

CITY OF McCOMB, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McComb, Mississippi, as of September 30, 2018, 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.

Other Matters

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McComb, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements, and 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.

The combining and individual nonmajor fund financial statements is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the State-required schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds 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 October 21, 2020 on our consideration of the City of McComb, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 of McComb, Mississippi's internal control over financial reporting and compliance.

The Millon Group, PLLC

Natchez, Mississippi
October 21, 2020

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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 20 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 \$525,267 as a result of this year's operations (\$843,429 decrease in 2017). The decrease was realized by the City's Governmental Activities.
- The City had \$20,404,404 in total revenues for fiscal year 2018. Program specific revenues related to charges for services, operating and capital grants, and contributions account for \$8,299,278 or 40.7% of total revenues. General revenues in the form of taxes, unrestricted investment earnings and other revenue account for \$12,105,126 or 59.3% of total revenues.
- The City had \$20,929,671 in total expenses and transfer of proceeds from tax increment financing bonds to developer in fiscal year 2018. Expenses in the amount of \$8,299,278 were offset by program specific revenues in the form of charges for services, operating and capital grants, and contributions. General revenues of \$12,105,126 were not adequate to provide for the remaining expenses and transfer of proceeds from tax increment financing bonds to developer in the amount of \$12,630,393, which resulted in a \$525,267 decrease in net position in fiscal year 2018.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$3,879,587, a decrease of \$4,138,254 from the prior year.
- The City's General Fund had \$10,980,807 in revenues and other financing sources and \$11,999,197 in expenditures and other financing uses. The General Fund's fund balance decreased \$1,018,390 from the prior year.
- Capital assets used in governmental activities, net of accumulated depreciation, increased by \$5,195,621. Capital assets used in business-type activities, net of accumulated depreciation, decreased by \$101,776.
- Long-term debt for governmental and business-type activities decreased by \$54,655.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

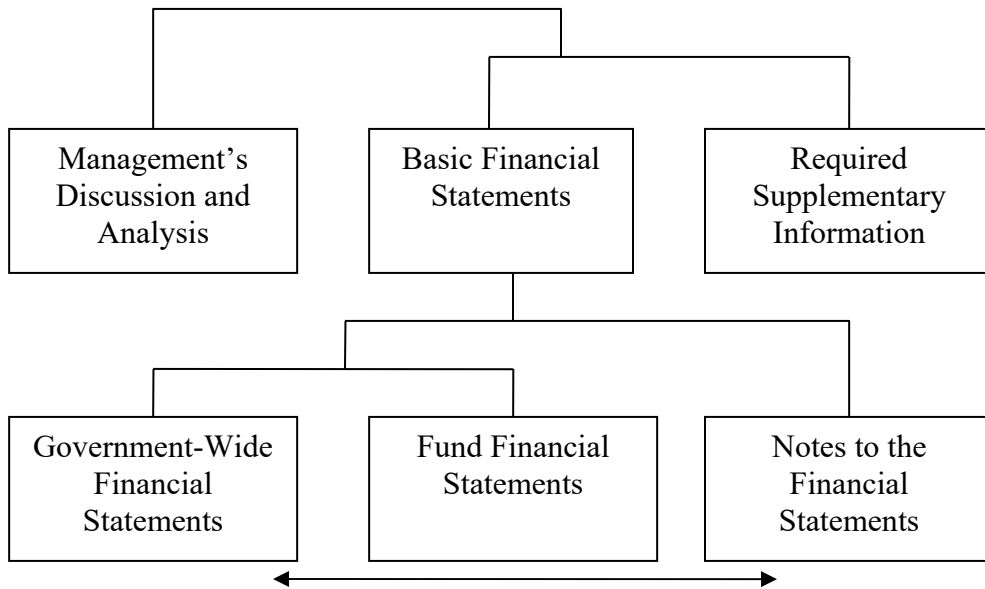
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2018**

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 FUNDS	PROPRIETARY FUNDS	FIDUCIARY FUNDS
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	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • 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, 2018

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 20 and 22 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, 2018.

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, 2018

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 24 and 26.

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 23 and 25 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 27-31 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 32-70 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 77 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 71.

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 \$21,137,023 as of September 30, 2018.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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 \$33,252,257 of the City's net position as of September 30, 2018. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for further spending. Restricted net position of \$4,280,485 as of September 30, 2018 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, 2018 and 2017. 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, 2018 and 2017**

