39,568,030
Operating Grants & Contributions	1,232,412	-	1,232,412	2,027,104
Capital Grants & Contributions	828,276	474,076	1,302,352	3,046,666
General Revenues:			-	-
Property Taxes	6,703,628	-	6,703,628	6,083,027
Other Taxes	9,472,713	-	9,472,713	10,051,614
Investment Income	133,485	408,561	542,046	349,590
Miscellaneous, Donated Capital Assets	410,419	248,566	658,985	741,449
Total Revenue	<u>20,762,234</u>	<u>43,691,536</u>	<u>64,453,770</u>	<u>61,867,480</u>
Expenses				
General Government	1,984,823	-	1,984,823	2,187,154
Public Safety	8,963,769	-	8,963,769	9,823,718
Public Works	5,071,545	-	5,071,545	6,284,524
Urban & Economic Development	2,292,655	-	2,292,655	3,788,534
Cemetery	149,898	-	149,898	63,917
Garage	386,903	-	386,903	380,264
Agency Appropriations	1,060,828	-	1,060,828	1,126,877
Culture & Recreation	315,744	-	315,744	314,726
Interest on Debt	347,773	-	347,773	441,922
Water	-	8,109,899	8,109,899	8,101,516
Electric	-	34,223,253	34,223,253	30,390,077
Unemployment	-	-	-	7,853
Total Expenses	<u>20,573,938</u>	<u>42,333,152</u>	<u>62,907,090</u>	<u>62,911,082</u>
Increase (Decrease) in Net Assets Before Transfers	188,296	1,358,384	1,546,680	(1,043,602)
Transfers	-	-	-	205,194
Increase (Decrease) in Net Assets	188,296	1,358,384	1,546,680	(838,408)
Net Assets - Beginning, as restated	<u>40,905,294</u>	<u>49,425,803</u>	<u>90,331,097</u>	<u>91,169,505</u>
Net Assets - Ending	<u>\$ 41,093,590</u>	<u>50,784,187</u>	<u>91,877,777</u>	<u>90,331,097</u>

CITY OF COLUMBUS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net assets by \$188,296. Key elements of this are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (46%), property taxes (32%), and capital grants and contributions (4%).

The largest expense categories for the City's governmental activities are public safety (43%) and public works (25%).

Business-Type Activities

Business-type activities increased the City's net assets by \$1,358,384.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$7,583,679 for water and sewer, and \$34,976,654 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 \$1,999,625. 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 \$1,583,648 during the current fiscal year.

Debt Service Fund - The Debt Service Fund has a total deficit fund balance of \$28,971, all of which is reserved for the payment of debt service. The net decrease in fund balance during the year in the Debt Service Fund was \$108,939.

Capital Projects Fund - The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was a negative (\$29,935). The net decrease in the fund balance during the current year in the Capital Projects Fund was \$32,097.

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, the fund balance was \$1,011,324, which will be used for future expenditures. The net increase in the fund balance during the current year in the Special Revenue Fund was \$147,019.

CITY OF COLUMBUS

MANAGEMENTS DISCUSSION AND ANALYSIS

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 \$50,784,187. Changes in net assets, which increased by \$1,358,384, were as follows: the Electric Fund increased by \$1,212,366, the Water & Sewer Fund increased by \$146,018, and the Unemployment Fund did not change.

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 2005 - 2006 operating budget charges amounted to \$17,994,056, as shown on page 45.

The City’s 2005 - 2006 General Fund operating budget increased by approximately \$206,702 after the budget was originally adopted.

The City’s total tax millage for the 2006 fiscal year remained at 34.58 mills, which increased by 2.58 mills from 2004-2005. The breakdown of the millage is General Fund 26.64 mills; Police and Firemen’s retirement 7.94 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 is governmental and business-type activities as of September 20, 2006, amounted to \$115,831,776, net of accumulated depreciation of \$89,927,088. 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	2006 Total	2005 Total
Land	\$ 5,770,246	213,002	5,983,248	5,983,248
Buildings	18,601,285	-	18,601,285	18,786,018
Light & Water Plant	-	121,688,154	121,688,154	122,028,585
Machinery & Equipment	8,240,678	-	8,240,678	7,530,952
Infrastructure	51,103,589	-	51,103,589	49,054,910
Construction-in-Progress	37,821	104,089	141,910	1,988,417
Accumulated Depreciation	(37,907,494)	(52,019,594)	(89,927,088)	(84,929,129)
Total	\$ 45,846,125	69,985,651	115,831,776	120,443,001

