

CITY OF McCOMB, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Selectmen
City of McComb, Mississippi

Opinions

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 the City of McComb (City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule and corresponding notes, the Schedule of Changes in Net Pension Liability and Related Ratios – PERS, Schedule of Employers Contributions – PERS, Schedule of Funding Progress – MMRS and Schedule of City's Contributions - MMRS be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the schedules required by the state of Mississippi are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the state required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bruno & Tervalon, LLP

BRUNO & TERVALON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 20, 2022

CITY OF McCOMB, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

INTRODUCTION

Our discussion and analysis of the City of McComb's (the City) financial performance provides an overview of the City's financial activities for the year ended September 30, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 16 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

- The net position of the City decreased by \$1,127,700 as a result of this year's operations (\$525,267 decrease in 2018). The decrease was realized by the City's Governmental and Business Activities.
- The City had \$25,016,630 in total revenues for fiscal year 2019. Program specific revenues related to charges for services, operating and capital grants, and contributions account for \$7,123,690 or 28.5% of total revenues. General revenues in the form of taxes, unrestricted investment earnings and other revenue account for \$17,892,940 or 71.5% of total revenues.
- The City had \$26,144,330 in total expense in fiscal year 2019. Expenses in the amount of \$7,123,690 were offset by program specific revenues in the form of charges for services, operating and capital grants, and contributions. General revenues of \$17,892,940 were not adequate to provide for the remaining expenses in the amount of \$19,023,640, which resulted in a \$1,127,700 decrease in net position from fiscal year 2019.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$4,731,103, an increase of \$851,520 from the prior year.
- The City's General Fund had \$10,755,240 in revenues and other financing sources and \$11,385,779 in expenditures and other financing uses. The General Fund's fund balance decreased \$630,539 from the prior year.
- Capital assets used in governmental activities, net of accumulated depreciation, decreased by \$1,033,600. Capital assets used in business-type activities, net of accumulated depreciation, decreased by \$2,239,001.
- Long-term debt for governmental and business-type activities decreased by \$66,479.

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2019

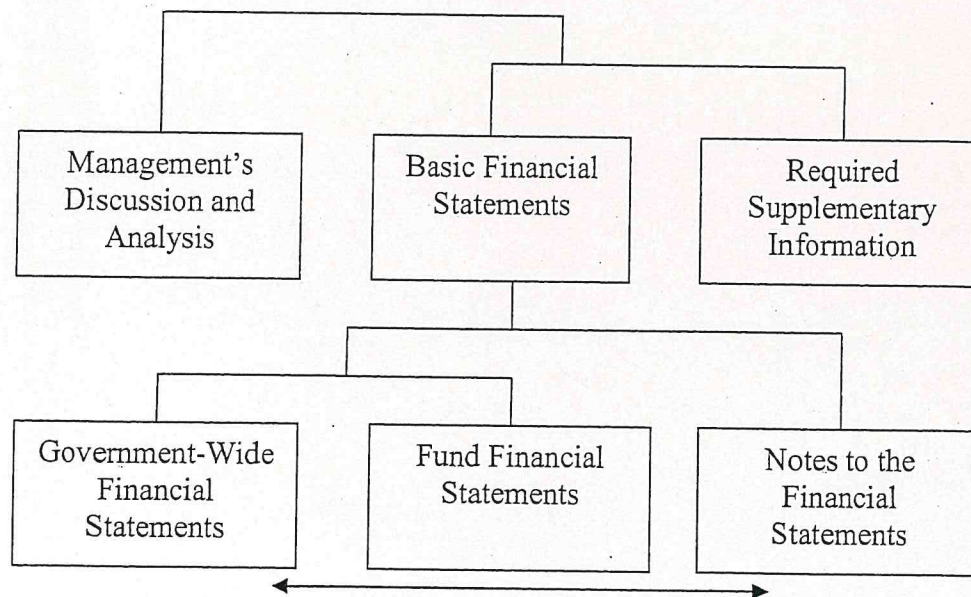
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Combining and individual nonmajor fund financial statements are included as supplemental information in addition to the basic financial statements.

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City's government covered and the types of information the financial statements contain. The remainder of this section of the Management's Discussion and Analysis explains the structure and content of each of the statements.

FIGURE 1 - REQUIRED COMPONENTS OF THE CITY'S ANNUAL REPORT



CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

FIGURE 2 - MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	GOVERNMENT- WIDE FINANCIAL STATEMENTS	<u>FUND FINANCIAL STATEMENTS</u>		
		GOVERNMENTAL <u>FUNDS</u>	PROPRIETARY <u>FUNDS</u>	FIDUCIARY <u>FUNDS</u>
Scope	Entire City Government (except fiduciary funds) and component units	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses	The City is the Trustee or agent for someone else's resources
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Obligations
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 and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short 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 and long-term	All assets and liabilities, both short and long-term
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 are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

CITY OF McCOMB, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector businesses.

The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works (roads and bridges); culture and recreation and disability and relief funding. The business-type activities of the City include the water and sewer authority and sanitation.

The Government-Wide Financial Statements can be found on pages 17 to 19 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City did not have any fiduciary funds for the year ended September 30, 2019.

Governmental Funds - are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

CITY OF McCOMB, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" both provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23.

The City maintains individual governmental funds in accordance with the Municipal Audit and Accounting Guide issued by the Mississippi Office of the State Auditor. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other nonmajor funds are combined together and presented in these reports as Nonmajor Governmental Funds. The basic governmental funds financial statements can be found on pages 20 and 22 of this report.

Proprietary Funds - are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses proprietary funds to account for the Water and Sewer Authority Fund and Sanitation Fund. Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The financial statements for the proprietary funds can be found on pages 24-27 of this report.

Notes to Financial Statements - provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 28-63 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual nonmajor fund financial statements as **Supplementary Information**. This information can be found beginning on page 71 of this report.

The City adopts an annual operating budget for all governmental funds. A **Budgetary Comparison Statement** has been provided for the General Fund. This statement is included in the **Required Supplementary Information** beginning on page 64.

Net Position - Net position may serve over time as a useful indicator of the government's financial position. In the case of the City of McComb, Mississippi, assets and deferred outflows of resources exceeded deferred inflows of resources and liabilities by \$20,009,323 as of September 30, 2019.

CITY OF McCOMB, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

The City's net position is comprised of: 1) net investment in capital assets, 2) restricted net position and 3) unrestricted net position. Net investment in capital assets (e.g., land, buildings, furniture and equipment, mobile equipment and infrastructure) represents \$31,763,287 of the City's net position as of September 30, 2019. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for further spending. Restricted net position of \$4,063,970 as of September 30, 2019 is expendable for public safety, public works, culture and recreation, capital improvements, debt service and other purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 provides a summary of the City's net position at September 30, 2019 and 2018. Prior year amounts have not been restated to reflect the effect of the prior period adjustment.

Table 1
Condensed Statements of Net Position
At September 30, 2019 and 2018

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 13,724,244	\$ 5,674,523	\$ 19,398,767	\$ 8,907,527	\$ 5,459,434	\$ 14,366,961
Capital assets	20,486,811	43,803,702	64,290,513	21,520,411	46,042,703	67,563,114
Total assets	34,211,055	49,478,225	83,689,280	30,427,938	51,502,137	81,930,075
Deferred outflows of resources:						
Deferred outflows -pensions	1,222,305	145,673	1,367,978	1,492,790	145,673	1,638,463
Liabilities:						
Current liabilities	1,329,939	2,257,958	3,587,897	1,746,874	4,281,368	6,028,242
Long-term liabilities	26,329,949	25,195,613	51,525,562	25,773,027	25,195,826	50,968,853
Total liabilities	27,659,888	27,453,571	55,113,459	27,519,901	29,477,194	56,997,095
Deferred inflows of resources:						
Deferred property taxes & other	8,742,166	-	8,742,166	3,800,573	-	3,800,573
Deferred inflows related to pension	1,192,310	-	1,192,310	1,486,065	147,782	1,633,847
Total deferred inflow of resources	9,934,476	-	9,934,476	5,286,638	147,782	5,434,420

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2019

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Net Position:						
Net investment in capital assets	\$ 10,414,203	\$ 20,162,316	\$ 30,576,519	\$ 12,707,768	\$ 20,544,489	\$ 33,252,257
Restricted	3,051,279	4,063,970	7,115,249	1,589,125	2,691,360	4,280,485
Unrestricted	<u>(15,626,486)</u>	<u>(2,055,959)</u>	<u>(17,682,445)</u>	<u>(15,182,704)</u>	<u>(1,213,015)</u>	<u>(16,395,719)</u>
	<u>\$ (2,161,004)</u>	<u>\$ 22,170,327</u>	<u>\$ 20,009,323</u>	<u>\$ (885,811)</u>	<u>\$ 22,022,834</u>	<u>\$ 21,137,023</u>

In connection with the implementation of recent standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (14,710,212)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71	<u>18,971,235</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,746,794</u>

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF McCOMB, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

The Changes in Net Position for the years ended September 30, 2019 and 2018 are summarized in Table 2.

Table 2
Condensed Statements of Changes in Net Position
For the Years Ended September 30, 2019 and 2018

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues:						
Program Revenue:						
Charges for services	\$ 406,465	\$ 6,679,717	\$ 7,086,182	\$ 244,783	\$ 6,676,707	\$ 6,921,490
Operating grants and contributions	37,508	-	37,508	245,841	-	245,841
Capital grants and contributions	-	-	-	987,961	143,986	1,131,947
General Revenue:						
Property taxes	3,958,515	-	c 3,958,515	4,036,375	-	4,036,375
Sales taxes	5,885,787	-	5,885,787	6,033,659	-	6,033,659
Intergovernmental revenue	1,513,438	4,734,265	6,247,703	645,240	-	645,240
Franchise taxes	529,401	-	529,401	527,039	-	527,039
Licenses and permits	114,390	-	114,390	92,830	-	92,830
Unrestricted investment earnings	119,629	59,691	179,320	65,308	45,742	111,050
Fines and forfeitures	208,564	-	208,564	161,599	-	161,599
Interfund charges	-	-	-	212,075	(212,075)	-
Insurance proceeds	-	-	-	18,376	-	18,376
Other	761,343	7,917	769,260	478,958	-	478,958
Total revenues	13,535,040	11,481,590	21,058,115	13,750,044	6,654,360	20,404,404
Expenses:						
General government	3,346,102	-	3,346,102	2,428,209	-	2,428,209
Public safety	5,998,029	-	5,998,029	6,403,006	-	6,403,006
Public works	3,417,824	-	3,417,824	2,925,583	-	2,925,583
Culture and recreation	1,070,540	-	1,070,540	1,150,173	-	1,150,173
Disability and relief funding	278,889	-	278,889	279,112	-	279,112
Interest and other expenses on long-term debt	674,433	-	674,433	489,301	-	489,301
Water/sewer	-	10,448,087	10,448,087	-	4,817,922	4,817,922
Sanitation	-	910,426	910,426	-	881,220	881,220
Total expenses	14,785,817	11,358,513	26,144,330	13,675,384	5,699,142	19,374,526
Change in Net Position Before Transfers	(1,250,777)	123,077	(1,127,700)	74,660	955,218	1,029,878
Transfer of proceeds from tax increment financing bonds to developer	-	-	-	(1,555,145)	-	(1,555,145)
Transfers in (out)	(24,416)	24,416	-	12,950	(12,950)	-
Change in Net Position	\$ (1,275,193)	\$ 147,493	\$ (1,127,700)	\$ (1,467,535)	\$ 942,268	\$ (525,267)

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2019

Governmental Activities

Several revenue sources fund our governmental activities. The City's largest source of revenue was received from intergovernmental which accounted for \$5,885,787 or 43.5.9% of total revenues; revenue from property taxes accounted for \$3,958,515 or 29.2% of total revenues; revenue from charges for services accounted for \$406,465 or 3.0% of total revenues; and revenues from franchise taxes amounted to \$529,401 or 3.9% of total revenues.