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 8,907,527	5,459,434	14,366,961	13,062,256	5,276,656	18,338,912
Capital assets	21,520,411	46,042,703	67,563,114	16,324,790	46,144,479	62,469,269
Total assets	<u>30,427,938</u>	<u>51,502,137</u>	<u>81,930,075</u>	<u>29,387,046</u>	<u>51,421,135</u>	<u>80,808,181</u>
Deferred outflows of resources:						
Deferred outflows - pensions	1,492,790	145,673	1,638,463	2,742,810	258,433	3,001,243
Liabilities:						
Current liabilities	1,746,874	4,281,368	6,028,242	1,563,557	3,760,620	5,324,177
Long-term liabilities	25,773,027	25,195,826	50,968,853	24,813,593	26,665,082	51,478,675
Total liabilities	<u>27,519,901</u>	<u>29,477,194</u>	<u>56,997,095</u>	<u>26,377,150</u>	<u>30,425,702</u>	<u>56,802,852</u>
Deferred Inflows of Resources:						
Deferred property taxes	3,800,573	-	3,800,573	3,759,761	-	3,759,761
Deferred inflows related to pension	1,486,065	147,782	1,633,847	1,818,660	173,300	1,991,960
Total deferred inflows of resources	<u>5,286,638</u>	<u>147,782</u>	<u>5,434,420</u>	<u>5,578,421</u>	<u>173,300</u>	<u>5,751,721</u>

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Net Position:						
Net investment in capital assets	\$ 12,707,768	20,544,489	33,252,257	8,960,123	19,151,836	28,111,959
Restricted	1,589,125	2,691,360	4,280,485	4,610,676	2,309,678	6,920,354
Unrestricted	<u>(15,182,704)</u>	<u>(1,213,015)</u>	<u>(16,395,719)</u>	<u>(13,396,514)</u>	<u>(380,948)</u>	<u>(13,777,462)</u>
Total net position	\$ <u>(885,811)</u>	<u>22,022,834</u>	<u>21,137,023</u>	<u>174,285</u>	<u>21,080,566</u>	<u>21,254,851</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)	\$ (16,395,719)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71	<u>18,806,279</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u><u>2,410,560</u></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.

The Changes in Net Position for the years ended September 30, 2018 and 2017 are summarized in **Table 2**. Prior year amounts have not been restated to reflect the effect of the prior period adjustment.

**Table 2
Condensed Statements of Changes in Net Position
For the Years Ended September 30, 2018 and 2017**

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues:						
Program Revenue:						
Charges for services	\$ 244,783	6,676,707	6,921,490	203,886	6,569,300	6,773,186
Operating grants and contributions	245,841	-	245,841	183,008	-	183,008
Capital grants and contributions	987,961	143,986	1,131,947	73,683	-	73,683

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Revenues - continued:

General Revenue:

Property taxes	\$	4,036,375	-	4,036,375	3,974,816	-	3,974,816
Sales taxes		6,033,659	-	6,033,659	6,138,804	-	6,138,804
General intergovernmental revenue		645,240	-	645,240	616,199	-	616,199
Franchise taxes		527,039	-	527,039	481,772	-	481,772
Licenses and permits		92,830	-	92,830	83,516	-	83,516
Unrestricted investment earnings		65,308	45,742	111,050	26,088	12,868	38,956
Fines and forfeitures		161,599	-	161,599	247,835	-	247,835
Interfund charges		212,075	(212,075)	-	192,494	(192,494)	-
Insurance proceeds		18,376	-	18,376	756,661	-	756,661
Other		478,958	-	478,958	522,232	-	522,232
Total revenues		<u>13,750,044</u>	<u>6,654,360</u>	<u>20,404,404</u>	<u>13,500,994</u>	<u>6,389,674</u>	<u>19,890,668</u>

Expenses:

General government		2,428,209	-	2,428,209	3,066,510	-	3,066,510
Public safety		6,403,006	-	6,403,006	6,891,666	-	6,891,666
Public works		2,925,583	-	2,925,583	3,323,324	-	3,323,324
Culture and recreation		1,150,173	-	1,150,173	1,125,342	-	1,125,342
Disability and relief funding		279,112	-	279,112	274,114	-	274,114
Interest and other expenses on long-term debt		489,301	-	489,301	239,585	-	239,585
Water/sewer		-	4,817,922	4,817,922	-	4,953,375	4,953,375
Sanitation		-	881,220	881,220	-	860,181	860,181
Total expenses		<u>13,675,384</u>	<u>5,699,142</u>	<u>19,374,526</u>	<u>14,920,541</u>	<u>5,813,556</u>	<u>20,734,097</u>

CHANGE IN NET POSITION

BEFORE TRANSFERS		74,660	955,218	1,029,878	(1,419,547)	576,118	(843,429)
Transfer of proceeds from tax increment financing bonds to developer		(1,555,145)	-	(1,555,145)	-	-	-
Transfers in (out)		<u>12,950</u>	<u>(12,950)</u>	<u>-</u>	<u>14,490</u>	<u>(14,490)</u>	<u>-</u>
CHANGE IN NET POSITION		<u>(1,467,535)</u>	<u>942,268</u>	<u>(525,267)</u>	<u>(1,405,057)</u>	<u>561,628</u>	<u>(843,429)</u>