CITY OF COLUMBUS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt – At year-end, the City had \$38,954,827 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>2006 Total</u>	<u>2005 Total</u>
General Obligation Bonds	\$ 2,120,000		2,120,000	2,310,000
Special Assessment Bonds	1,760,000		1,760,000	1,885,000
Long-term Debt and Lease Obligations	1,126,141		1,126,141	589,082
Revenue Bonds (Water Division)		17,980,000	17,980,000	19,080,000
Other Long-term Debt (Water Division)		13,432,503	13,432,503	14,217,953
Capital Improvement Loans	<u>2,536,183</u>	<u>-</u>	<u>2,536,183</u>	<u>2,497,561</u>
Total	<u>\$ 7,542,324</u>	<u>31,412,503</u>	<u>38,954,827</u>	<u>40,579,596</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 2007 budget. The total budgeted appropriation for the City operations in the governmental activities is \$22,918,043, (which includes \$19,421,358 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) fund
 - 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, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,070,187	10,523,668	13,593,855
Investments, restricted	-	3,643,119	3,643,119
Receivables, net	1,316,567	5,459,375	6,775,942
Due from other governments	226,643	-	226,643
Due from other funds	33,303	-	33,303
Inventory	-	624,495	624,495
Prepaid expense	-	401,643	401,643
Other assets	-	1,379,569	1,379,569
Capital assets:			
Land and construction in progress	5,808,067	317,091	6,125,158
Other capital assets, net of depreciation	40,038,058	69,668,560	109,706,618
Total assets	<u>50,492,825</u>	<u>92,017,520</u>	<u>142,510,345</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	1,217,402	7,014,545	8,231,947
Customer deposits	-	1,748,526	1,748,526
Deferred Credits	200,000	1,057,759	1,257,759
Long-term liabilities:			
Due within one year	972,741	1,970,285	2,943,026
Due in more than one year	7,009,092	29,442,218	36,451,310
Total liabilities	<u>9,399,235</u>	<u>41,233,333</u>	<u>50,632,568</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	38,303,801	38,573,147	76,876,948
Restricted for:			
Debt service	(28,971)		(28,971)
Community development projects	4,903		4,903
Unrestricted	2,813,857	12,211,040	15,024,897
Total net assets	<u>\$ 41,093,590</u>	<u>50,784,187</u>	<u>91,877,777</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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	\$ 1,984,823				(1,984,823)
Public safety	8,963,769		1,045,167	749,745	(7,168,857)
Public works	5,071,545	1,931,176	187,245	78,531	(2,874,593)
Cemetery	149,898	50,125			(99,773)
Culture and recreation	315,744				(315,744)
Conservation, Urban and Economic Development	2,292,655				(2,292,655)
Intergovernmental garage	386,903				(386,903)
Agency appropriations	1,060,828				(1,060,828)
Interest on long-term debt	347,773				(347,773)
Total governmental activities	<u>20,573,938</u>	<u>1,981,301</u>	<u>1,232,412</u>	<u>828,276</u>	<u>(16,531,949)</u>
Business-type Activities					
Electric	34,223,253	34,976,654	-	-	753,401
Water	8,109,899	7,583,679	-	474,076	(52,144)
Unemployment	-	-	-	-	-
Total business-type activities	<u>42,333,152</u>	<u>42,560,333</u>	<u>-</u>	<u>474,076</u>	<u>701,257</u>
Total primary government	<u>\$ 62,907,090</u>	<u>44,541,634</u>	<u>1,232,412</u>	<u>1,302,352</u>	<u>(15,830,692)</u>
			Governmental Activities	Business-type Activities	Total
Changes in Net Assets:					
Net (expense) / revenue			\$ (16,531,949)	701,257	(15,830,692)
General revenues					
Taxes					
Property taxes			6,703,628	-	6,703,628
Sales and use taxes			8,923,004	-	8,923,004
Other taxes			549,709	-	549,709
Investment income			133,485	408,561	542,046
Other			410,419	248,566	658,985
Transfers			-	-	-
Total general revenues and transfers			<u>16,720,245</u>	<u>657,127</u>	<u>17,377,372</u>
Change in net assets			188,296	1,358,384	1,546,680
Net assets, October 1, 2005			<u>40,905,294</u>	<u>49,425,803</u>	<u>90,331,097</u>
Net assets, September 30, 2006			<u>\$ 41,093,590</u>	<u>50,784,187</u>	<u>91,877,777</u>

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

**CITY OF COLUMBUS, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,078,376	991,811	3,070,187
Receivables (Net)	786,378	489,732	1,276,110
Due from other governments	226,643	-	226,643
Due from other funds	114,171	-	114,171
	<u>114,171</u>	<u>-</u>	<u>114,171</u>
Total Assets	<u>\$ 3,205,568</u>	<u>1,481,543</u>	<u>4,687,111</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 857,190	360,212	1,217,402
Due to other funds	11,753	69,115	80,868
Deferred revenue	200,000	-	200,000
Compensated balances	137,000	-	137,000
	<u>137,000</u>	<u>-</u>	<u>137,000</u>
Total Liabilities	<u>1,205,943</u>	<u>429,327</u>	<u>1,635,270</u>
<u>FUND BALANCES</u>			
Unreserved: Undesignated, reported in			
Debt service		(28,971)	(28,971)
Special revenue		1,011,324	1,011,324
Capital projects		(29,935)	(29,935)
General	1,999,625	99,798	2,099,423
	<u>1,999,625</u>	<u>99,798</u>	<u>2,099,423</u>
Total Fund Balances	<u>1,999,625</u>	<u>1,052,216</u>	<u>3,051,841</u>
Total Liabilities and Fund Balances	<u>\$ 3,205,568</u>	<u>1,481,543</u>	<u>4,687,111</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, 2006

Fund Balances - total governmental funds		\$ 3,051,841
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	83,753,619	
Less accumulated depreciation	<u>(37,907,494)</u>	45,846,125
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(7,844,833)
Accrual of court fine revenues to qualify as financial resources		
		<u>40,457</u>
Net Assets of Governmental Activities		<u><u>\$ 41,093,590</u></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, 2006

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property taxes	\$ 6,465,431	238,197	6,703,628
Licenses and permits	511,706		511,706
Intergovernmental revenues	9,451,534	2,407,389	11,858,923
Charges for governmental services	1,849,365	131,936	1,981,301
Fines and forfeits	335,242		335,242
Interest income	104,939	28,546	133,485
Other revenues	393,261	38,631	431,892
Total Revenues	<u>19,111,478</u>	<u>2,844,699</u>	<u>21,956,177</u>
<u>EXPENDITURES</u>			
Current:			
General government	1,960,939		1,960,939
Public safety	8,588,850	32,788	8,621,638
Public works	3,569,376	117,038	3,686,414
Cemetery	149,898		149,898
Culture and recreation	203,713		203,713
Conservation, Urban and Economic Development	959,039	1,192,672	2,151,711
Intergovernmental-garage	380,826		380,826
Agency appropriations	1,060,828		1,060,828
Debt service:			
Principal		230,000	230,000
Interest		110,593	110,593
Capital outlay		876,794	876,794
Total Expenditures	<u>16,873,469</u>	<u>2,559,885</u>	<u>19,433,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,238,009</u>	<u>284,814</u>	<u>2,522,823</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Capital loan payments	(781,783)	(51,611)	(833,394)
Transfers from other departments	1,367,785	391,546	1,759,331
Transfers to other departments	(1,240,363)	(518,968)	(1,759,331)
Net other financing sources (uses)	<u>(654,361)</u>	<u>(179,033)</u>	<u>(833,394)</u>
Net change in fund balances	1,583,648	105,781	1,689,429
Fund balances, October 1, 2005	<u>415,977</u>	<u>946,435</u>	<u>1,362,412</u>
Fund balances, September 30, 2006	<u>\$ 1,999,625</u>	<u>1,052,216</u>	<u>3,051,841</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, 2006