Major expense activities include police and fire safety expenses which accounted for \$5,998,029 or 40.5% of total expenses, and public works expenses accounted for \$3,417,824 or 23.1% of total expenses.

Table 3 presents the cost of several major functional activities of the City: general government, public safety, public works, culture and recreation, disability and relief funding, and interest and other expenses on long-term debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on taxpayers by each of these functions:

	2019		2018	
	Expense	Revenue	Expense	Revenue
General government	\$ 3,346,102	\$ (2,902,129)	\$ 2,428,209	\$ (2,405,361)
Public safety	5,998,029	(5,998,029)	6,403,006	(6,190,281)
Public works	3,417,824	(3,417,824)	2,925,583	(1,802,834)
Culture and recreation	1,070,540	(1,070,540)	1,150,173	(1,029,910)
Disability and relief funding	278,889	(278,889)	279,112	(279,112)
Interest and other expenses on long-term debt	674,433	(674,433)	489,301	(489,301)
Total	\$ 14,785,817	\$ (14,341,844)	\$ 13,675,384	\$ (12,196,799)

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2019

Governmental Funds - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$4,731,103, an increase of \$851,520. The most significant factor contributing to the current year increase in the combined fund balance was the use of loan proceeds received in fiscal year 2019 reported in the MLK Construction Project Fund which were used in fiscal year 2019 for street overlay projects.

The General Fund is the principal operating fund of the City. The fund balance of the General Fund decreased \$630,539 for the fiscal year ended September 30, 2019.

Business-Type Funds - At the close of the fiscal year, the City's proprietary funds reported total net position of \$22,170,327. Operating revenues totaled \$11,481,590 and operating expenses totaled \$9,647,953 resulting in operating income of \$123,077. After transfers in of \$24,416, the change in net position in the proprietary fund was an increase of \$147,493.

BUDGETARY HIGHLIGHTS

The City's budgets are prepared in accordance to Mississippi law and are based on accounting for transactions on a modified cash basis. The most significant budgeted fund is the General Fund. During fiscal year 2019, the City of McComb amended its General Fund budget numerous times. All recommendations for a budget come from the City Administrator and are presented to the Mayor and Board of Selectmen at a regular monthly Board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

General Fund supports many of our major activities, such as our police and fire departments as well as public works. For the General Fund, final budgeted revenues for fiscal year 2019 were \$11,032,393 and actual revenue collections were \$13,475,880. General Fund operating expenditures were \$14,449,491 compared to budgeted amounts of \$11,012,147.

CITY OF McCOMB, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the City had approximately \$64.0 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The table below provides a summary of capital assets for the years ended September 30, 2019 and 2018. Prior year amounts have not been restated to reflect the effect of the prior period adjustment.

	Governmental Activites		Business-Type Activites	
	2019	2018	2019	2018
Land	\$ 756,288	\$ 756,288	\$ 273,639	\$ 273,639
Construction in progress	1,339,479	1,339,479	1,038,309	1,566,750
Buildings	8,837,691	9,054,850	86,661	86,853
Improvements other than buildings	769,991	1,183,765	-	-
Furniture and equipment	420,924	-	35,841	-
Mobile equipment	888,252	-	365,163	-
Automotive and equipment	95,443	1,326,901	-	495,860
Infrastructure	7,378,743	7,859,128	42,004,089	43,619,601
Total	<u>\$ 20,486,811</u>	<u>\$ 21,520,411</u>	<u>\$ 43,803,702</u>	<u>\$ 46,042,703</u>

Total accumulated depreciation as of September 30, 2019 was \$40,753,044, including \$3,060,985 of depreciation expense for the year. Additional information on the City's capital assets can be found in Note 6 on pages 41 and 42 of this report.

Debt

At September 30, 2019 and 2018, the City had \$34,155,178 and \$34,815,999, respectively, in outstanding debt from General Obligation Bonds, Limited Obligation Bonds, Loans Payable, Capital Lease Payable, and Compensated Absences. The table below summarizes the total outstanding long-term obligations of the City.

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2019

	Governmental Activites		Business-Type Activites	
	2019	2018	2019	2018
Compensated absences	\$ 395,235	\$ 457,011	\$ 38,291	\$ 48,131
General obligation bonds	7,395,000	6,495,000	-	-
General obligation bonds premium	9,761	11,763	-	-
Capital improvement loan	460,148	-	-	-
Limited obligation bonds	2,008,000	2,070,000	-	-
Capital lease payable	199,699	235,880	-	-
Water pollution rewwolving loans	-	-	23,641,386	25,498,214
Total	<u>\$ 10,467,843</u>	<u>\$ 9,269,654</u>	<u>\$ 23,679,677</u>	<u>\$ 25,546,345</u>

The liability for compensated absences identified above refers to the current balance of what has been earned as a termination benefit that would be paid as employees leave or retire. The City budgets for this portion of the liability annually in the current year's departmental salary and wages budgets.

Additional information on the City's long-term debt can be found in Note 7 on pages 43-47 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The City Administrator continues to seek ways to reduce City expenditures through the following methods:

Restructuring the workforce to reduce personnel cost.
Identification of other City issues for which grant money is available.

The City is currently seeking additional funds for the purpose of funding the following projects:

- Street improvements
- Recreation facility improvements
- Well #5 replacement
- Public safety vehicles

These factors have been considered in preparing the City's budget for the 2019 fiscal year.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of McComb, Mississippi at P.O. Box 667, McComb, Mississippi 39649.

BASIC FINANCIAL STATEMENTS

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF NET POSITION
September 30, 2019

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,099,321	\$ 468,251	\$ 4,567,572
Net receivables	9,493,444	1,096,117	10,589,561
Other assets	131,479	25,383	156,862
Prepays	-	20,802	20,802
Restricted assets:			
Cash and cash equivalents	-	4,063,970	4,063,970
Non-depreciable capital assets:			
Land	756,288	273,639	1,029,927
Construction in progress	1,339,479	1,038,309	2,377,788
Depreciable capital assets, net:			
Buildings	8,837,691	86,661	8,924,352
Improvements other than buildings	769,991	-	769,991
Furniture and equipment	420,924	35,841	456,765
Mobile equipment	888,252	365,163	1,253,415
Automotive and equipment	95,443	-	95,443
Infrastructure	7,378,743	42,004,089	49,382,832
Total assets	34,211,055	49,478,225	83,689,280
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	1,222,305	145,673	1,367,978

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 181,104	\$ 138,778	\$ 319,882
Retainage payable	-	42,086	42,086
Accrued liabilities	258,312	65,570	323,882
Due to other governments	26,099	-	26,099
Interest payable on long-term debt	-	38,401	38,401
Customer deposits	-	1,701,030	1,701,030
Other liabilities	49,895	-	49,895
Internal balances	(264,435)	264,435	-
Noncurrent liabilities:			
Due within one year:			
Compensated absences	79,047	7,658	86,705
Loans payable	162,537	-	162,537
Capital lease payable	37,378	-	37,378
Bonds payable	800,002	-	800,002
Due in more than one year:			
Compensated absences	316,188	38,291	354,479
Loans payable	297,611	23,641,386	23,938,997
Capital lease payable	162,321	-	162,321
Bonds payable	8,612,759	-	8,612,759
Net pension liability	16,941,070	1,515,936	18,457,006
Total liabilities	<u>27,659,888</u>	<u>27,453,571</u>	<u>55,113,459</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	8,398,227	-	8,398,227
Unavailable revenue and payments	343,939	-	343,939
Deferred inflows related to pension	1,192,310	-	1,192,310
Total deferred inflows of resources	<u>9,934,476</u>	<u>-</u>	<u>9,934,476</u>
<u>NET POSITION</u>			
Net investment in capital assets	10,414,203	20,162,316	30,576,519
Restricted	3,051,279	4,063,970	7,115,249
Unrestricted	(15,626,486)	(2,055,959)	(17,682,445)
Total net position	<u>\$ (2,161,004)</u>	<u>\$ 22,170,327</u>	<u>\$ 20,009,323</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF ACTIVITIES For The Year Ended September 30, 2019

Functions/programs:	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
Primary government:					
Governmental activities:					
General government	\$ 3,346,102	\$ 406,465	\$ 37,508	\$ -	\$ (2,405,361)
Public safety	5,998,029	-	-	-	(6,190,281)
Public works	3,417,824	-	-	-	(1,802,834)
Culture and recreation	1,070,540	-	-	-	(1,029,910)
Disability and relief funding	278,889	-	-	-	(279,112)
Interest and other expenses on long-term debt	674,433	-	-	-	(489,301)
Total governmental activities	14,785,817	406,465	37,508	-	(14,341,844)
Business-type activities:					
Water/sewer	10,448,087	10,447,583	-	-	(504)
Sanitation	910,426	1,034,007	-	-	123,581
Total business-type activities	11,358,513	11,481,590	-	-	123,077
Total	26,144,330	11,888,055	37,508	-	(14,218,767)
General revenues:					
General property taxes					3,958,515
Sales taxes					5,885,787
General intergovernmental revenue					1,513,438
Franchise taxes					529,401
Privilege licenses and permits					114,390
Fines and forfeitures					208,564
Miscellaneous					761,343
Unrestricted investment earnings					119,629
Transfers in (out)					(24,416)
Total general revenues and transfers					13,066,651
Change in net position					(1,275,193)
Net position at beginning of year					22,022,834
Net position at end of year					\$ (2,161,004)
					\$ 20,009,323