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

	2018			2017		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
NET POSITION, BEGINNING						
OF YEAR, as previously reported	174,285	21,080,566	21,254,851	1,579,342	20,518,938	22,098,280
PRIOR PERIOD ADJUSTMENT	<u>407,439</u>	<u>-</u>	<u>407,439</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION, BEGINNING						
OF YEAR, as restated	<u>581,724</u>	<u>21,080,566</u>	<u>21,662,290</u>	<u>1,579,342</u>	<u>20,518,938</u>	<u>22,098,280</u>
NET POSITION, END OF YEAR	\$ <u>(885,811)</u>	<u>22,022,834</u>	<u>21,137,023</u>	<u>174,285</u>	<u>21,080,566</u>	<u>21,254,851</u>

Governmental Activities

Several revenue sources fund our governmental activities. The City's largest source of revenue was received from sales tax which accounted for \$6,033,659 or 43.9% of total revenues; revenue from property taxes accounted for \$4,036,375 or 29.4% of total revenues; revenue from charges for services accounted for \$244,783 or 1.8% of total revenues; and revenues from capital and operating grants and contributions amounted to \$1,233,802 or 9.0% of total revenues.

Major expense activities include police and fire safety expenses which accounted for \$6,403,006 or 46.8% of total expenses, and public works expenses accounted for \$2,925,583 or 21.4% 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:

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Governmental Activities - continued:

	2018		2017	
	2018 Expenses	2018 Revenue	2017 Expenses	2017 Revenue
General government	\$ 2,428,209	(2,405,361)	3,066,510	(3,057,035)
Public safety	6,403,006	(6,190,281)	6,891,666	(6,687,731)
Public works	2,925,583	(1,802,834)	3,323,324	(3,179,828)
Culture and recreation	1,150,173	(1,029,910)	1,125,342	(1,021,671)
Disability and relief funding	279,112	(279,112)	274,114	(274,114)
Interest and other expenses				
on long-term debt	489,301	(489,301)	239,585	(239,585)
Total	\$ <u>13,675,384</u>	<u>(12,196,799)</u>	<u>14,920,541</u>	<u>(14,459,964)</u>

Governmental Funds - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$3,879,587, a decrease of \$4,138,254. The most significant factor contributing to the current year decrease in the combined fund balance was the use of bond proceeds received in fiscal year 2017 reported in the 2017 \$3.2M Bond Issue Fund which were used in fiscal year 2018 for street overlay projects.

The General Fund is the principal operating fund of the City. The fund balance of the General Fund decreased \$1,018,390 for the fiscal year ended September 30, 2018.

Business-Type Funds - At the close of the fiscal year, the City's proprietary funds reported total net position of \$22,022,834. Operating revenues totaled \$6,676,707 and operating expenses totaled \$5,440,826 resulting in operating income of \$1,235,881. After net non-operating expenses of \$424,649, capital contributions of \$143,986 and transfers out of \$12,950, the change in net position in the proprietary fund was an increase of \$942,268.

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 2018, 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.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

BUDGETARY HIGHLIGHTS - CONTINUED:

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 2018 were \$11,377,184 and actual revenue collections were \$10,980,007. General Fund operating expenditures were \$12,003,592 compared to budgeted amounts of \$11,634,032.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018, the City had approximately \$67.5 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, 2018 and 2017. Prior year amounts have not been restated to reflect the effect of the prior period adjustment.

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Land	\$ 756,288	756,288	273,639	43,925
Construction in progress	1,339,479	386,215	1,566,750	455,703
Buildings	9,054,850	8,259,601	86,853	87,045
Improvements other than buildings	1,183,765	615,140	-	-
Automotive and equipment	1,326,901	1,549,892	495,860	601,057
Infrastructure	7,859,128	4,757,654	43,619,601	44,956,749
Total	\$ 21,520,411	16,324,790	46,042,703	46,144,479

Total accumulated depreciation as of September 30, 2018 was \$37,692,059, including \$2,774,732 of depreciation expense for the year. Additional information on the City's capital assets can be found in Note 6 on pages 40 and 41 of this report.

Debt

At September 30, 2018 and 2017, the City had \$34,815,999 and \$34,870,654, 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, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt - continued:

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Compensated absences	\$ 457,011	462,097	48,131	51,247
General obligation bonds	6,495,000	7,080,000	-	-
General obligation bonds premium	11,763	13,765	-	-
Limited obligation bonds	2,070,000	-	-	-
Capital lease payable	235,880	270,902	-	-
Water pollution revolving loans	-	-	25,498,214	26,992,643
	-	-	-	-
Total	\$ 9,269,654	7,826,764	25,546,345	27,043,890

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 48-52 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, 2018