Net change in Fund Balances - total governmental funds \$ 1,689,429

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	1,263,974	
Less current year depreciation	<u>(2,388,741)</u>	(1,124,767)

Court fine revenues qualified as financial resources and recognized in prior years.		(107,048)
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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	(1,086,895)	
Principal payments	<u>826,214</u>	(260,681)

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 absence		<u>(8,637)</u>
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Change in Net Assets of Governmental Funds		<u><u>\$ 188,296</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, 2006

	<u>June 30, 2006</u>	<u>September 30, 2006</u>		<u>Total</u>
	<u>Light</u>	<u>Water</u>	<u>Unemployment</u>	<u>Enterprise</u>
	<u>Department</u>	<u>Department</u>		<u>Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 9,541,504	943,197	38,967	10,523,668
Receivables, net	4,754,370	705,005		5,459,375
Inventory	481,108	143,387		624,495
Prepaid expense	262,507	139,136		401,643
Total current assets	<u>15,039,489</u>	<u>1,930,725</u>	<u>38,967</u>	<u>17,009,181</u>
Non-current assets:				
Restricted investments	-	3,643,119		3,643,119
Capital assets:				
Fixed assets, net of depreciation	8,714,311	61,271,340		69,985,651
Other assets	396,041	983,528		1,379,569
Total non-current assets	<u>9,110,352</u>	<u>65,897,987</u>	<u>-</u>	<u>75,008,339</u>
Total Assets	<u>24,149,841</u>	<u>67,828,712</u>	<u>38,967</u>	<u>92,017,520</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	6,303,188	429,371		6,732,559
Customer deposits	1,546,770	201,756		1,748,526
Interest payable	-	281,986		281,986
Bonds, notes and loans payable	-	1,970,285		1,970,285
Total current liabilities	<u>7,849,958</u>	<u>2,883,398</u>	<u>-</u>	<u>10,733,356</u>
Non-current liabilities:				
Bonds, notes and loans payable		29,442,218		29,442,218
Deferred credits	8,611	1,049,148		1,057,759
Total non-current liabilities	<u>8,611</u>	<u>30,491,366</u>	<u>-</u>	<u>30,499,977</u>
Total Liabilities	<u>7,858,569</u>	<u>33,374,764</u>	<u>-</u>	<u>41,233,333</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	8,714,311	29,858,836		38,573,147
Restricted for debt service		-		-
Unrestricted	7,576,961	4,595,112	38,967	12,211,040
Total Net Assets	<u>\$ 16,291,272</u>	<u>34,453,948</u>	<u>38,967</u>	<u>50,784,187</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, 2006

	<u>June 30, 2006</u>	<u>September 30, 2006</u>		<u>Total Enterprise Funds</u>
	<u>Light Department</u>	<u>Water Department</u>	<u>Unemployment</u>	
<u>OPERATING REVENUES</u>				
Charges for services	\$ 34,976,654	7,583,679		42,560,333
Total operating revenues	<u>34,976,654</u>	<u>7,583,679</u>	<u>-</u>	<u>42,560,333</u>
<u>OPERATING EXPENSES</u>				
Purchased power	28,563,621			28,563,621
Distribution expense	283,058			283,058
Maintenance expense	944,094	743,843		1,687,937
Water treatment		663,762		663,762
Wastewater treatment		1,184,887		1,184,887
Administrative and general	2,744,300	1,269,773		4,014,073
Depreciation	1,512,557	2,301,648		3,814,205
Total operating expenses	<u>34,047,630</u>	<u>6,163,913</u>	<u>-</u>	<u>40,211,543</u>
Operating income (loss)	<u>929,024</u>	<u>1,419,766</u>	<u>-</u>	<u>2,348,790</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest and investment income	263,258	145,303		408,561
Other revenue	25,672	52,859		78,531
Interest expense	(2,289)	(1,388,387)		(1,390,676)
Other expenses	(3,299)	(83,523)		(86,822)
Total non-operating revenues (expenses)	<u>283,342</u>	<u>(1,273,748)</u>	<u>-</u>	<u>(990,406)</u>
Income (loss) before contributions	<u>1,212,366</u>	<u>146,018</u>	<u>-</u>	<u>1,358,384</u>
Capital contributions	-	474,076	-	474,076
Change in net assets	1,212,366	620,094	-	1,832,460
Amortization of grants	-	(474,076)	-	(474,076)
Total net assets, beginning	<u>15,078,906</u>	<u>34,307,930</u>	<u>38,967</u>	<u>49,425,803</u>
Total net assets, ending	<u>\$ 16,291,272</u>	<u>34,453,948</u>	<u>38,967</u>	<u>50,784,187</u>

See accompanying notes to basic financial statements.