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	General Fund	Matin Luther King Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 488,316	\$ 1,475,113	\$ 2,135,892	\$ 4,099,321
Receivables, net	6,393,977	-	3,099,467	9,493,444
Due from other funds	797,605	-	-	797,605
Other assets	131,479	-	-	131,479
Total assets	<u>\$ 7,811,377</u>	<u>\$ 1,475,113</u>	<u>\$ 5,235,359</u>	<u>\$ 14,521,849</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 174,670	\$ -	\$ 6,060	\$ 180,730
Accrued liabilities	257,086	-	1,599	258,685
Other liabilities	25,070	-	24,825	49,895
Due to other governments	26,099	-	-	26,099
Due to other funds	226,932	-	306,239	533,171
Total liabilities	<u>709,857</u>	<u>-</u>	<u>338,723</u>	<u>1,048,580</u>
Deferred Inflows of Resources				
Unavailable Restitution Payments	57,600	-	-	57,600
Ad Valorem Deferred Revenue	5,540,589	-	2,857,638	8,398,227
Unavailable Fine Revenue	286,339	-	-	286,339
Total deferred inflows of resources	<u>5,884,528</u>	<u>-</u>	<u>2,857,638</u>	<u>8,742,166</u>
Fund Balances				
Restricted	-	1,470,000	1,581,279	3,051,279
Committed	-	-	457,719	457,719
Unassigned	1,216,992	5,113	-	1,222,105
Total fund balances	<u>1,216,992</u>	<u>1,475,113</u>	<u>2,038,998</u>	<u>4,731,103</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,811,377</u>	<u>\$ 1,475,113</u>	<u>\$ 5,235,359</u>	<u>\$ 14,521,849</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2019

Total fund balances for governmental funds at September 30, 2019		\$ 4,731,103
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The assets consist of:		
Land	756,288	
Building, net of \$4,822,524 accumulated depreciation	8,837,691	
Land improvements, net of \$547,009 accumulated depreciation	769,991	
Mobile equipment, net of \$3,854,194 accumulated depreciation	888,252	
Infrastructure, net of \$4,796,204 accumulated depreciation	7,378,743	
Other/General Government, net of \$2,774,181 accumulated depreciation	516,367	
Construction in progress	<u>1,339,479</u>	20,486,811
Deferred outflows related to pension		1,222,305
Deferred inflows related to pension		(1,192,310)
Net pension liability		(16,941,070)
Long-term liabilities of governmental funds are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities consist of:		
Bonds payable	(9,412,761)	
Capital lease payable	(199,699)	
Loan payable on long-term debt	(460,148)	
Compensated absences	<u>(395,235)</u>	(10,467,843)
Total net position of governmental activities at September 30, 2019		<u>\$ (2,161,004)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019

	General Fund	Martin Luther King Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General revenue				
General property taxes	\$ 2,724,261	\$ -	\$ 1,234,252	\$ 3,958,513
Privilege licenses and permits	114,390	-	-	114,390
Sales taxes	5,885,787	-	-	5,885,787
Intergovernmental revenue	408,618	-	1,104,820	1,513,438
Franchise taxes	529,401	-	-	529,401
Charges for services	204,094	-	202,371	406,465
Court fines and forfeitures	203,573	-	4,991	208,564
Interest income	36,565	10,225	72,839	119,629
Other fees and taxes	70,531	-	-	70,531
Contributions	37,508	-	-	37,508
Miscellaneous	540,512	-	61,140	601,652
Total revenues	<u>10,755,240</u>	<u>10,225</u>	<u>2,680,413</u>	<u>13,445,878</u>
Expenditures:				
General government	2,298,115	-	9,953	2,308,068
Public safety	5,700,118	-	297,911	5,998,029
Public works	2,658,855	-	758,969	3,417,824
Culture and Recreation	658,127	-	412,413	1,070,540
Disability and Relief Funding	-	-	278,889	278,889
Other	46,148	-	244,137	290,285
Debt Service:				
Debt Issuance costs	-	35,112	67,346	102,458
Principal	-	-	531,874	531,874
Interest and Service Charges	-	-	571,975	571,975
Total Expenditures	<u>11,361,363</u>	<u>35,112</u>	<u>3,173,467</u>	<u>14,569,942</u>
Excess (deficiency) of Revenues over Expenditures	<u>(606,123)</u>	<u>(24,887)</u>	<u>(493,054)</u>	<u>(1,124,064)</u>
Other financing sources (uses):				
Loan Proceeds	-	1,470,000	500,000	1,970,000
Transfers in	-	30,000	-	30,000
Transfers out	(24,416)	-	-	(24,416)
Total other financing sources (uses)	<u>(24,416)</u>	<u>1,500,000</u>	<u>500,000</u>	<u>1,975,584</u>
Net changes in fund balances	<u>(630,539)</u>	<u>1,475,113</u>	<u>6,946</u>	<u>851,520</u>
Fund balances, beginning	<u>1,847,531</u>	<u>-</u>	<u>2,032,052</u>	<u>3,879,583</u>
Fund balances, ending	<u>\$ 1,216,992</u>	<u>\$ 1,475,113</u>	<u>\$ 2,038,998</u>	<u>\$ 4,731,103</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended September 30, 2019

Total net changes in fund balances for the year ended September 30, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 851,520
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Contributions made after the measurement date	258,182
Pension expense	(129,802)
The amortization of bond premiums and discounts is reported on the fund financial statements when debt is issued but amortized in the Statement of Activities	2,002
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	316,825
Depreciation expense for the year ended September 30, 2019	(1,350,425)
	(1,033,600)
Revenues in the funds that provide current financial resources but have been included in Statement of activities in prior years.	(20,536)
Bond proceeds provide current financial resources to governmental funds; however, issuance of debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from: Issuance of general obligation bonds.	(2,000,000)
Repayment of debt principal is an expenditure in the governmental funds but the payment reduces long-term liabilities in the Statement of Net Position.	738,033
Change in compensated absences payables	61,776
Change in net pension obligations are reported only in the Statement of Activities	(2,768)
Total changes in net position at September 30, 2019 per Statement of Activities	<u>\$ (1,275,193)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2019

	Water and Sewer Fund	Sanitation Fund	Total Enterprise Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,316,024	\$ 216,197	\$ 4,532,221
Accounts receivables, net	948,154	147,963	1,096,117
Due from other funds	508,509	311,427	819,936
Inventory	25,383	-	25,383
Prepays	20,802	-	20,802
Total current assets	5,818,872	675,587	6,494,459
Noncurrent assets:			
Capital assets, net	43,803,702	-	43,803,702
Total noncurrent assets	43,803,702	-	43,803,702
Total assets	49,622,574	675,587	50,298,161
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	145,673	-	145,673
Total assets and deferred outflows of resources	49,768,247	675,587	50,443,834
LIABILITIES			
Current liabilities:			
Accounts payable	66,550	72,228	138,778
Accrued liabilities	103,967	-	103,967
Bonds payable-current portion	1,856,829	-	1,856,829
Due to other funds	1,084,375	-	1,084,375
Total current liabilities	3,111,721	72,228	3,183,949
Noncurrent liabilities:			
Customers deposits	1,743,116	-	1,743,116
Compensated absences	45,949	-	45,949
Net pension liability	1,515,936	-	1,515,936
Bonds payable	21,784,557	-	21,784,557
Total noncurrent liabilities	25,089,558	-	25,089,558
Total liabilities	28,201,279	72,228	28,273,507
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources:			
Deferred inflows related to pensions	-	-	-
Total Deferred Inflows	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	22,019,145	-	22,019,145
Restricted for debt service	-	-	-
Unrestricted	(452,177)	603,359	151,182
Total net position	21,566,968	603,359	22,170,327
Total liabilities, deferred inflows of resources, and net position	\$ 49,768,247	\$ 675,587	\$ 50,443,834

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

Year Ended September 30, 2019

	Water and Sewer Fund	Sanitation Fund	Total Enterprise Funds
Operating revenues:			
Intergovernmental revenue	\$ 4,734,265	\$ -	\$ 4,734,265
Charges for services	5,645,710	1,034,007	6,679,717
Interest income	59,691	-	59,691
Miscellaneous income	7,917	-	7,917
Total operating revenues	<u>10,447,583</u>	<u>1,034,007</u>	<u>11,481,590</u>
Operating expenses:			
General government	223,559	-	223,559
Public Works	9,740,882	910,426	10,651,308
Sewer department	483,646	-	483,646
Total operating expenses	<u>10,448,087</u>	<u>910,426</u>	<u>11,358,513</u>
Operating profit (loss)	<u>(504)</u>	<u>123,581</u>	<u>123,077</u>
Other financing sources (uses):			
Transfers in	24,416	-	24,416
Transfers out	-	-	-
Total other financing sources (uses):	<u>24,416</u>	<u>-</u>	<u>24,416</u>
Change in net position	23,912	123,581	147,493
Net position, beginning	<u>21,543,056</u>	<u>479,778</u>	<u>22,022,834</u>
Net position, ending	<u>\$ 21,566,968</u>	<u>\$ 603,359</u>	<u>\$ 22,170,327</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2019

	Water and Sewer Fund	Sanitation Fund	Total Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 10,647,365	\$ 1,034,007	\$ 11,681,372
Payments to employees	(758,143)	-	(758,143)
Other operating payments	(8,448,509)	(1,077,203)	(9,525,712)
Net cash provided by (used in) operating activities	<u>1,440,713</u>	<u>(43,196)</u>	<u>1,397,517</u>
Cash flows from capital and related financing activities:			
Repayment of bonds	(1,856,828)	-	(1,856,828)
Purchases of capital assets	528,441	-	528,441
Interest paid on capital debt	(38,401)	-	(38,401)
Net cash used in capital and related financing activities	<u>(1,366,788)</u>	<u>-</u>	<u>(1,366,788)</u>
Net increase (decrease) in cash and cash equivalents	73,925	(43,196)	30,729
Cash, cash equivalents and restricted cash, beginning of year	<u>4,242,099</u>	<u>259,393</u>	<u>4,501,492</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,316,024</u>	<u>\$ 216,197</u>	<u>\$ 4,532,221</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended September 30, 2019

**Reconciliation of Operating Income to Net Cash Provided by
Operating Activities**

	Water and Sewer Fund	Sanitation Fund	Total Enterprise Funds
Operating profit (loss)	\$ (504)	\$ 123,581	\$ 123,077
Adjustments to reconcile operating income to net cash provided (used by) operating activities:			
Depreciation and amortization	1,780,922	-	-
(Increase) decrease in:			
Receivables, net	(170,724)	-	(170,724)
Other assets	(13,636)	-	(13,636)
Increase (decrease) in:			
Accounts payable	(563,864)	3,443	(560,421)
Accrued payable	30,448	-	30,448
Due (from) to other funds	203,475	(170,220)	33,255
Customers deposits	370,509	-	370,509
Compensated absences	(48,131)	-	(48,131)
Net pension liability and related deferred inflows and outflows	(147,782)	-	(147,782)
Net cash provided (used in) operating activities	<u>\$ 1,440,713</u>	<u>\$ (43,196)</u>	<u>\$ (383,405)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT

September 30, 2019

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of McComb, Mississippi, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City operates under a Mayor-Selectmen form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, inspections and zoning, and general administrative services. The following is a summary of the more significant policies:

A. Reporting Entity

The financial statements of the reporting entity include those of the City of McComb, Mississippi. There are no component units.