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, 2018**

	Governmental	Business-Type	
	Activities	Activities	Total
	<hr/>	<hr/>	<hr/>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,561,163	437,522	3,998,685
Net receivables	5,214,885	925,393	6,140,278
Prepays	131,479	32,549	164,028
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	1,566,750	2,906,229
Depreciable capital assets, net:			
Buildings	9,054,850	86,853	9,141,703
Improvements other than buildings	1,183,765	-	1,183,765
Automotive and equipment	1,326,901	495,860	1,822,761
Infrastructure	<u>7,859,128</u>	<u>43,619,601</u>	<u>51,478,729</u>
 Total assets	 <u>30,427,938</u>	 <u>51,502,137</u>	 <u>81,930,075</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	\$ <u>1,492,790</u>	<u>145,673</u>	<u>1,638,463</u>

continued

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 466,102	699,199	1,165,301
Retainage payable	-	42,086	42,086
Accrued liabilities	323,065	31,433	354,498
Payable to other governments	276,493	-	276,493
Interest payable on long-term debt	120,812	38,401	159,213
Customer deposits	-	1,372,610	1,372,610
Internal balances	(231,184)	231,184	-
Noncurrent liabilities:			
Due within one year:			
Compensated absences	91,403	9,626	101,029
Loans payable	-	1,856,829	1,856,829
Capital lease payable	36,181	-	36,181
Bonds payable	664,002	-	664,002
Due in more than one year:			
Compensated absences	365,608	38,505	404,113
Loans payable	-	23,641,385	23,641,385
Capital lease payable	199,699	-	199,699
Bonds payable	7,912,761	-	7,912,761
Net pension liability	<u>17,294,959</u>	<u>1,515,936</u>	<u>18,810,895</u>
Total liabilities	<u>27,519,901</u>	<u>29,477,194</u>	<u>56,997,095</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	3,800,573	-	3,800,573
Deferred inflows related to pension	<u>1,486,065</u>	<u>147,782</u>	<u>1,633,847</u>
Total deferred inflows of resources	<u>5,286,638</u>	<u>147,782</u>	<u>5,434,420</u>
<u>NET POSITION</u>			
Net investment in capital assets	12,707,768	20,544,489	33,252,257
Restricted	1,589,125	2,691,360	4,280,485
Unrestricted	<u>(15,182,704)</u>	<u>(1,213,015)</u>	<u>(16,395,719)</u>
Total net position	<u>\$ (885,811)</u>	<u>22,022,834</u>	<u>21,137,023</u>

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

CITY OF McCOMB, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business- Type Activities
Functions/programs:							
Primary government:							
Governmental activities:							
General government	\$ 2,428,209	-	21,376	1,472	(2,405,361)	-	(2,405,361)
Public safety	6,403,006	11,240	163,832	37,653	(6,190,281)	-	(6,190,281)
Public works	2,925,583	113,280	60,633	948,836	(1,802,834)	-	(1,802,834)
Culture and recreation	1,150,173	120,263	-	-	(1,029,910)	-	(1,029,910)
Disability and relief funding	279,112	-	-	-	(279,112)	-	(279,112)
Interest and other expenses on long-term debt	489,301	-	-	-	(489,301)	-	(489,301)
Total governmental activities	<u>13,675,384</u>	<u>244,783</u>	<u>245,841</u>	<u>987,961</u>	<u>(12,196,799)</u>	<u>-</u>	<u>(12,196,799)</u>
Business-type activities:							
Water/sewer	4,817,922	5,688,818	-	143,986	-	1,014,882	1,014,882
Sanitation	881,220	987,889	-	-	-	106,669	106,669
Total business-type activities	<u>5,699,142</u>	<u>6,676,707</u>	<u>-</u>	<u>143,986</u>	<u>-</u>	<u>1,121,551</u>	<u>1,121,551</u>
Total	\$ <u>19,374,526</u>	<u>6,921,490</u>	<u>245,841</u>	<u>1,131,947</u>	<u>(12,196,799)</u>	<u>1,121,551</u>	<u>(11,075,248)</u>
General revenues:							
General property taxes					\$ 4,036,375	-	4,036,375
Sales taxes					6,033,659	-	6,033,659
General intergovernmental revenue					645,240	-	645,240
Franchise taxes					527,039	-	527,039
Privilege licenses and permits					92,830	-	92,830
Fines and forfeitures					161,599	-	161,599
Interfund charges					212,075	(212,075)	-
Miscellaneous					478,958	-	478,958
Unrestricted investment earnings					65,308	45,742	111,050
Insurance proceeds					18,376	-	18,376
Transfer of proceeds from tax increment financing bonds to developer					(1,555,145)	-	(1,555,145)
Transfers in (out)					12,950	(12,950)	-
Total general revenues and transfers					<u>10,729,264</u>	<u>(179,283)</u>	<u>10,549,981</u>
Change in net position					(1,467,535)	942,268	(525,267)
Net position at beginning of year, as previously reported					174,285	21,080,566	21,254,851
Prior period adjustment (See Note 12)					407,439	-	407,439
Net position at beginning of year, as restated					<u>581,724</u>	<u>21,080,566</u>	<u>21,662,290</u>
Net position at end of year					\$ <u>(885,811)</u>	<u>22,022,834</u>	<u>21,137,023</u>