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>June 30, 2006</u>	<u>September 30, 2006</u>		
	<u>Light Department</u>	<u>Water Department</u>	<u>Unemployment</u>	<u>Total Enterprise Funds</u>
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 34,263,252	7,543,969	-	41,807,221
Cash paid to employees	(2,094,490)	(1,429,366)	-	(3,523,856)
Cash paid to suppliers	(28,259,296)	(2,419,259)	-	(30,678,555)
Cash paid to City	(1,249,443)	-	-	(1,249,443)
Net Cash Flows from Operating Activities	<u>2,660,023</u>	<u>3,695,344</u>	<u>-</u>	<u>6,355,367</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Customer conservation and TVA loan activity	(5,641)	-	-	(5,641)
Net Cash Flows from Noncapital Financing Activities	<u>(5,641)</u>	<u>-</u>	<u>-</u>	<u>(5,641)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Payment of debt	-	(1,885,450)	-	(1,885,450)
Payment of interest	-	(1,404,291)	-	(1,404,291)
Purchase of capital assets	(409,181)	(99,149)	-	(508,330)
Other receipts (payments)	22,373	26,501	-	48,874
Net Cash Flows from Capital and Related Financing Activities	<u>(386,808)</u>	<u>(3,362,389)</u>	<u>-</u>	<u>(3,749,197)</u>
<u>Cash Flows from Investing Activities</u>				
Proceeds from long-term receivable	-	21,882	-	21,882
Receipt of interest	(132,783)	60,237	-	(72,546)
Net Cash Flows from Investing Activities	<u>(132,783)</u>	<u>82,119</u>	<u>-</u>	<u>(50,664)</u>
Net Change in Cash	2,134,791	415,074	-	2,549,865
Cash and Cash Equivalents, October 1, 2005	7,406,713	528,123	38,967	7,973,803
Cash and Cash Equivalents, September 30, 2006	<u>\$ 9,541,504</u>	<u>943,197</u>	<u>38,967</u>	<u>10,523,668</u>
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>				
Operating Income (Loss)	\$ 929,024	1,419,766	-	2,348,790
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation & amortization	1,512,557	2,350,686	-	3,863,243
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(956,854)	(92,569)	-	(1,049,423)
(Increase) decrease in inventory	25,025	(5,853)	-	19,172
(Increase) decrease in prepaid expenses	(4,002)	7,529	-	3,527
Increase (decrease) in payables	1,186,692	15,785	-	1,202,477
Increase (decrease) in accrued liabilities	(109,209)	-	-	(109,209)
Increase (decrease) in customer deposits	87,536	-	-	87,536
Increase (decrease) in other liabilities	(10,746)	-	-	(10,746)
Total adjustments	<u>1,730,999</u>	<u>2,275,578</u>	<u>-</u>	<u>4,006,577</u>
Net cash provided (used) by operating activities	<u>\$ 2,660,023</u>	<u>3,695,344</u>	<u>-</u>	<u>6,355,367</u>

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2006**

	Employee Benefit Trust Fund	Private- Purpose Trust	Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,383	\$ 568,376	\$ 189,216
Receivables (net)	12,205	-	-
Due from other funds	-	11,753	-
	<hr/>	<hr/>	<hr/>
Total Assets	26,588	580,129	189,216
<u>LIABILITIES</u>			
Accounts payable	14,738	-	177,409
Due to other funds	-	33,249	11,807
Other liabilities	-	53,662	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	14,738	86,911	\$ 189,216
<u>NET ASSETS</u>			
Held in trust for unemployment benefits	<u>\$ 11,850</u>	<u>\$ 493,218</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, 2006

	Employee Benefit Trust Fund	Private- Purpose Trust
ADDITIONS		
Collections		
Property taxes	\$ 1,213,919	\$ -
Other	-	19,845
Total collections	1,213,919	19,845
Interest	-	4
Total Additions	1,213,919	19,849
DEDUCTIONS		
Payments to other governments	1,215,389	-
Tax redemptions	-	-
Transfers	-	4
Other charges and fees	-	-
Total Deductions	1,215,389	4
Change in Net Assets	(1,470)	19,845
Net Assets, October 1, 2005	13,320	473,373
Net Assets, September 30, 2006	\$ 11,850	\$ 493,218

See accompanying notes to basic financial statements.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Columbus, Mississippi's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has elected to implement the general provisions of the Statement in the current year and to retroactively report infrastructure (assets acquired prior to October 1, 2003) in the fiscal year ending September 30, 2004.

A. 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

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The following entities are omitted from the City's financial statements because they do not meet the criteria above:

- City of Columbus Separate School District
- Columbus/Lowndes Recreation Authority
- Columbus/Lowndes County Library
- Columbus/Lowndes County Convention and Visitors Bureau
- Golden Triangle Regional Airport
- Golden Triangle Regional Solid Waste Management Authority, Inc.

B. 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 and unemployment fund 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.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

C. 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.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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:

- 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.
- b. **Unemployment compensation funds** are used to account for the self-funded unemployment claims.

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.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

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.

E. 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.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets:

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed.

4. 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 requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

5. 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.

6. Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. 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.

8. Basis of Budgeting:

The City prepares its governmental fund type budgets in accordance with state statutes, which require the cash basis of accounting for revenues. Expenditures are budgeted and reported on the modified accrual basis of accounting. For purposes of budgetary comparisons in the financial statements, the City has elected to compare GAAP basis revenue to budget. This presentation provides a reasonable basis of comparison because the difference in beginning and ending receivables is immaterial.

9. 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:

Fully-funded GAP insurance	\$ 0 - \$ 2,500
Self-funded claims	\$ 2,500 - \$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 our results of operations and financial condition.

10. 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.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Deficit Fund Net Assets:

Deficits related to the primary government not visible in the basic financial statements are as follows:

SWAT Fund	\$ 153
Citizens Corp Grant Fund	3,247
5 th Street Project Fund	1,514
Col Home SEC Grant Fund	696
Homeland Security Fund (209)	7,691
MDOT Summer Fund	32,357
22 nd /4 th Avenue Fund	29,935
SP Assets Bond Fund	28,971

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 \$3,070,187 on September 30, 2006, and the bank balance was \$4,004,825.