Related Organizations

McComb School District - This potential component unit has both elected and appointed board members and provides services to residents, and non-residents of the government. The City appoints a majority of the board. This potential component unit is excluded from the reporting entity because the government does not have the ability to exercise influence over its daily operations. The school district is responsible for setting its own budget and assessing its own taxes, and the majority of the district's revenues are derived from state sources. If the City of McComb, Mississippi was to cease existing it is probable that the McComb School District would continue in existence. It is the opinion of management that no financial benefit will be provided or that no financial burden will be imposed on the City of McComb, Mississippi by this potential component unit.

McComb Housing Authority - Board members of the Authority are appointed by the City. The City does not provide funding and has no obligation for the debt issued by the Authority and cannot impose its will.

Pike Amite Walthall Library - This potential component unit has appointed board members and provides services to residents, generally within the geographic boundaries of the government. The City does not appoint a majority of the board. This potential component unit is excluded from the reporting entity because the government does not have the ability to exercise influence over its daily operations.

Southwest Mississippi Regional Medical Center - The Medical Center is a public trust created to provide medical care and is governed by a board composed of appointees by the City, Pike County and Amite County. The City has no equity interest other than approval of property transactions involving the Medical Center. Financial statements for the Medical Center can be obtained directly from the Medical Center.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

McComb Pike County Airport Board - The Airport is a public trust created to operate a local airport and is governed by a board composed of appointees from the City and Pike County. Financial statements for the Airport may be obtained from Pike County.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2019 \$1.5M Bond Issue Fund - This fund is a capital project fund that accounts for the financial resources to be used for the construction and improving streets, sidewalks, culverts, fire hydrants and parking for the Martin Luther King Recreation Complex capital project funded by the proceeds of the 2019 \$1.5M bond issue.

The government reports the following major proprietary funds:

Water and Sewer Authority Fund - This fund accounts for the activities of the City which include the operation of the sewage treatment plant, sewage pumping stations and collection systems and the water distribution system.

Sanitation Fund - This fund accounts for solid waste collection.

Additionally, the government reports the following fund types:

Governmental Funds

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Funds - The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. These funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are also reported in Debt Service Funds.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

As a general rule, the effect of interfund activity has been eliminated for the governmentwide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Authority Fund are charges to customers for services. The City also recognizes sanitation fees as operating revenue. Operating expenses for the City include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

E. Cash and Cash Equivalents

The City deposits excess funds in the financial institutions selected by the Mayor and governing board. State statutes specify how these depositories are to be selected. Cash and cash equivalents consist of amounts on deposit in demand accounts and certificate of deposits with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

F. Interfund Transactions and Balances

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are not offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to: (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payable between funds within governmental activities are eliminated in the statement of net position. See Note 5 for details for interfund transactions, including receivables and payables at year-end.

G. Restricted Assets

Certain proceeds of the Water and Sewer Authority Proprietary Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Cash related to customer deposits are also reported as restricted assets.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at acquisition value.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

	Capitalization Policy	Estimated Useful Life
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 -10 years
Furniture and equipment	5,000	3 -7 years

Leased property under capital lease – The threshold amount will correspond with the amounts for the asset classification, as listed.

I. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue is a liability that arises when resources are obtained before revenue recognition criteria, other than time recognition criteria, have been satisfied. Resources that are obtained before time recognition criteria have been satisfied are classified as deferred inflows of resources.

J. Long-Term Liabilities

In the government-wide financial statements, and for the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

K. Compensated Absences

Accumulated unpaid vacation and sick pay are accrued when incurred in the governmentwide and proprietary funds (using the accrual basis of accounting). Such amounts are not accrued in governmental funds (using the modified accrual basis of accounting). At September 30, 2019, accumulated unpaid vacation of \$395,235 was reported for the governmental activities and \$38,291 was reported for the business-type activities.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mississippi Public Employees' Retirement System (PERS) and Mississippi Municipal Retirement Systems (MMRS) as well as additions to/deductions from PERS' and MMRS' fiduciary net position have been determined on the same basis as they are reported by PERS and MMRS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position and Fund Balance

Net position in government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

Restricted net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five (5) components: nonspendable, restricted, committed, assigned and unassigned.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Nonspendable - This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority which includes the city charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned - This component consists of amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Selectmen, City Administrator or their designee.

Unassigned - This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they did not constitute expenditures or liabilities. All appropriations lapse at year-end.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

O. Property Taxes

Property taxes for fiscal year 2019 were levied at 42.84 mills in September 2018 on the assessed valuation of property located in the City of McComb, Mississippi as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2020 property taxes levied in September 2019. The City has recorded deferred inflows for the estimated fiscal year 2020 property taxes as of September 30, 2019.

In July 2008, the City of McComb, Mississippi entered into an Interlocal Agreement with Pike County, Mississippi relating to the collection of the City's and the school district's ad valorem taxes. This agreement took effect with the collection of the 2003 ad valorem taxes. In this agreement the county also agreed to mail the tax statements, collect any penalties and interest on delinquent taxes, and to hold in August a public sale on all unpaid property taxes. The City still holds the responsibility of receiving and adopting the tax levy for the City and the school district. This is done in September of the prior fiscal year.

All taxes not collected within 60 days of the fiscal year-end are shown as deferred inflows for financial reporting purposes.

P. Expenditures

Expenditures are recognized when the related fund liability is incurred.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates.

Note 2 – Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Administrator submits to the Mayor and Board of Selectmen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

2. Public hearings are conducted at City Hall to obtain taxpayer comments.²⁵
3. Prior to or on September 15th, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

The governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires that the "Budgetary Comparison Schedule" be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets are amended by resolution of the Board of Selectmen to authorize expenditures of various grants received and to adjust department budgets as required.

Budgeted amounts are as originally adopted, or as amended by the Mayor and Board of Selectmen. Appropriations are budgeted at the department level. The management of the City has no authority to amend the budget at department level or higher. City and state laws and ordinances require the Mayor and Board of Selectmen to authorize all budget amendments. Expenditures may not legally exceed budgeted appropriations at the department level.

Note 3 – Cash and Cash Equivalents

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, Mississippi Code Ann. (1972). Under this program, the City'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.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds were \$4,099,321 and \$4,532,221, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$4,567,572 and Restricted Cash and Cash Equivalents - \$4,063,970.

Deposits at September 30, 2019, are summarized as follows:

	Reported Amount
Cash - Governmental Funds	\$ 4,099,321
Cash - Proprietary Funds	4,532,221
Total	<u>\$ 8,631,542</u>

The difference between the carrying amount and the bank balance of cash and cash equivalents of \$96,449 was principally due to outstanding checks. Of the bank balance, \$250,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2019, the entire bank balance was covered by Federal depository insurance or collateralized in accordance with state law.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Custodial Credit Risk - Investments - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. The City held no investments as of September 30, 2019.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required.

This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2019, the City had no investments.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer bonds or direct obligations of the:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Note 4 - Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer Authority	Sanitation Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	\$4,664,459	\$ -	\$ -	\$ 2,867,981	\$ 7,532,440
Accounts	481,403	1,145,331	189,259	231,487	2,047,480
Fines	2,926,224	-	-	-	2,926,224
Other	961,776	-	-	-	961,776
Intergovernmental	-	-	-	-	-
Gross receivables	9,033,862	1,145,331	189,259	3,099,468	13,467,920
Less: allowance for uncollectibles	(2,639,885)	(197,177)	(41,296)	-	(2,878,358)
Net receivables	<u>\$6,393,977</u>	<u>\$ 948,154</u>	<u>\$ 147,963</u>	<u>\$ 3,099,468</u>	<u>\$10,589,562</u>

Note 5 – Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sanitation Fund	Water/Sewerage Fund	\$ 311,427
Nonmajor Funds	Water/Sewerage Fund	(149,593)
General Fund	Water/Sewerage Fund	794,922
General Fund	2017 \$3.2M Bond Issue Fund	27,602
General Fund	Nonmajor Funds	(353,292)
Total		<u>\$ 631,066</u>

The due to/from other funds arise from short-term borrowings to meet cash requirements.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
Water and Sewerage.	General Fund	<u>\$ 24,416</u>
		<u>\$ 24,416</u>

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Note 6 – Capital Assets

The following is a summary of changes in capital assets reported for the governmental activities:

	Balance 10/1/2018	Increases	Decreases	Balance 9/30/2019
Non-depreciable capital assets:				
Land	\$ 756,288	\$ -	\$ -	\$ 756,288
Construction in progress	1,339,479	-	-	1,339,479
Total non-depreciable capital assets	<u>2,095,767</u>	<u>-</u>	<u>-</u>	<u>2,095,767</u>
Depreciable capital assets:				
Buildings	13,654,528	5,687	-	13,660,215
Improvements other than buildings	1,317,000	-	-	1,317,000
Furniture and equipment	3,142,496	45,033	-	3,187,529
Mobile equipment	4,579,360	163,086	-	4,742,446
Automotive and equipment	-	103,019	-	103,019
Infrastructure	12,174,947	-	-	12,174,947
Total depreciable capital assets	<u>34,868,331</u>	<u>316,825</u>	<u>-</u>	<u>35,185,156</u>
Less accumulated depreciation:				
Buildings	(4,599,678)	(222,846)	-	(4,822,524)
Improvements other than buildings	(133,235)	(413,774)	-	(547,009)
Furniture and equipment	(2,764,102)	(2,503)	-	(2,766,605)
Mobile equipment	(3,630,853)	(223,341)	-	(3,854,194)
Automotive and equipment	-	(7,576)	-	(7,576)
Infrastructure	(4,315,819)	(480,385)	-	(4,796,204)
Total accumulated depreciation	<u>(15,443,687)</u>	<u>(1,350,425)</u>	<u>-</u>	<u>(16,794,112)</u>
Governmental activities capital assets, net	<u>\$ 21,520,411</u>	<u>\$ (1,033,600)</u>	<u>\$ -</u>	<u>\$ 20,486,811</u>

Infrastructure acquired prior to the implementation of GASB Statement No. 34 is included in the amount above. However, infrastructure acquired prior to fiscal years ended after June 30, 1980 is not included in the amount above.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED) September 30, 2019