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

CITY OF McCOMB, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General</u>	<u>2017 \$3.2M</u>	<u>2017 \$2.07M</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Bond Issue</u>	<u>Bond Issue</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,316,402	-	500	2,244,261	3,561,163
Taxes receivable	3,121,735	-	-	1,201,509	4,323,244
Fines receivable	345,478	-	-	-	345,478
Other receivables	57,600	-	-	14,241	71,841
Due from other governments	-	-	-	223,889	223,889
Due from other funds	389,657	-	-	3,044	392,701
Prepays	131,479	-	-	-	131,479
Total assets	\$ <u>5,362,351</u>	<u>-</u>	<u>500</u>	<u>3,686,944</u>	<u>9,049,795</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 143,178	-	-	322,924	466,102
Accrued liabilities	322,228	-	-	837	323,065
Payable to other governments	26,060	-	-	-	26,060
Due to other funds	-	27,602	-	133,915	161,517
Total liabilities	<u>491,466</u>	<u>27,602</u>	<u>-</u>	<u>457,676</u>	<u>976,744</u>
Deferred Inflows of Resources:					
Unavailable property taxes	2,630,463	-	-	1,170,110	3,800,573
Unavailable fine revenue	392,891	-	-	-	392,891
Total deferred inflows of resources	<u>3,023,354</u>	<u>-</u>	<u>-</u>	<u>1,170,110</u>	<u>4,193,464</u>
Fund Balances:					
Nonspendable:					
Prepaid items	131,479	-	-	-	131,479
Restricted	-	-	500	1,588,625	1,589,125
Committed	-	-	-	470,533	470,533
Unassigned	1,716,052	(27,602)	-	-	1,688,450
Total fund balances	<u>1,847,531</u>	<u>(27,602)</u>	<u>500</u>	<u>2,059,158</u>	<u>3,879,587</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>5,362,351</u>	<u>-</u>	<u>500</u>	<u>3,686,944</u>	<u>9,049,795</u>

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

CITY OF McCOMB, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

Total fund balance - governmental funds		\$ 3,879,587
Amounts reported for net position in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	36,964,098	
Less accumulated depreciation	<u>(15,443,687)</u>	21,520,411
Certain revenue that was earned in the current period but not received within 60 days is not recognized in the fund statements but recognized under full accrual.		
		392,891
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds:		
Net pension liability		(17,294,959)
Deferred outflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	1,492,790	
Deferred inflows of resources related to pensions	<u>(1,486,065)</u>	6,725
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	(8,576,763)	
Capital lease payable	(235,880)	
Interest payable on long-term debt	(120,812)	
Compensated absences	<u>(457,011)</u>	<u>(9,390,466)</u>
Net position of governmental activities		\$ <u>(885,811)</u>

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

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	2017 \$3.2M Bond Issue Fund	2017 \$2.07M Bond Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 2,859,946	-	-	1,176,429	4,036,375
Privilege licenses and permits	92,830	-	-	-	92,830
Intergovernmental revenues	6,449,441	-	-	1,421,649	7,871,090
Franchise taxes	527,039	-	-	-	527,039
Charges for services	23,278	-	-	221,505	244,783
Court fines and forfeitures	259,378	-	-	-	259,378
Interest income	62,958	-	-	2,350	65,308
Interfund charges	212,075	-	-	-	212,075
Contributions	6,612	-	-	35,000	41,612
Miscellaneous	468,874	-	-	10,084	478,958
Total revenues	<u>10,962,431</u>	<u>-</u>	<u>-</u>	<u>2,867,017</u>	<u>13,829,448</u>
EXPENDITURES:					
General government	2,939,054	-	-	14,764	2,953,818
Public safety	5,795,811	-	-	210,401	6,006,212
Public works	2,418,299	3,044,396	-	1,326,424	6,789,119
Culture and recreation	846,033	-	-	593,945	1,439,978
Disability and relief funding	-	-	-	279,112	279,112
Debt service:					
Debt issuance costs	-	-	187,829	-	187,829
Principal	-	-	-	620,022	620,022
Interest and service charges	-	-	-	237,793	237,793
Total expenditures	<u>11,999,197</u>	<u>3,044,396</u>	<u>187,829</u>	<u>3,282,461</u>	<u>18,513,883</u>
Excess (deficiency) of revenues over expenditures	<u>(1,036,766)</u>	<u>(3,044,396)</u>	<u>(187,829)</u>	<u>(415,444)</u>	<u>(4,684,435)</u>
Other financing sources (uses):					
Issuance of tax increment financing bonds	-	-	1,743,474	326,526	2,070,000
Transfer of proceeds from tax increment financing bonds to developer	-	-	(1,555,145)	-	(1,555,145)
Insurance proceeds	18,376	-	-	-	18,376
Transfers in	-	-	-	12,950	12,950
Total other financing sources (uses)	<u>18,376</u>	<u>-</u>	<u>188,329</u>	<u>339,476</u>	<u>546,181</u>
Net change in fund balances	(1,018,390)	(3,044,396)	500	(75,968)	(4,138,254)
Fund balances, beginning of year	<u>2,865,921</u>	<u>3,016,794</u>	<u>-</u>	<u>2,135,126</u>	<u>8,017,841</u>
Fund balances, end of year	\$ <u>1,847,531</u>	<u>(27,602)</u>	<u>500</u>	<u>2,059,158</u>	<u>3,879,587</u>