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

**CITY OF COLUMBUS, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 3: INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivables and payables at September 30, 2006, are:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 114,171	11,753
Debt Service	-	35,801
Special Revenue	-	33,314
Fiduciary Fund	11,753	45,056
	<u>\$ 125,924</u>	<u>125,924</u>

CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance 9-30-05	Additions	Retirements	Completed Construction	Adjustments	Balance 9-30-06
Governmental Activities						
<i>Non-depreciable capital assets</i>						
Land	\$ 5,770,246	-	-	-	-	5,770,246
Construction in progress	1,688,471	37,821	-	(1,730,715)	42,244	37,821
Total non-depreciable capital assets	7,458,717	37,821	-	(1,730,715)	42,244	5,808,067
<i>Depreciable capital assets</i>						
Buildings	18,786,018	-	(247,680)	62,947	-	18,601,285
Equipment	7,530,952	725,357	(209,753)	77,641	116,481	8,240,678
Infrastructure	49,054,910	500,796	-	1,547,883	-	51,103,589
Total depreciable capital assets	75,371,880	1,226,153	(457,433)	1,688,471	116,481	77,945,552
<i>Less accumulated depreciation for:</i>						
Buildings	3,727,000	374,969	(89,165)	-	-	4,012,804
Equipment	4,996,174	639,735	(120,242)	-	-	5,515,667
Infrastructure	27,004,986	1,374,037	-	-	-	28,379,023
Total accumulated depreciation	35,728,160	2,388,741	(209,407)	-	-	37,907,494
Total depreciable capital assets, net	39,643,720	(1,162,588)	(248,026)	1,688,471	116,481	40,038,058
Governmental activities capital assets, net	47,102,437	(1,124,767)	(248,026)	(42,244)	158,725	45,846,125
Business-Type Activities						
<i>Non-depreciable capital assets</i>						
Land	\$ 213,002	-	-	-	-	213,002
Construction in progress	299,946	12,857	-	(208,714)	-	104,089
Total non-depreciable capital assets	512,948	12,857	-	(208,714)	-	317,091
<i>Depreciable capital assets</i>						
Wastewater treatment plant	13,044,529	970	(2,283)	-	-	13,043,216
Utility plant in service	83,441,148	85,322	-	-	-	83,526,470
Distribution plant	21,848,510	216,281	(920,158)	208,714	-	21,353,347
General plant	3,694,398	70,723	-	-	-	3,765,121
Total depreciable capital assets	122,028,585	373,296	(922,441)	208,714	-	121,688,154
<i>Less accumulated depreciation for:</i>						
All plant property	49,200,969	2,820,908	(2,283)	-	-	52,019,594
Total accumulated depreciation	49,200,969	2,820,908	(2,283)	-	-	52,019,594
Total depreciable capital assets, net	72,827,616	(2,447,612)	(920,158)	208,714	-	69,668,560
Business-type activities capital assets, net	\$ 73,340,564	(2,434,755)	(920,158)	-	-	69,985,651

CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

	Amount
Governmental Activities:	
General Government	\$ 15,247
Public Safety	524,301
Public Works	1,590,141
Culture and Recreation	112,031
Conservation, Urban and Economic Development	140,544
Intergovernmental Garage	6,077
Total Depreciation Expense - Governmental Activities	\$ 2,388,741
Business-Type Activities:	
Electric Division	\$ 1,512,557
Water Division	2,301,648
Total Depreciation Expense - Business-Type Activities	\$ 3,814,205

Adjustments were made to fixed assets in order to correct actual balances.

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2006, was as follows:

	Balance		Additions		Reductions		Balance	Amount Due
	9/30/05		9/30/06	Within One		Year		
Governmental Activities								
General obligation bonds								
Auditorium Improvement, 1986	\$ 105,000	-	105,000	-	-	-	-	-
Police and Municipal Court Improvement, 2000	2,205,000	-	85,000	-	2,120,000	-	100,000	-
Special assessment bonds payable								
Public Improvement Series, 1996A	1,340,000	-	90,000	-	1,250,000	-	95,000	-
Public Improvement Series, 1996B	545,000	-	35,000	-	510,000	-	40,000	-
Notes payable								
Dixie Land and Water Company	300,000	-	100,000	-	200,000	-	100,000	-
Lowndes County	-	547,482	50,000	-	497,482	-	120,000	-
Bankfirst	-	159,025	51,078	-	107,947	-	52,988	-
Light & Water	-	29,872	-	-	29,872	-	7,468	-
First Continental Lease	-	100,000	18,506	-	81,494	-	32,759	-
Amsouth Bank Lease	274,322	-	40,124	-	234,198	-	41,960	-
First Continental Lease	14,760	-	9,740	-	5,020	-	5,020	-
Mississippi Development Authority, 1997	582,272	-	60,872	-	521,400	-	66,541	-
Mississippi Development Authority, 1998	434,310	-	35,512	-	398,798	-	40,553	-
Mississippi Development Authority, 1999	93,324	-	7,521	-	85,803	-	8,595	-
Mississippi Development Bank	1,387,655	250,516	137,861	-	1,500,310	-	124,857	-
Compensated absences	430,872	8,637	-	-	439,509	-	137,000	-
Total	\$ 7,712,515	1,095,532	826,214	-	7,981,833	-	972,741	-

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

	<u>Balance 9/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/06</u>	<u>Amount Due Within One Year</u>
Business-type Activities					
Bonds and notes payable					
Water Division, Revenue Bonds:					
1994 Series Revenue Bonds	\$ 5,865,000	-	275,000	5,590,000	290,000
1998 Series Revenue Bonds	13,215,000	-	825,000	12,390,000	865,000
Total Water Division, Revenue Bonds	<u>19,080,000</u>	<u>-</u>	<u>1,100,000</u>	<u>17,980,000</u>	<u>1,155,000</u>
Water Division, Other Long-term Debt					
Environmental Quality Revolving Loans	13,024,722	-	714,647	12,310,075	742,305
Department of Health Revolving Loans	1,023,039	-	58,647	964,392	60,824
Department of Economic and Community	170,192	-	12,156	158,036	12,156
Total Water Division, Other Long-term Debt	<u>14,217,953</u>	<u>-</u>	<u>785,450</u>	<u>13,432,503</u>	<u>815,285</u>
Total Business-type Activities Bonds and notes payable	<u>\$ 33,297,953</u>		<u>1,885,450</u>	<u>31,412,503</u>	<u>1,970,285</u>

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

The outstanding issues of General Obligation Bonds are due in annual installments ranging from \$80,000 to \$195,000 each through various dates, the last of which is the year 2020. Interest rates range from 5% to 10%.