The following is a summary of changes in capital assets reported for the business-type activities:

	Balance 10/1/2018	Increases	Decreases	Balance 9/30/2019
Non-depreciable capital assets:				
Land	\$ 273,639	\$ -	\$ -	\$ 273,639
Construction in progress	1,566,750	-	(528,441)	1,038,309
Total non-depreciable capital assets	<u>1,840,389</u>	<u>-</u>	<u>(528,441)</u>	<u>1,311,948</u>
Depreciable capital assets:				
Buildings	410,629	-	-	410,629
Equipment	748,423	-	-	748,423
Mobile equipment	1,214,825	-	-	1,214,825
Infrastructure	64,076,809	-	-	64,076,809
Total depreciable capital assets	<u>66,450,686</u>	<u>-</u>	<u>-</u>	<u>66,450,686</u>
Less accumulated depreciation:				
Buildings	(323,776)	(192)	-	(323,968)
Equipment	(697,831)	(14,751)	-	(712,582)
Mobile equipment	(769,557)	(80,105)	-	(849,662)
Infrastructure	(20,457,208)	(1,615,512)	-	(22,072,720)
Total accumulated depreciation	<u>(22,248,372)</u>	<u>(1,710,560)</u>	<u>-</u>	<u>(23,958,932)</u>
Business-type activities capital assets, net	<u>\$ 46,042,703</u>	<u>\$ (1,710,560)</u>	<u>\$ (528,441)</u>	<u>\$ 43,803,702</u>

Infrastructure acquired prior to the implementation of GASB Statement No. 34 is included in the amount reported in the equipment capital asset group above. However, infrastructure acquired prior to fiscal years ended after June 30, 1980 is not included in the amount above.

Depreciation expense was charged to functions/programs of the city as follows:

Governmental activities:	
General government	\$ 82,701
Public safety	308,887
Public works	666,579
Culture and recreation	<u>292,258</u>
Total depreciation expense-governmental activities	<u>\$ 1,350,425</u>
Business-type activities:	
Water and sewer	<u>\$ 1,710,560</u>
Total depreciation expense-business-type activities	<u>\$ 1,710,560</u>

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Note 7 - Long-Term Debt

Governmental Activities

During the year ended September 30, 2019, the following changes occurred in long-term liabilities reported for the governmental activities:

	Balance 10/1/2018	Additions	Retirements	Balance 9/30/2019	Amount Due Within One Year
Compensated absences	\$ 457,011	\$ -	\$ 61,776	\$ 395,235	\$ 79,047
General obligation bonds	6,495,000	1,500,000	600,000	7,395,000	710,000
General obligation bonds premium	11,763	-	2,002	9,761	2,002
Capital improvement loan	-	500,000	39,852	460,148	162,537
Limited obligation bonds	2,070,000	-	62,000	2,008,000	88,000
Capital lease payable	235,880	-	36,181	199,699	37,378
Total	<u>\$ 9,269,654</u>	<u>\$ 2,000,000</u>	<u>\$ 801,811</u>	<u>\$ 10,467,843</u>	<u>\$ 1,078,964</u>

General Obligation Bonds

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general governmental activities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding as of September 30, 2019 are as follows:

On August 13, 2014, the Mayor and board of Selectmen authorized the issuance of \$1,260,000 in general obligation refunding bonds with interest rates of 2.00% to 2.50% maturing in fiscal year 2024.

The refunding bonds were issued by the City for the purposes of 1.) reducing the net effective interest rate, 2.) reducing the total principal and interest payable and 3.) creating a net present value benefit of \$114,456 for the City on the obligations represented by the current refunding of the 2004 general obligation bonds. The general obligation refunding bonds are recorded net of unamortized premium of \$9,761 at September 30, 2019.

\$ 669,761

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

On January 10, 2006, the Mayor and Board of Selectmen authorized the issuance of \$2,000,000 in general obligation bonds with interest rates of 3.70% to 5.52% maturing in fiscal year 2026. Proceeds from these bonds were used for capital improvements to the Sports Complex and Street Improvements. This debt will be retired from the City's General Obligation bond fund.

905,000

On August 13, 2015, the Mayor and Board of Selectmen authorized the Issuance of \$2,000,000 in general obligation bonds with interest rates of 3.00% to 4.0% maturing om fiscal year 2035. Proceeds from these bonds were used for various capital improvements throughout the City of McComb. This debt will be retired from the City's General Obligation Bond fund.

1,695,000

On March 31, 2017, the Mayor and Board of Selectmen authorized the Issuance of \$3,200, 000 in general obligation bonds with interest rates of 1.88% to 2.50% maturing in fiscal year 2027. Proceeds from these bonds were used for street paving throughout the City. This debt will be Retired from the City's General Obligation Bond Fund.

2,635,000

On January 4, 2019, the Mayor and Board of Selectmen authorized the issuance of \$1,500,000 in general obligation bonds with interest of 3.50% maturing in fiscal year 2031. The proceeds from these bonds are to be used for infrastructure improvements relating to the erecting the MLK Recreation Complex.

1,500,000

Total General Obligation Bonds

\$ 7,404,761

Capital Improvement Loan

On April 3, 2019, the Mayor and Board of Selectmen authorized the Issuance of \$500,000 in capital improvement loans with an interest rate of 3.29% to be repaid through the Hotel/Motel tax receipts. Proceeds from this note were used for capital Improvements to the City of McComb parks.

\$460,148

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED) September 30, 2019

Limited Obligation Bonds

On February 8, 2018, the Mayor and Board of Selectmen authorized the issuance of \$2,070,000 in tax increment financing (TIF) bonds with an average interest rate of 7.10% maturing in fiscal year 2033. The bonds are taxable limited obligation bonds and will be funded by ad valorem taxes collected annually on the incremental increase in the value of real and personal property located within the specified benefiting area. The City has pledged 100% of the incremental ad valorem tax increase on the real and personal property generated in the TIF District that is payable as to principal and interest. IN accordance with an interlocal cooperation agreement, Pike County, Mississippi, has pledged 50% of the incremental increase in Ad valorem taxes on real and personal property contained within and forming A part of the TIF District accruing to the County to assist in the repayment of the TIF bonds.

\$ 2,008,000

Capital Lease Obligations

The City has entered into a lease agreement for financing the acquisition of a 2017 fire truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The cost of the fire truck purchased under the capital lease was \$470,902 and is included in the capital assets of the City. The amortization of the fire truck has been included in the City's depreciation expense.

Annual debt service requirements to maturity for general obligation bonds, limited obligation bonds, and a capital lease payable for the General Government are as follows:

Fiscal year ending September 30,	General Obligation Bonds		Capital Improvement Loan		Limited Obligation Bonds		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 712,002	\$ 211,127	\$ 162,537	\$ 12,703	\$ 88,000	\$ 142,568	\$ 37,378	\$ 6,609	\$ 999,917	\$ 373,007
2021	746,002	190,014	167,966	7,274	95,000	136,320	38,615	5,371	1,047,583	338,979
2022	770,002	168,886	129,645	1,782	101,000	129,575	39,892	4,093	1,040,539	304,336
2023	794,002	147,997	-	-	109,000	122,404	41,212	2,774	944,214	273,175
2024	823,753	126,385	-	-	116,000	114,665	42,602	1,384	982,355	242,434
2025-2029	2,517,000	348,122	-	-	717,000	437,431	-	-	3,234,000	785,553
2030-2034	907,000	104,523	-	-	782,000	141,567	-	-	1,689,000	246,090
2035	135,000	5,063	-	-	-	-	-	-	135,000	5,063
Total	<u>\$ 7,404,761</u>	<u>\$ 1,302,117</u>	<u>\$ 460,148</u>	<u>\$ 21,759</u>	<u>\$ 2,008,000</u>	<u>\$ 1,224,530</u>	<u>\$ 199,699</u>	<u>\$ 20,231</u>	<u>\$ 10,072,608</u>	<u>\$ 2,568,637</u>

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

A. Business-Type Activities

During the year ended September 30, 2019, the following changes occurred in long-term liabilities reported for the business-type activities:

	Balance 10/1/2018	Additions	Retirements	Balance 9/30/2019	Amount Due Within One Year
Compensated absences	\$ 48,131	\$ -	\$ 9,840	\$ 38,291	\$ 7,658
Water pollution revolving loans (DEQ)	25,498,214	-	1,856,828	23,641,386	1,890,816
Total	<u>\$ 25,546,345</u>	<u>\$ -</u>	<u>\$ 1,866,668</u>	<u>\$ 23,679,677</u>	<u>\$ 1,898,474</u>

The following is outstanding debt related to business-type activities as of September 30, 2019:

East/West Lagoon Pump Station and Force Main – SCRFC280909-01

2.75% interest with monthly payments of \$13,173, including interest, the first payment to begin May 2009, with a maturity date of January 2029. This debt will be retired from the Water and Sewer Authority Fund.

\$1,299,985

Wastewater Treatment Plant – SCRFC280909-02

1.75% interest with monthly payments of \$169,061, including interest, the first payment to begin March 2011, with a maturity date of November 2030. This debt will be retired from the Water and Sewer Authority Fund.

22,564,5638

Sewer Improvements – SCRFC280909-03

1.75 % interest with monthly payments of \$9,107, including interest, the first payment to begin February 2015, with a maturity date of October 2034. This debt will be retired from the Water and Sewer Authority Fund.

1,447,803

Northwest Interceptor – SCRFC280909-04

1.75% interest with monthly payments of \$26,159, including interest, the first payment to begin April 2020, with a maturity date of October 2039. This debt will be retired from the Water and Sewer Authority Fund.

329,035

\$23,641,386

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Annual debt service requirements to maturity related to the water pollution control revolving loans are as follows:

Fiscal year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,898,345	\$ 410,550	\$ 2,308,895
2021	1,939,753	376,176	2,315,929
2022	1,975,273	340,657	2,315,930
2023	2,011,455	304,475	2,315,930
2024	2,048,312	267,618	2,315,930
2025-2029	10,712,750	761,511	11,474,261
2030-2034	2,950,029	62,385	3,012,414
2035-2039	103,819	4,474	108,293
2040	1,650	3	1,653
	<u>\$ 23,641,386</u>	<u>\$ 2,527,849</u>	<u>\$ 26,169,235</u>

Compensated Absences

In addition to the above- mentioned debts, the City of McComb, Mississippi has recorded a debt of \$395,235 for the governmental activities and \$38,291 for the business-type activities which represents a liability for unpaid vacation and sick leave of the City's employees which the City will be obligated to pay from the General Fund and the Water/Sewer Authority Fund, respectively, at some point in the future.

Note 8 – Defined Benefit Pension Plans

Public Employees' Retirement System (PERS)

General Information about the PERS 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1- 800-444-PERS, or by visiting online at www.pers.ms.gov.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the plan year ended September 30, 2019, the City's total covered payroll for all employees was \$6,305,827. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate.