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

CITY OF McCOMB, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balance - total governmental funds	\$ (4,138,254)
Amounts reported in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Position.	5,842,013
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	(1,053,831)
Revenues in the funds that provide current financial resources but have been included in the Statement of Activities in prior fiscal years.	(97,780)
The Statement of Activities reports pension expense and other activity related to the net pension liability activity:	
Contributions made after the measurement date	270,050
Pension expense	(781,162)
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
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from:	
Issuance of tax increment financing bonds	(2,070,000)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	620,022
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:	
Change in compensated absences	5,086
Change in accrued interest	<u>(65,681)</u>
Change in net position of governmental activities	\$ <u>(1,467,535)</u>

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

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 SEPTEMBER 30, 2018**

	Water and Sewer		
	Authority	Sanitation	
	Fund	Fund	Total
	<hr/>	<hr/>	<hr/>
<u>ASSETS</u>			
Current assets:			
Cash in treasury accounts	\$ 178,129	259,393	437,522
Accounts receivable, net	777,430	147,963	925,393
Prepaid expenses	32,549	-	32,549
Due from other funds	-	<u>141,207</u>	<u>141,207</u>
Total current assets	<u>988,108</u>	<u>548,563</u>	<u>1,536,671</u>
Noncurrent assets:			
Restricted cash and cash equivalents:			
Customer deposits	1,372,610	-	1,372,610
Capital improvements	<u>2,691,360</u>	-	<u>2,691,360</u>
Total restricted assets	<u>4,063,970</u>	<u>-</u>	<u>4,063,970</u>
Property, plant and equipment, at cost:			
Land	273,639	-	273,639
Buildings	410,629	-	410,629
Infrastructure	64,076,809	-	64,076,809
Automotive and equipment	1,963,248	-	1,963,248
Less: accumulated depreciation	<u>(22,248,372)</u>	<u>-</u>	<u>(22,248,372)</u>
	44,475,953	-	44,475,953
Construction in progress	<u>1,566,750</u>	<u>-</u>	<u>1,566,750</u>
Net property, plant and equipment	<u>46,042,703</u>	<u>-</u>	<u>46,042,703</u>
Total assets	<u>51,094,781</u>	<u>548,563</u>	<u>51,643,344</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	\$ <u>145,673</u>	<u>-</u>	<u>145,673</u>

continued

	Water and Sewer		
	Authority	Sanitation	
	Fund	Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 630,413	68,786	699,199
Retainage Payable	42,086	-	42,086
Accrued liabilities	31,433	-	31,433
Interest payable	38,401	-	38,401
Compensated absences	9,626	-	9,626
Due to other funds	372,391	-	372,391
Loans payable - current portion	<u>1,856,829</u>	<u>-</u>	<u>1,856,829</u>
Total current liabilities	<u>2,981,179</u>	<u>68,786</u>	<u>3,049,965</u>
Current liabilities payable from restricted assets:			
Customer deposits	<u>1,372,610</u>	<u>-</u>	<u>1,372,610</u>
Noncurrent liabilities:			
Compensated absences	38,505	-	38,505
Loans payable	23,641,385	-	23,641,385
Net pension liability	<u>1,515,936</u>	<u>-</u>	<u>1,515,936</u>
Total noncurrent liabilities payable	<u>25,195,826</u>	<u>-</u>	<u>25,195,826</u>
Total liabilities	<u>29,549,615</u>	<u>68,786</u>	<u>29,618,401</u>
Deferred inflows of resources:			
Deferred inflows related to pension	<u>147,782</u>	<u>-</u>	<u>147,782</u>
Total deferred inflows of resources	<u>147,782</u>	<u>-</u>	<u>147,782</u>
Net position:			
Net investment in capital assets	20,544,489	-	20,544,489
Restricted for capital improvements	2,691,360	-	2,691,360
Unrestricted	<u>(1,692,792)</u>	<u>479,777</u>	<u>(1,213,015)</u>
Total net position	<u>\$ 21,543,057</u>	<u>479,777</u>	<u>22,022,834</u>

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

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Water and Sewer		
	Authority	Sanitation	
	Fund	Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 4,910,501	987,889	5,898,390
Tap, connection and other fees	186,665	-	186,665
Capital improvement fees	585,771	-	585,771
Other revenues	5,881	-	5,881
Total operating revenues	<u>5,688,818</u>	<u>987,889</u>	<u>6,676,707</u>
OPERATING EXPENSES:			
Personal services	1,015,306	-	1,015,306
Operating supplies and expenses	332,401	-	332,401
Contract services and other charges	1,490,998	881,220	2,372,218
Depreciation	1,720,901	-	1,720,901
Total operating expenses	<u>4,559,606</u>	<u>881,220</u>	<u>5,440,826</u>
OPERATING INCOME	<u>1,129,212</u>	<u>106,669</u>	<u>1,235,881</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment earnings	45,742	-	45,742
Interest and service charges on long-term debt	(470,391)	-	(470,391)
Total nonoperating revenues (expenses)	<u>(424,649)</u>	<u>-</u>	<u>(424,649)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>704,563</u>	<u>106,669</u>	<u>811,232</u>
Capital contributions	143,986	-	143,986
Transfers out	<u>-</u>	<u>(12,950)</u>	<u>(12,950)</u>
CHANGE IN NET POSITION	<u>848,549</u>	<u>93,719</u>	<u>942,268</u>
NET POSITION AT BEGINNING OF YEAR	<u>20,694,508</u>	<u>386,058</u>	<u>21,080,566</u>
NET POSITION AT END OF YEAR	\$ <u>21,543,057</u>	<u>479,777</u>	<u>22,022,834</u>