The outstanding issues of special assessment bonds are due in annual installments ranging from \$60,000 to \$160,000 each through various dates, the last of which is the year 2016. Interest rates range from 4.8% to 6.5%.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 6: 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 7.28 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, 2006, 2005, and 2004, were \$1,215,388, \$1,164,291, and \$936,056, 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 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.3% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2006, 2005, and 2004 were \$851,763, \$866,598, and \$832,569, respectively, which equaled the required contributions for each year.

NOTE 7: 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:

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 7: JOINT VENTURES AND OTHER (CONTINUED)

- I. Name: Columbus/Lowndes Recreation Authority
Purpose: To provide recreation to Columbus and Lowndes County
Government: A commission made up of five members appointed by the Mayor and City Council (2) and Lowndes County Board of Supervisors (2) and one member jointly approved by the Mayor and President of the Board of Supervisors.
Financing: Taxes levied by both the City and County and certain fees.
Degree of Control
Over Budgeting and
Financing: A budget must be submitted and approved by both the City Council and Board of Supervisors.

- II. Name: Columbus/Lowndes County Library
Purpose: To operate a public library
Government: A board made up of ten members appointed by the Mayor and City Council (5) and the Lowndes County Board of Supervisors (5).
Financing: Taxes levied by both the City and County.
Degree of Control
Over Budgeting and
Financing: A budget is submitted to the City Council and Board of Supervisors for review and approval. After reviewing the budget the governing bodies advise the Library Board how much they will provide for the operation of the Library.

- III. Name: Columbus/Lowndes County Convention and Visitors Bureau
Purpose: To promote tourism within the City and County.
Government: A board made up of seven members appointed by the Mayor and City Council (3); the Board of Supervisors for Lowndes County (3); and the Executive Director of the Columbus/Lowndes Chamber of Commerce shall be the other member.
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. The bureau will submit a budget to request funding from this special tax.
Degree of Control
Over Budgeting and
Financing: A budget is submitted to both the City Council and Board of Supervisors for review. After reviewing the budgets, the necessary funding is made from special restaurant and lounge sales tax.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 7: JOINT VENTURES AND OTHER (CONTINUED)

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

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

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

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

The County contributes to the operation of a sanitary landfill operation, which the City operates. 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 8: 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 9: 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 were made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

**CITY OF COLUMBUS, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

NOTE 10: 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBUS, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
Budgetary fund balance, October 1	\$ 800,000	-	800,000	415,977	(384,023)
<u>RESOURCES (INFLOWS):</u>					
Property taxes	6,316,000	81,800	6,397,800	6,465,431	67,631
Licenses and permits	483,230	(2,430)	480,800	511,706	30,906
Intergovernmental revenues	8,813,000	(90,300)	8,722,700	9,451,534	728,834
Charges for governmental services	1,788,790	25,600	1,814,390	1,849,365	34,975
Fines and forfeits	425,000	(35,000)	390,000	335,242	(54,758)
Interest income	15,000	65,800	80,800	104,939	24,139
Other revenues	422,700	140,900	563,600	520,683	(42,917)
Amount available for appropriation	<u>19,063,720</u>	<u>186,370</u>	<u>19,250,090</u>	<u>19,654,877</u>	<u>404,787</u>
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS):</u>					
General government	1,497,772	475,264	1,973,036	1,960,939	12,097
Public safety	9,083,374	(437,974)	8,645,400	8,588,850	56,550
Public works	3,948,308	(247,108)	3,701,200	3,569,376	131,824
Cemetery	83,800	86,950	170,750	149,898	20,852
Culture and recreation	211,799	(7,649)	204,150	203,713	437
Conservation, Urban and Economic Development	1,017,329	(15,529)	1,001,800	959,039	42,761
Intergovernmental-garage	375,486	5,014	380,500	380,826	(326)
Agency appropriations	1,059,064	-	1,059,064	1,060,828	(1,764)
Debt service	737,456	120,700	858,156	781,783	76,373
Capital outlay	-	-	-	-	-
Total Expenditures	<u>18,014,388</u>	<u>(20,332)</u>	<u>17,994,056</u>	<u>17,655,252</u>	<u>338,804</u>
Budgetary fund balance, September 30	<u>\$ 1,049,332</u>	<u>206,702</u>	<u>1,256,034</u>	<u>1,999,625</u>	<u>743,591</u>

OTHER SUPPLEMENTAL INFORMATION

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF BONDED INDEBTEDNESS
SEPTEMBER 30, 2006**

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/05</u>	<u>Transactions</u>		<u>Balance 9/30/06</u>
				<u>Issued</u>	<u>Redeemed</u>	
General Obligation Bonds						
Governmental Activities:						
Auditorium Improvement, 1986	5/1/2006	7.00	\$ 105,000		105,000	-
Total			<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Police and Municipal Court Improvement, 2000	12/1/2005	6.70	85,000		85,000	-
	12/1/2006	6.70	100,000			100,000
	12/1/2007	6.70	100,000			100,000
	12/1/2008	6.00	100,000			100,000
	12/1/2009	6.00	110,000			110,000
	12/1/2010	6.00	115,000			115,000
	Thereafter		1,595,000			1,595,000
Total			<u>2,205,000</u>	<u>-</u>	<u>85,000</u>	<u>2,120,000</u>
Public Improvement Series, 1996A	9/1/2006	4.80	90,000		90,000	-
	9/1/2007	4.90	95,000			95,000
	9/1/2008	5.00	100,000			100,000
	9/1/2009	5.10	105,000			105,000
	9/1/2010	5.20	115,000			115,000
	9/2/2011	5.20	120,000			120,000
	Thereafter		715,000			715,000
Total			<u>1,340,000</u>	<u>-</u>	<u>90,000</u>	<u>1,250,000</u>
Public Improvement Series, 1996B	9/1/2006	4.75	35,000		35,000	-
	9/1/2007	4.80	40,000			40,000
	9/1/2008	4.90	40,000			40,000
	9/1/2009	5.00	45,000			45,000
	9/1/2010	5.10	45,000			45,000
	9/1/2011	5.10	50,000			50,000
Total	Thereafter		<u>290,000</u>			<u>290,000</u>
			<u>545,000</u>	<u>-</u>	<u>35,000</u>	<u>510,000</u>
Total General Obligation Bond Liability, Governmental Activities			<u>\$4,195,000</u>	<u>-</u>	<u>315,000</u>	<u>3,880,000</u>