The rate for the year ended September 30, 2019 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City's contributions to PERS for the fiscal years ended September 30, 2019, 2018 and 2017 were \$1,020,754, \$988,720 and \$1,034,757, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to PERS

At September 30, 2019, the City reported a liability of \$16,941,070 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.1003 percent, which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2017.

For the year ended September 30, 2019, the City recognized pension expense of \$204,997. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED) September 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,438	\$ (33,582)
Changes of assumptions	168,241	-
Net difference between projected and actual earnings on pension plan investments	650,611	(646,060)
Changes in proportion and differences between City contributions and proportionate share of contributions	134,833	(512,668)
City contributions subsequent to the measurement date	258,182	-
Total	<u>\$ 1,222,305</u>	<u>\$ (1,192,310)</u>

The \$258,182 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Deferred Outflows/ (Deferred Inflows) Aging:
Year ended September 30:

2020	\$ 76,511
2021	(369,942)
2022	(12,100)
2023	77,344
	<u>\$ (228,187)</u>

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. The experience report is dated June 30, 2018. Mortality rates were based on the PubS.H-2010(B) Healthy Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates scaled up to 102% for ages 75 to 119.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
Total	100.00%	

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2019, actuarial valuations, calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	City's Proportionate share of Net Pension Liability
1.00% decrease (6.75%)	\$ 22,269,623
Current discount rate (7.75%)	16,941,070
1.00% increase (8.75%)	12,542,828

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi's financial report.

Mississippi Municipal Retirement Systems (MMRS)

General Information about the MMRS Pension Plan

Plan Description. The City of McComb, Mississippi also contributes to the Mississippi Municipal Retirement System of Mississippi ("MMRS"), an agent multiple-employer defined benefit pension plan. This plan only covers policemen and firemen employed prior to June, 1976. MMRS 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. MMRS issues a publicly available financial report that

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201- 1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - Service Retirement. A retirement allowance is payable to any member who retires and has completed at least 20 years of creditable service, regardless of age. Any general employee member who has attained age 70 and any fireman or policeman who has attained age 65 shall be retired forthwith.

The annual retirement allowance payable to a retired member is equal to:

1. 50% of average compensation, plus
2. 1.7% of average compensation for each year of credited service over 20.

The aggregate amount of (1) and (2) above shall not exceed 66-2/3% of average compensation regardless of service.

Benefits Provided - Disability Retirement. A retirement allowance is payable to any member who is not eligible for a service retirement benefit but who becomes totally and permanently disabled, either physically or mentally, regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the member must have completed at least 5 years of creditable service to be eligible for retirement.

The annual disability retirement allowance payable is equal to 50% of his salary at the time of retirement, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the allowance is equal to 2.5% times credited service, not in excess of 20 times his salary at the time of retirement for firemen and policemen, and average compensation for general employees.

Death Benefits. A benefit is payable upon the death of a member under the following conditions.

1. the member has retired,
2. the member is eligible to retire,
3. the death is in the line of duty, or
4. the death is not in the line of duty, but occurs after the member has 5 years of credited service.

The benefit is payable to the surviving spouse and to children under age 18, to dependent children through age 23 when full time students, and to dependent children of any age if handicapped. The annual benefit payable under all conditions in the case of firemen and policemen and under other than condition (c) above in the case of general employees, is equal to 2.5% of average compensation for

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

each year of credited service up to 20 and 1.7% of average compensation for each year over 20, with a maximum benefit of 66-2/3% of average compensation. For general employee members under condition (c) above the annual benefit payable is equal to 50% of salary at the time of death.

Refund of Contributions. Upon a member's termination of employment for any reason before retirement, his accumulated contributions are refunded. Upon the death of a member who is not eligible for any other death benefit, his accumulated contributions, together with regular interest thereon, are paid to his beneficiary.

Post Retirement Adjustments in Allowances. The allowances of service retirees only are adjusted annually by a cost-of-living adjustment (COLA) on the basis of the annual percentage change in each fiscal year of the Consumer Price Index to a maximum of 2.5% per year (not to exceed 10%). This adjustment has been included in System liabilities.

At June 30, 2019 (measurement date), the following City of McComb employees were covered by the plan:

<u>Description</u>	<u>Number</u>
Active participants	—
Inactive members or their beneficiaries	<u>22</u>
Total	<u>22</u>

Actuarial Assumptions

Valuation date	6/30/2018
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.75%
Projected salary increases	3.25 - 18.50%
Includes price inflation at	3.00%
Includes wage inflation at	3.25%
Cost of living adjustments	2.00% - 3.75% depending on municipality

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Salary Increases: 3.25% for wage inflation plus the following chart:

<u>Ages</u>	<u>Merit and Seniority Salary Increase</u>
Under 43	1.50%
43-47	1.00
48-52	0.50
53 and Over	0.00

Price Inflation: 3.00% per annum, compounded annually.

Interest Rate 7.75% per annum, compounded annually (net after investment expenses) for prior funding policy rate determination and GASB disclosure. 6.50% per annum, compounded annually (net after investment expenses) for current funding policy rate determination.

Death and After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 with male rates set forward one year and adjusted by 106% for males at all ages and as follows for females: 90% for ages less the 76, 95% for age 76, 105% for age 78, and 1.10% for ages 79 and greater. The RP-2014

Disabled Retiree Mortality: Table set forward 4 years for males and 3 years for females was used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement. Mortality improvement is anticipated under this assumption as recent mortality experience shows actual deaths 11.2% greater than expected under the selected table for non-disability mortality and 10.5% greater than expected under the selected table for disability mortality.

Marriage Assumption: 85% married with the husband three years older than his wife.

Value Method: Unfunded employer liabilities are amortized over a closed 30-year period from September 30, 1990 as a level percent of the municipality's assessed property valuation.

Assessed Property Value Rate of Increase: 2.0% per annum, compounded annually used in determining the millage rate under the prior funding policy.

Expense Load: 2.0% of employer contributions.

Asset Valuation Method: The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

Basis of Accounting

MMRS uses the accrual basis of accounting and the economics resources measurement focus. Employee and employer contributions are recognized as revenue in the period in which employees' services are performed. Investment income is recognized when earned.

Expenses, including benefits and refunds paid, are recognized when incurred. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and discounted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable market value exists, PERS, in consultation with its investment advisors and custodial bank, has determined the fair values.

Contributions

Funding policies for MMRS are established by Mississippi statutes. Employer contributions are paid through an annual millage rate on the assessed property values of the City. For the year ended September 30, 2019, the City levied 2.90 mills to help fund MMRS. This millage rate is determined through review of each plan's benefit structure during the MMRS annual actuarial valuation and certification by the actuary as to the funding level required of the City. The contribution requirements of MMRS members are established and may be amended only by the State of Mississippi Legislature. The City of McComb, Mississippi's contributions to MMRS the years ended September 30, 2019, 2018 and 2017 were \$279,433, \$267,859 and \$270,327, respectively.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Changes in Net Pension Liability

Changes in the City's net pension liability for the MMRS plan for the year ended September 30, 2019 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at September 30, 2018	\$ 3,048,193	\$ 920,167	\$ 2,128,026
Changes for the year:			
Service cost	-	-	-
Interest	223,932	-	223,932
Changes of assumptions	(3,997)	-	(3,997)
Difference between expected and actual experience	62,744	-	62,744
Contributions - employer	-	301,580	(301,580)
Contributions - employee	-	-	-
Net investment income	-	66,199	(66,199)
Benefit payments, including refunds of employee contributions	(317,497)	(317,497)	-
Administrative expense	-	(6,032)	6,032
Other changes	-	-	-
Net changes	(34,818)	44,250	(79,068)
Balance at September 30, 2019	\$ 3,013,375	\$ 964,417	\$ 2,048,958

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the MMRS plan's net position liability calculated using the discount rate of 7.75 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Plan's Net Pension Liability	\$ 2,282,391	\$ 2,048,958	\$ 1,844,640

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued MMRS financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to MMRS

At September 30, 2019, the City reported a liability of \$2,048,958 for the MMRS net pension liability. The MMRS net pension liability was measured as of June 30, 2019, and the total MMRS pension liability used to calculate the MMRS net pension liability was determined by an actuarial valuation as of that date.

At September 30, 2019, the City reported deferred outflows of resources related to pensions from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ -	\$ 11,201
City contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 11,201

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

The \$35,328 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

Deferred Outflows/(Deferred Inflows) Aging:

Year ended September 30:

2020	\$	(1,473)
2021		(10,789)
2022		210
2023		851
	\$	<u>(11,201)</u>

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters. The government carries commercial insurance for these risks.

The City has joined with other municipalities to pool its risk as a member of the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Pool, both of which are public entity risk pools. The City pays annual premiums to the liability plan and quarterly premiums to the pool for its workers' compensation coverage. The agreements establishing the pools provide that the pools will be self-sustaining through member premiums.

Note 11 – Contingent Liabilities

Litigation

The City has pending legal claims incurred in the normal course of operations that in the opinion of City Officials can be disposed of without material adverse effect on the financial position or results of operations of the City.

Grant Audits

The City receives Federal and state grants for specific purposes that are subject to review and audit by Federal and state agencies. Such audits could result in a request for reimbursements for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

Note 12 - Tax Abatements

The City has granted local businesses ad valorem tax exemptions as allowed under Section 27-31-10 and Section 27-31-105, Mississippi Code of 1972, as amended. Under the applicable Sections of Mississippi Code of 1972, as amended, municipal authorities are authorized and empowered, in their discretion, to grant exemptions from ad valorem taxation to new enterprises or additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises as defined in Section 27-31-101 and Section 27-31-105, Mississippi Code of 1972, as amended. For the fiscal year ended September 30, 2019, the City abated ad valorem taxes for local business in the amount of \$4,847 as allowed by Section 27-31-101 and Section 27-31-105, Mississippi Code of 1972, as amended. The exemptions expire in fiscal years 2024 through 2025.

Note 13 - New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued in June 2015, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. The City does not provide any postemployment benefits other than pensions and therefore, the implementation of this Statement in fiscal year 2018 did not impact the City's financial statements.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, issued March 2016, enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The requirements of this Statement are effective for periods beginning after December 15, 2016. The implementation of this Statement in fiscal year 2018 did not impact the City's financial statements.

GASB Statement No. 85, Omnibus 2017, issued March 2017, enhances consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City implemented this Statement in fiscal year 2018.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

GASB Statement No. 86, Certain Debt Extinguishment Issues, issued May 2017, increases consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt was acquired. The requirements of this Statement enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement enhances the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The implementation of this Statement in fiscal year 2018 did not impact the City's financial statements.