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

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Water and Sewer		
	Authority	Sanitation	
	Fund	Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,855,166	982,540	6,837,706
Payments to suppliers	(1,352,291)	(1,096,765)	(2,449,056)
Payments to employees	<u>(823,841)</u>	<u>-</u>	<u>(823,841)</u>
Net cash provided by (used in) operating activities	<u>3,679,034</u>	<u>(114,225)</u>	<u>3,564,809</u>
 Cash flows from noncapital financing activities:			
Transfers to other funds	<u>-</u>	<u>(12,950)</u>	<u>(12,950)</u>
Net cash used in noncapital financing activities:	<u>-</u>	<u>(12,950)</u>	<u>(12,950)</u>
 Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,619,125)	-	(1,619,125)
Proceeds from loans payable	329,035	-	329,035
Principal paid on loans payable	(1,823,464)	-	(1,823,464)
Interest paid on loans payable	(472,636)	-	(472,636)
Capital contributions	<u>143,986</u>	<u>-</u>	<u>143,986</u>
Net cash used in capital and related financing activities	<u>(3,442,204)</u>	<u>-</u>	<u>(3,442,204)</u>
 Cash flows from investing activities:			
Interest received	<u>45,742</u>	<u>-</u>	<u>45,742</u>
Net cash provided by investing activities	<u>45,742</u>	<u>-</u>	<u>45,742</u>
 Net increase (decrease) in cash and cash equivalents	282,572	(127,175)	155,397
 Cash and cash equivalents at beginning of year	<u>3,959,527</u>	<u>386,568</u>	<u>4,346,095</u>
 Cash and cash equivalents at end of year	\$ <u>4,242,099</u>	<u>259,393</u>	<u>4,501,492</u>

continued

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Water and Sewer		
	Authority	Sanitation	
	Fund	Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 1,129,212	106,669	1,235,881
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	1,720,901	-	1,720,901
(Increase) decrease:			
Accounts receivable, net	(1,393)	(5,349)	(6,742)
Due from other funds	-	(141,207)	(141,207)
Prepaid expenses	(20,639)	-	(20,639)
Deferred outflows related to pensions	112,760	-	112,760
Increase (decrease):			
Accounts payable	435,764	1,072	436,836
Retainage Payable	42,086	-	42,086
Accrued liabilities	4,222	-	4,222
Customer deposits	167,741	-	167,741
Due to other funds	55,983	(75,410)	(19,427)
Compensated absences	(3,116)	-	(3,116)
Net pension liability	61,031	-	61,031
Deferred inflows related to pension	(25,518)	-	(25,518)
	<u>2,549,822</u>	<u>(220,894)</u>	<u>2,328,928</u>
Net cash provided by (used in) operating activities	\$ <u>3,679,034</u>	<u>(114,225)</u>	<u>3,564,809</u>

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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. 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.

2017 \$3.2M Bond Issue Fund - This fund is a capital project fund that accounts for the financial resources to be used for capital projects funded by the proceeds of the 2017 \$3.2M bond issue.

2017 \$2.07M Bond Issue Fund - This fund is a capital project fund that accounts for the financial resources to be used for various infrastructure improvements within a redevelopment project of approximately 154.52 acres located within the City at Highway 98 and Interstate 55. This fund accounts for the various infrastructure improvements within the redevelopment project which were funded by the proceeds from the 2017 \$2.07M tax increment financing bond issue.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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 government-wide 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

	Capitalization <u>Policy</u>	Estimated <u>Useful Life</u>
Land	\$ -	-
Buildings	50,000	40 years
Buildings 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 McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

K. Compensated Absences

Accumulated unpaid vacation and sick pay are accrued when incurred in the government-wide 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, 2018, accumulated unpaid vacation of \$457,011 was reported for the governmental activities and \$48,131 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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

O. Property Taxes

Property taxes for fiscal year 2018 were levied at 39.84 mills in September 2017 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 2019 property taxes levied in September 2018. The City has recorded deferred inflows for the estimated fiscal year 2019 property taxes as of September 30, 2018.

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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.

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds were \$3,561,163 and \$4,501,492, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$3,998,685 and Restricted Cash and Cash Equivalents - \$4,063,970.

Deposits at September 30, 2018, are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 8,062,655	9,116,632

The difference of \$1,053,977 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, 2018, 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 McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

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, 2018.

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, 2018, 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.