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES
SEPTEMBER 30, 2006**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2005</u>	<u>Transactions</u>		<u>Balance 9/30/2006</u>
				<u>Issued</u>	<u>Redeemed</u>	
Notes Payable						
Governmental Activities:						
Dixie Land and Water Company	11/1/2005		\$ 100,000		100,000	-
	11/1/2006		100,000			100,000
	11/1/2007		100,000			100,000
Total			<u>300,000</u>	<u>-</u>	<u>100,000</u>	<u>200,000</u>
Amsouth Bank Lease						
	FY06	4.49%	40,124		40,124	-
	FY07	4.49%	41,960			41,960
	FY08	4.49%	43,882			43,882
	FY09	4.49%	45,890			45,890
	FY10	4.49%	47,994			47,994
	FY11	4.49%	50,187			50,187
	Thereafter		4,285			4,285
Total			<u>274,322</u>	<u>-</u>	<u>40,124</u>	<u>234,198</u>
First Continental Lease						
	FY06	3.99%	9,740		9,740	-
	FY07	3.99%	5,020			5,020
Total			<u>14,760</u>	<u>-</u>	<u>9,740</u>	<u>5,020</u>
Lowndes County						
	FY06		-	50,000	50,000	-
	FY07		-	120,000		120,000
	FY08		-	168,000		168,000
	FY09		-	209,482		209,482
			<u>-</u>	<u>547,482</u>	<u>50,000</u>	<u>497,482</u>
BankFirst						
	FY06		-	51,078	51,078	-
	FY07		-	52,988		52,988
	FY08		-	54,959		54,959
			<u>-</u>	<u>159,025</u>	<u>51,078</u>	<u>107,947</u>
Light & Water						
	FY07		-	7,468		7,468
	FY08		-	7,468		7,468
	FY09		-	7,468		7,468
	FY10		-	7,468		7,468
			<u>-</u>	<u>29,872</u>	<u>-</u>	<u>29,872</u>
First Continental Leasing						
	FY06		-	18,506	18,506	-
	FY07		-	32,759		32,759
	FY08		-	34,110		34,110
	FY09		-	14,625		14,625
			<u>-</u>	<u>100,000</u>	<u>18,506</u>	<u>81,494</u>

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES (CONTINUED)
SEPTEMBER 30, 2006**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2005</u>	<u>Transactions</u>		<u>Balance 9/30/2006</u>
				<u>Issued</u>	<u>Redeemed</u>	
Mississippi Development Authority, 1997						
	FY06	4.25%	62,792		62,792	-
	FY07	4.25%	66,541			66,541
	FY08	4.25%	69,425			69,425
	FY09	4.25%	72,432			72,432
	FY10	4.25%	76,377			76,377
	FY11	4.25%	79,690			79,690
	Thereafter		155,015		(1,920)	156,935
Total			582,272	-	60,872	521,400
Mississippi Development Authority, 1998						
	FY06	4.95%	37,069		37,069	-
	FY07	4.95%	40,553			40,553
	FY08	4.95%	42,608			42,608
	FY09	4.95%	44,788			44,788
	FY10	4.95%	47,036			47,036
	FY11	4.95%	49,421			49,421
	Thereafter		172,835		(1,557)	174,392
Total			434,310	-	35,512	398,798
Mississippi Development Authority, 1999						
	FY06	4.65%	7,869		7,869	-
	FY07	4.65%	8,595			8,595
	FY08	4.65%	9,003			9,003
	FY09	4.65%	9,431			9,431
	FY10	4.65%	9,879			9,879
	FY11	4.65%	10,348			10,348
	Thereafter		38,199		(348)	38,547
Total			93,324	-	7,521	85,803
Mississippi Development Bank						
	FY06	2.28%	124,857	13,004	137,861	-
	FY07	2.28%	124,857			124,857
	FY08	2.28%	124,857			124,857
	FY09	2.28%	124,857			124,857
	FY10	2.28%	124,857			124,857
	FY11	2.28%	124,857			124,857
	Thereafter		638,513	237,512		876,025
Total			1,387,655	250,516	137,861	1,500,310
Total Notes Payable, Governmental Activities			\$ 3,086,643	1,086,895	511,214	3,662,324

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF BONDS AND NOTES PAYABLE
SEPTEMBER 30, 2006**

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/05</u>	<u>Transactions</u>		<u>Balance 9/30/06</u>
				<u>Issued</u>	<u>Redeemed</u>	
Business-type Activities						
Water Division:						
Revenue Bonds						
	2006	~5-7%	\$ 1,100,000		1,100,000	-
	2007	~5-7%	1,155,000			1,155,000
	2008	~5-7%	1,215,000			1,215,000
	2009	~5-7%	1,280,000			1,280,000
	2010	~5-7%	1,345,000			1,345,000
	2011	~5-7%	1,415,000			1,415,000
	2012-2020	~5-7%	11,570,000			11,570,000
Total			<u>19,080,000</u>	<u>-</u>	<u>1,100,000</u>	<u>17,980,000</u>
Other Long-term Debt						
	2006	3-4.5%	785,450		785,450	-
	2007	3-4.5%	815,285			815,285
	2008	3-4.5%	846,349			846,349
	2009	3-4.5%	878,691			878,691
	2010	3-4.5%	912,371			912,371
	2011	3-4.5%	944,781			944,781
	2010-2020	3-4.5%	9,035,026			9,035,026
Total			<u>14,217,953</u>	<u>-</u>	<u>785,450</u>	<u>13,432,503</u>
Total Bonds and Notes Payable, Governmental Activities			<u>\$ 33,297,953</u>	<u>-</u>	<u>1,885,450</u>	<u>31,412,503</u>