GASB Statement No. 83, Certain Asset Retirement Obligations, issued November 2016, enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements. GASB Statement

No. 84, Fiduciary Activities, issued January 2017, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 87, Leases, issued June 2017, will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, issued March 2018, improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)

September 30, 2019

It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, issued June 2018, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 90, Majority Equity Interests as an amendment of GASB Statements No. 14 and No. 61, issued August 2018, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and also improves the relevance of the financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2018. This accounting pronouncement is not expected to impact the City's financial statements.

GASB Statement No. 91, Conduit Debt Obligations, issued May 2019, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required not disclosures.

The requirements of this Statement are effective for periods beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

Note 14 – Covid 19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the world and in the United States. As of September 30, 2022, the City is aware of changes in both its daily operations and the operations of commercial businesses located in the City as a result of COVID-19 but is uncertain of the impacts of these changes on its future financial operations. The ultimate potential impact cannot be estimated at this time. The City had no additional subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through December 28, 2022, the date the financial statements were approved by the City's management and available to be issued.

CITY OF Mc COMB, MISSISSIPPI

NOTES TO FINANCIAL STATEMENT (CONTINUED)
September 30, 2019

Note 15 – Subsequent Events

The City has issued the following debt subsequent to September 30, 2019:

- Issued \$1,236,000 loan payable through the Mississippi Department of Health Drinking Water Systems Improvement Revolving Loan Fund Program to be used for water improvement projects.
- Issued \$3,200,000 general obligation bonds to be use for street improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CTY OF McCOMB, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	2,875,104	2,875,104	3,958,515	1,083,411
Licenses and permits	133,600	133,600	114,390	(19,210)
Intergovernmental revenues	7,048,500	7,048,500	7,429,225	380,725
Charges for services	9,000	9,000	354,813	345,813
Court fines and forfeits	365,000	365,000	208,564	(156,436)
Interest	50,000	50,000	119,629	69,629
Miscellaneous income	551,189	551,189	1,290,744	739,555
Total revenues	11,032,393	11,032,393	13,475,880	2,443,487
Expenditures:				
General government:				
Personnel services	1,282,711	1,282,711	1,585,035	(302,324)
Supplies	20,000	20,000	64,248	(44,248)
Other services and charges	813,477	813,477	2,310,339	(1,496,862)
Capital outlay	102,500	102,500	-	102,500
Funding to outside agencies	-	-	-	-
Total general government	2,218,688	2,218,688	3,959,622	(1,740,934)
Public safety:				
Personnel services	5,316,037	5,316,037	4,990,339	325,698
Supplies	107,850	107,850	184,778	(76,928)
Other services and charges	450,050	450,050	1,104,759	(654,709)
Capital outlay	1,300	1,300	-	1,300
Total public safety	5,875,237	5,875,237	6,279,876	(404,639)
Public works:				
Personnel services	1,347,710	1,347,710	1,202,276	145,434
Supplies	346,300	346,300	353,374	(7,074)
Other services and charges	527,650	527,650	1,802,819	(1,275,169)
Capital outlay	2,000	2,000	-	2,000
Total public works	2,223,660	2,223,660	3,358,469	(1,134,809)

CTY OF McCOMB, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and parks::				
Personnel services	539,412	539,412	501,313	38,099
Supplies	44,200	44,200	125,448	(81,248)
Other services and charges	110,950	110,950	224,763	(113,813)
Capital outlay	-	-	-	-
Total culture and recreation	694,562	694,562	851,524	(156,962)
Total Expenditures	11,012,147	11,012,147	14,449,491	(3,437,344)
Excess(deficiency) of revenues over expenditures	20,246	20,246	(973,611)	(993,857)
Other financing sources (uses):				
Insurance proceeds	-	-	-	-
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing uses	-	-	-	-
Net change in fund balance	20,246	20,246	(973,611)	(993,857)
Fund balance at beginning of year	2,351,666	2,351,666	3,935,277	1,583,611
Fund balance at end of year	2,371,912	2,371,912	2,961,666	589,754

**EXPLANATION OF DIFFERENCES BETWEEN
BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:**

Fund Balance -budgetary basis	\$ 2,961,666
Adjustment to GAAP basis:	
Net accrued revenues and related receivables	(1,787,750)
Net accrued expenditures and related liabilities paid after 30 days	-
Fund Balance - GAAP basis	\$ 1,173,916

CITY OF McCOMB, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY & RELATED RATIOS - PERS
LAST 10 FISCAL YEARS *

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportionate share of the collective net pension liability	*	*	*	*	*	\$ 16,122,723	\$ 17,273,034	\$ 16,723,134	\$ 16,682,869	\$ 16,941,070
City's proportionate share of the collective net pension liability	*	*	*	*	*	0.1043%	0.0967%	0.1006%	0.1003%	0.0963%
City's covered payroll	*	*	*	*	*	6,514,708	6,343,902	6,456,306	6,504,108	6,273,204
City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll	*	*	*	*	*	247.48%	272.28%	259.02%	260.50%	270.1%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	61.70%	57.47%	61.49%	62.54%	61.59%

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

CITY OF McCOMB, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PERS
LAST 10 FISCAL YEARS *

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined employer contribution	*	*	*	*	*	\$ 1,021,457	\$ 1,003,574	\$ 1,034,757	\$ 988,720	1,020,754
Contributions in relation to the actuarially determined contributions	*	*	*	*	*	1,021,457	1,003,574	1,034,757	988,720	1,020,754
Annual contribution deficiency (excess)	*	*	*	*	*	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	*	*	*	*	*	\$ 6,485,441	\$ 6,371,898	\$ 6,569,886	\$ 6,277,576	\$ 6,305,827
Actual contributions as a percentage of covered-employer payroll	*	*	*	*	*	15.75%	15.75%	15.75%	15.75%	15.75%

* The amounts presented for each fiscal year were determined as of the employer's fiscal year end. PERS implemented GASB 67 in fiscal year 2014 and thus information is not available to present a full ten years. The City has presented information for the years in which information is available.

CITY OF McCOMB, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - MMRS
LAST 10 FISCAL YEARS *

Mississippi Municipal Retirement Systems (MMRS)

Plan Year Ended	Plan Fiduciary Net Position	Total Pension Liability	Percent Funded	Net Pension Liability	Annual Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
6/30/2015	950,477	3,580,411	26.5%	2,629,934	-	NA
6/30/2016	871,792	3,458,857	25.2%	2,587,065	-	NA
6/30/2017	925,228	3,358,271	27.6%	2,433,043	-	NA
6/30/2018	920,167	3,048,193	30.2%	2,128,026	-	NA
6/30/2019	964,417	3,013,375	32.0%	2,048,958	-	NA

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS - MMRS*
LAST FISCAL YEARS

Mississippi Municipal Retirement Systems (MMRS)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 252,604	\$ 260,013	\$ 276,947	\$ 272,021	\$ 301,580
Contributions in relation to the actuarially required contribution	252,604	260,013	276,947	272,021	301,580
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	NA	NA	NA	NA	NA
Contributions as a percentage of covered-employee payroll	NA	NA	NA	NA	NA

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

CITY OF McCOMB, MISSISSIPPI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES SEPTEMBER 30, 2019

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

The City's governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered to be in accordance with generally accepted accounting principles. Governmental accounting requires that the "Budgetary Comparison Schedule" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

NOTE B - EXCESS OF EXPENDITURES OVER BUDGET

The General Fund expenditures exceeded budget by \$3,437,344 during fiscal year 2019.

Pension Schedules

NOTE A - VALUATION DATE

Actuarially determined contribution rates are calculated as of June 30, three months prior to the end of the fiscal year in which contributions are reported.

NOTE B - CHANGES OF BENEFIT TERMS

None.

NOTE C - CHANGES OF ASSUMPTIONS

None.

NOTE D - DATA AVAILABLE AND PRESENTED

The required supplementary pension schedules are presented to illustrate the requirement to show information for ten years, as required by GASB 68. GASB 68 was implemented during the fiscal year ended September 30, 2015, and only reflects data for years for which trend information is available.

SUPPLEMENTARY INFORMATION

CITY OF McCOMB, MISSISSIPPI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019

ASSETS																		
Park and Recreation Fund		Animal Shelter Fund	Fire Protection Fund	MESC Fund	City Donation Funds	Crime Stoppers and Public Safety Grant Funds	Police Seizure and Forfeiture Fund	Police Disability Fund	Fire and	Scenic Rivers Fund	Library Support Fund	Regional Response Team Funds	Recycle One 2015 Fund	Brownfield Petro Grant Fund	Hotel Motel Tax Fund	USDA Fund	Cemetery Trust Fund	
Cash and cash equivalents																		
\$ 176,703		\$ 5,582	\$ 94,758	\$ 37,055	\$ 44,546	\$ 2,829	\$ 22,868	\$ 28,308	\$ -	\$ -	\$ 8,670	\$ 36,822	\$ -	\$ -	\$ 495	\$ 553,039	\$ 23	\$ 291,523
Taxes receivable, net																		
-		-	-	-	-	-	-	564,459	-	14,241	146,216	13,232	-	-	-	19,142	-	-
Accounts receivable, net																		
-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets																		
\$ 176,703		\$ 5,582	\$ 94,758	\$ 37,055	\$ 44,546	\$ 2,829	\$ 22,868	\$ 592,767	\$ 14,241	\$ 154,886	\$ 50,054	\$ -	\$ -	\$ 495	\$ 572,181	\$ 23	\$ 291,523	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES																		
Liabilities																		
Accounts payable																		
\$ 5,363		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities																		
-		-	-	-	-	-	-	-	-	-	-	1,226	300	-	-	-	-	-
Other liabilities																		
3,144		-	-	-	-	-	-	-	-	-	-	-	694	-	-	-	-	-
Due to other funds																		
-		-	-	-	-	-	-	17,884	14,241	-	-	50,153	6,392	-	3,585	-	2,000	-
Total liabilities																		
8,507		-	-	-	-	-	697	17,884	14,241	-	-	51,379	7,386	-	3,585	-	2,000	-
Deferred Inflows of Resources																		
Ad Valorem deferred revenue																		
-		-	-	-	-	-	-	562,010	-	-	145,592	-	-	-	-	-	-	-
Total deferred inflows of resources																		
-		-	-	-	-	-	-	562,010	-	-	145,592	-	-	-	-	-	-	-
Fund Balances																		
Restricted																		
-		5,582	94,758	37,055	44,546	2,829	22,171	12,873	-	-	9,294	(1,325)	(7,386)	495	568,596	23	-	289,523
Committed																		
168,196		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances																		
168,196		5,582	94,758	37,055	44,546	2,829	22,171	12,873	-	-	9,294	(1,325)	(7,386)	495	568,596	23	289,523	-
Total liabilities, deferred inflows of resources and fund balances																		
\$ 176,703		\$ 5,582	\$ 94,758	\$ 37,055	\$ 44,546	\$ 2,829	\$ 22,868	\$ 592,767	\$ 14,241	\$ 154,886	\$ 50,054	\$ -	\$ -	\$ 495	\$ 572,181	\$ 23	\$ 291,523	-