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Barbara Evans	Secretary-Treasurer	Western Surety Company (Municipal Clerk)	\$100,000
J.D. Sanders	Chief of Police	Western Surety Company	\$ 50,000
All departments under jurisdiction of Mayor and City Council	Blanket Bond All Employees	Clyde C. Scott Insurance Company	\$100,000
Proprietary Fund – Water Department	Blanket Bond Covering All Employees	State Auto Property and Insurance Company	\$ 50,000
Water Department	Employee Dishonesty Bond Covering Robert Grondin, Comptroller	Western Surety Company	\$ 50,000

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<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 Health and Human Services:</u>		
Passed-through Federal-State Programs:		
Homeland Security Grant Program	97.067	\$ 797,903
State Domestic Preparedness Equipment Support Program	97.004	<u>69,865</u>
Total U.S. Department of Health and Human Services		<u>867,768</u>
<u>U. S. Department of Housing and Urban Development:</u>		
Passed-through Federal -State Programs:		
CDBG Small Cities Program	14.219	<u>37,473</u>
Total U.S. Department of Housing and Urban Development		<u>37,473</u>
<u>U. S. Department of Justice</u>		
Passed-through Federal -State Programs:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>16,058</u>
Total U.S. Department of Justice		<u>16,058</u>
<u>Federal Emergency Management Agency:</u>		
Direct Programs:		
Public Assistance Grant	97.036	<u>177,399</u>
Total Federal Emergency Management Agency		<u>177,399</u>
<u>Mississippi Department of Transportation</u>		
Passed-through Federal-State Programs:		
Highway Planning and Construction	20.205	<u>25,000</u>
Total Mississippi Department of Transportation		<u>25,000</u>
<u>Total Expenditures of Federal Awards</u>		<u>\$ 1,123,698</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.
- (2) The revenue and expenditure amounts include transfers in and out, respectively.

**INDEPENDENT AUDITORS' 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***



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 Certified Public Accountants

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**INDEPENDENT AUDITORS' 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, 2006, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated April 25, 2007. 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

In planning and performing our audit, we considered the City of Columbus, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Columbus, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-01 and 06-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reporting conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance

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. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of City of Columbus, Mississippi in a separate letter dated April 25, 2007.

This report is intended solely for the information and use of 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
April 25, 2007

Watkins, Ward and Stafford, PLLC

**INDEPENDENT AUDITORS' 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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**INDEPENDENT AUDITORS' 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, 2006. City of Columbus, Mississippi's major federal programs are identified in the summary of auditors' 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, 2006.

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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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
April 25, 2007

Watkins, Ward and Stafford, PLLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
 WITH STATE LAWS AND REGULATIONS**

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

We have audited the financial statements of governmental activities, the 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, 2006, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated April 25, 2007. 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.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed the following immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

CURRENT YEAR FINDINGS:

1. Finding:

It was determined that in several incidences, the minutes of the council meetings were not signed by the mayor or the majority of the council within 22 days of that meeting (Section 21-15-33).

Recommendations:

It is recommended that the City place a higher emphasis on the timely preparation and signing of the minutes as required by state law.

Management Response:

The City will address this finding and it will be corrected accordingly.

2. Finding:

No documentation was found regarding the compliance with the state nepotism law (Section 25-1-53).

Recommendations:

The City should develop its nepotism policy in accordance with state law and include this policy in the employee policy handbook or manual.

Management Response:

The City will address this finding and it will be corrected accordingly.

3. Finding:

The Secretary-Treasurer does not submit to the council a monthly report of the unexpended balance of expenditures against each budget item (Section 21-35-13).

Recommendations:

The City should incorporate the disclosure of the unexpended balances with the monthly financial information currently provided to the council.

Management Response:

The City will address this finding and it will be corrected accordingly.

Other than the findings mentioned above, 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 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
April 25, 2007

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, 2006**

Section 1: Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Columbus, Mississippi.
2. Two reportable conditions were reported during the audit of the financial statements with one of these classified as a material weakness. This is reported in the Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. The audit did disclose a noncompliance which is material to the financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. The audit did not disclose any reportable conditions over major programs.
6. The auditors' report on compliance for the major federal award programs for City of Columbus, Mississippi expresses an unqualified opinion on all major federal programs.
7. The audit did not disclose any audit findings which are required to be reported under section .510(a) of OMB Circular A-133.
8. The program tested as a major program was: Homeland Security Grant Program, CFDA #97.067.
9. The threshold for distinguishing Type A and B programs was \$300,000.
10. The City of Columbus, Mississippi did not qualify as a low-risk auditee.

**CITY OF COLUMBUS, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Section 2: Findings Relating to the Financial Statements

06-01 Finding

The City of Columbus's monthly financial statements presented to the City Council were not presented in a timely manner. Numerous subsidiary ledgers were not timely reconciled to general ledger balances, detailed fixed asset records were not maintained by the City, and beginning fund balances did not agree with the prior year ending balances.

Recommendation

The City should present monthly financial statements to the City Council in a timely manner. The City should maintain detailed fixed assets records.

Response

The City will address this finding and it will be corrected accordingly.

06-02 Finding

There appears to be a lack of separation of duties at the municipal court involving collections and deposits.

Recommendation

The City should assign various different employees the responsibilities to perform each function regarding cash collections and deposits at the municipal court.

Response

The City will address this finding and it will be corrected accordingly.

Section 3: Findings and Questioned Costs for Major Federal Award Programs

None

MANAGEMENT REPORT



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 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 David M. Howell, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 Gary C. Hamilton, 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
 Kenny Dickerson, CPA

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, 2006, which collectively comprise the City of Columbus, Mississippi's basic financial statements and have issued our report thereon dated April 25, 2007. 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:

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
April 25, 2007

Watkins, Ward and Stafford, PLLC

AUDITEE'S CORRECTIVE ACTION PLAN

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.316(b) of OMB Circular A-133, the City of Columbus, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ending September 30, 2006:

There are no applicable audit findings, and therefore, no corrective action needed.