CITY OF McCOMB, MISSISSIPPI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
(CONTINUED)
September 30, 2019

ASSETS

	Hurricane Fund	Hurricane Fund	Limited Obligation Bond Funds	City General Obligation Funds	Capital Improvement Fund	Martin Luther King Gym Project Fund	Police Department Generator Project Fund	Delaware Corridor Study Project Fund	Delaware Ave/Anna Drive Light Fund	Complete Streets Projects Fund	Transportation Alternative Program Project Fund	GO Zone Downtown Fund	Fire Station #1 Project Fund	NCRS Watershed Protection Project Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ -	\$ -	\$ 237,743	\$ 201,674	\$ 1,085	\$ 103,100	\$ -	\$ 60,623	\$ 46,647	\$ 79,267	\$ -	\$ 10,250	\$ 49,957	\$ 42,325	\$ 2,135,892
Taxes receivable, net	-	-	-	2,157,305	-	-	-	-	-	-	184,872	-	-	-	2,867,980
Accounts receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	231,487
Total assets	-	-	237,743	2,358,979	1,085	103,100	-	60,623	46,647	79,267	184,872	10,250	49,957	42,325	5,235,359

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities																
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,060
Accrued liabilities	73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,599
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,425
Due to other funds	14,062	336	-	27,602	-	-	44,848	60,623	-	24,131	61,369	-	-	-	-	306,239
Total liabilities	14,135	336	-	27,602	-	-	44,848	60,623	-	24,131	61,369	-	-	-	-	338,723
Deferred inflows of resources	-	-	-	2,150,036	-	-	-	-	-	-	-	-	-	-	-	2,857,638
Ad Valorem deferred revenue	-	-	-	2,150,036	-	-	-	-	-	-	-	-	-	-	-	2,857,638
Total deferred inflows of resources	-	-	-	2,150,036	-	-	-	-	-	-	-	-	-	-	-	2,857,638
Fund Balances																
Restricted	(14,135)	(336)	237,743	181,341	1,085	103,100	(44,848)	-	46,647	55,136	123,503	10,250	49,957	42,325	1,581,279	
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	457,719
Total fund balances	(14,135)	(336)	237,743	181,341	1,085	103,100	(44,848)	-	46,647	55,136	123,503	10,250	49,957	42,325	2,038,998	
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ -	\$ 237,743	\$ 2,358,979	\$ 1,085	\$ 103,100	\$ -	\$ 60,623	\$ 46,647	\$ 79,267	\$ 184,872	\$ 10,250	\$ 49,957	\$ 42,325	\$ 5,235,359	

CITY OF McCOMB, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
NET CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	Park and Recreation Fund	Animal Shelter Fund	Fire Protection Fund	MESC Fund	City Donation Funds	Crime Stoppers and Public Safety Grant Funds	Police Seizure and Forfeiture Fund	Police Disability and Relief Fund	Scenic Rivers Fund	Library Support Fund	Regional Response Team Funds	Recycle One 2015 Fund	Brownfield Petro Grant Fund	Hotel Motel Tax Fund	USDA Fund	Cemetery Trust Fund
Revenues:																
General Revenue																
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,363	\$ -	\$ 75,257	\$ -	\$ 37,429	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	100,000	-	75,488	-	4,500	-	-	-	-	-	42,663	-	-	230,844	-	-
Charges for services	110,991	-	-	-	-	-	4,991	-	-	-	2,220	-	-	-	-	89,160
Court fines and forfeitures	-	-	-	-	-	-	-	237	-	-	-	-	-	-	-	-
Interest income	-	-	50	482	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	56,488	-	-	-	4,650	-	-	-	-	-	2	-	-	-	-	-
Total revenues	267,479	-	75,538	482	9,150	-	5,228	283,363	-	75,257	44,885	37,429	-	230,844	-	89,160
Expenditures:																
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	73,731	-	-	-	-	-	-	-	62,164	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	138,397	-	-	-	-	-	-	-	-	71,225	-	59,355	-	-	-	-
Disability and Relief Funding	-	-	-	-	-	-	-	278,889	-	-	-	-	-	147,791	-	-
Other	6,088	-	-	-	9,002	-	-	-	-	-	-	-	-	-	-	224,968
Debt Service:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt insurance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	35,022	-	-	-	-	-	-	-	-	-	-	39,852	-	-
Interest and service charges	-	-	8,965	-	-	-	-	-	-	-	-	-	-	3,958	-	-
Total Expenditures	144,485	-	117,718	-	9,002	-	-	278,889	-	71,225	62,164	59,355	-	191,601	-	224,968
Excess (deficiency) of Revenues over Expenditures	122,994	-	(42,180)	482	148	-	5,228	4,474	-	4,032	(17,279)	(21,926)	-	39,243	-	(135,808)
Other financing sources (uses):																
Loan proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in fund balances	122,994	-	(42,180)	482	148	-	5,228	4,474	-	4,032	(17,279)	(21,926)	-	39,243	-	(135,808)
Fund balances, beginning	45,202	5,582	136,938	36,573	44,398	2,829	16,943	8,399	-	5,262	15,954	14,540	495	29,353	23	425,331
Fund balances, ending	\$ 168,196	\$ 5,582	\$ 94,758	\$ 37,055	\$ 44,546	\$ 2,829	\$ 22,171	\$ 12,873	\$ -	\$ 9,294	\$ (1,325)	\$ (7,386)	\$ 495	\$ 568,596	\$ 23	\$ 289,523

CITY OF McCOMB, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
NET CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(CONTINUED)

For the Year Ended September 30, 2019

	Hurricane Fund	Hurricane Fund	Limited Obligation Bond Funds	City General Obligation Funds	Capital Improvement Fund	Martin Luther King Gyn Project Fund	Police Department Generator Project Fund	Delaware Corridor Study Project Fund	Delaware Ave/Anna Drive Light Fund	Complete Streets Projects Fund	Transportation Alternative Program Project Fund	GO Zone Downtown Fund	Fire Station #11 Project Fund	NCRS Watershed Protection Project Fund	Total Nonmajor Governmental Funds
Revenues:															
General Revenue															
General Property Taxes	\$ -	\$ -	\$ -	\$ 838,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,234,252
Intergovernmental revenue	-	-	-	-	-	-	117,502	-	-	-	529,885	-	-	-	1,104,820
Charges for services	-	-	3,938	-	-	-	-	-	-	-	-	-	-	-	202,371
Court fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,991
Interest income	-	-	-	67,346	-	-	-	-	-	-	-	-	-	-	72,839
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,140
Total revenues	-	-	8,662	905,549	-	-	117,502	-	-	-	529,885	-	-	-	2,680,413
Expenditures:															
General government	9,953														9,953
Public safety	4,182	336					157,498								297,911
Public works	-	-					-			207,221	492,393				758,969
Culture and Recreation	-	-				55,000	-			-	-				412,413
Disability and Relief Funding	-	-				-	-			-	-				278,889
Other	-	-	4,079	-	-	-	-	-	-	-	-	-	-	-	244,137
Debt Service:															
Debt issuance costs	-	-	-	67,346	-	-	-	-	-	-	-	-	-	-	67,346
Principal	-	-	-	457,000	-	-	-	-	-	-	-	-	-	-	531,874
Interest and service charges	-	-	95,122	463,930	-	-	-	-	-	-	-	-	-	-	571,975
Total Expenditures	14,135	336	99,201	988,276	-	55,000	157,498	-	-	207,221	492,393	-	-	-	3,173,467
Excess (deficiency) of Revenues over Expenditures	(14,135)	(336)	(90,539)	(82,727)	-	(55,000)	(39,996)	-	-	(207,221)	37,492	-	-	-	(493,054)
Other financing sources (uses):															
Loan proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in fund balances	(14,135)	(336)	(90,539)	(82,727)	-	(55,000)	(39,996)	-	-	(207,221)	37,492	-	-	-	500,000
Fund balances, beginning	-	-	328,282	264,068	1,085	158,100	(4,852)	-	46,647	262,357	86,011	10,250	49,957	42,325	6,946
Fund balances, ending	\$ (14,135)	\$ (336)	\$ 237,743	\$ 181,341	\$ 1,085	\$ 103,100	\$ (44,848)	\$ -	\$ 46,647	\$ 55,136	\$ 123,503	\$ 10,250	\$ 49,957	\$ 42,325	\$ 2,038,998

See independent auditors' report.

CITY OF McCOMB, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2019**

<u>Bond Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
Quordiniah Lockley	Mayor	Western Surety	\$ 50,000
Shawn Williams	Selectman	Western Surety	50,000
Ted Tullos	Selectman	Western Surety	50,000
Michael Cameron	Selectman	Western Surety	50,000
Donovan R. Hill	Selectman	Western Surety	50,000
Devante Johnson	Selectman	Western Surety	50,000
Ronnie Brock	Selectman	Western Surety	50,000
Kelvin Butler	City Administrator	Western Surety	50,000
Damian C. Gatlin	Chief of Police	Western Surety	50,000
Rodney Nordstorm	Deputy Chief of Police	Western Surety	50,000
Servia Fortenberry	City Clerk	Western Surety	50,000
Schenika Nacole Garner	Deputy Clerk	Western Surety	50,000
Rosezea Scott	Deputy Clerk	Western Surety	50,000

See independent auditors' report.

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

To the Mayor and Board of Selectmen
City of McComb
McComb, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of McComb, Mississippi, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McComb, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bruno & Tervalon, LLP

BRUNO & TERVALON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 20, 2022

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

To the Mayor and Board Selectman
City of McComb, Mississippi

We have audited the basic financial statements of the City of McComb, Mississippi, as of and for the year ended September 30, 2019, and have issued our report dated December 20, 2022. 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*.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Mayor and Board of Selectmen, 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.

Bruno & Tervalon, LLP

BRUNO & TERVALON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 20, 2022

CITY OF McCOMB, MISSISSIPPI

SCHEDULE OF FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF AUDIT RESULTS

- 1) The auditors' report expresses an unmodified opinion on the financial statements of the City of McComb, Mississippi.
- 2) There were no instances of material weaknesses relating to the audit of the financial statements reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- 3) No instances of noncompliance material to the financial statements of the City of McComb, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

CITY OF McCOMB, MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2019-001: Overall record keeping

Current Status

Resolved

Finding 2019-002 Untimely Bank Reconciliations

Current Status

Resolved