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:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 - RECEIVABLES - CONTINUED:

	<u>General</u>	<u>Water and Sewer Authority</u>	<u>Sanitation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 3,121,735	-	-	1,201,509	4,323,244
Accounts	-	974,608	189,259	-	1,163,867
Fines	2,768,781	-	-	-	2,768,781
Other	57,600	-	-	14,241	71,841
Intergovernmental	-	-	-	223,889	223,889
Gross receivables	5,948,116	974,608	189,259	1,439,639	8,551,622
Less: allowance for uncollectibles	<u>(2,423,303)</u>	<u>(197,178)</u>	<u>(41,296)</u>	-	<u>(2,661,777)</u>
Net receivables	\$ <u>3,524,813</u>	<u>777,430</u>	<u>147,963</u>	<u>1,439,639</u>	<u>5,889,845</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/Sewer Authority Fund	\$ 141,207
Nonmajor Funds	Water/Sewer Authority Fund	2,841
General Fund	Water/Sewer Authority Fund	228,343
General Fund	2017 \$3.2M Bond Issue Fund	27,602
General Fund	Nonmajor Funds	<u>133,712</u>
Total		\$ <u>533,705</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>
Nonmajor Funds	Sanitation Fund	<u>12,950</u>
		\$ <u>12,950</u>

Transfers arise primarily from the Board of Selectmen moving money to the proper fund for expenditures.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - CAPITAL ASSETS

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

	(As restated)*			
	Balance			Balance
	<u>10/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/2018</u>
Non-depreciable capital assets:				
Land	\$ 756,288	-	-	756,288
Construction in progress	793,654	5,276,718	(4,730,893)	1,339,479
Total non-depreciable capital assets	<u>1,549,942</u>	<u>5,276,718</u>	<u>(4,730,893)</u>	<u>2,095,767</u>
Depreciable capital assets:				
Buildings	12,636,433	1,018,095	-	13,654,528
Improvements other than buildings	707,022	609,978	-	1,317,000
Furniture and equipment	3,091,198	51,298	-	3,142,496
Mobile equipment	4,544,402	34,958	-	4,579,360
Infrastructure	8,593,088	3,581,859	-	12,174,947
Total depreciable capital assets	<u>29,572,143</u>	<u>5,296,188</u>	<u>-</u>	<u>34,868,331</u>
Less accumulated depreciation:				
Buildings	\$ (4,376,832)	(222,846)	-	(4,599,678)
Improvements other than buildings	(91,882)	(41,353)	-	(133,235)
Furniture and equipment	(2,677,750)	(86,352)	-	(2,764,102)
Mobile equipment	(3,407,958)	(222,895)	-	(3,630,853)
Infrastructure	(3,835,434)	(480,385)	-	(4,315,819)
Total accumulated depreciation	<u>(14,389,856)</u>	<u>(1,053,831)</u>	<u>-</u>	<u>(15,443,687)</u>
Total depreciable capital assets, net	<u>15,182,287</u>	<u>4,242,357</u>	<u>-</u>	<u>19,424,644</u>
Governmental activities capital assets, net	\$ <u>16,732,229</u>	<u>9,519,075</u>	<u>(4,730,893)</u>	<u>21,520,411</u>

* See Note 12 for effect of restatement.

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 McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

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

	<u>Balance</u> <u>10/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2018</u>
Non-depreciable capital assets:				
Land	\$ 43,925	229,714	-	273,639
Construction in progress	<u>455,703</u>	<u>1,181,018</u>	<u>(69,971)</u>	<u>1,566,750</u>
Total non-depreciable capital assets	<u>499,628</u>	<u>1,410,732</u>	<u>(69,971)</u>	<u>1,840,389</u>
Depreciable capital assets:				
Buildings	410,629	-	-	410,629
Equipment	748,423	-	-	748,423
Mobile equipment	1,214,825	-	-	1,214,825
Infrastructure	<u>63,798,445</u>	<u>278,364</u>	<u>-</u>	<u>64,076,809</u>
Total depreciable capital assets	<u>66,172,322</u>	<u>278,364</u>	<u>-</u>	<u>66,450,686</u>
Less accumulated depreciation:				
Buildings	\$ (323,584)	(192)	-	(323,776)
Equipment	(679,036)	(18,795)	-	(697,831)
Mobile equipment	(683,155)	(86,402)	-	(769,557)
Infrastructure	<u>(18,841,696)</u>	<u>(1,615,512)</u>	<u>-</u>	<u>(20,457,208)</u>
Total accumulated depreciation	<u>(20,527,471)</u>	<u>(1,720,901)</u>	<u>-</u>	<u>(22,248,372)</u>
Total depreciable capital assets, net	<u>45,644,851</u>	<u>(1,442,537)</u>	<u>-</u>	<u>44,202,314</u>
Business-type activities capital assets, net	\$ <u>46,144,479</u>	<u>(31,805)</u>	<u>(69,971)</u>	<u>46,042,703</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	\$ 64,788
Public safety	258,981
Public works	509,702
Culture and recreation	<u>220,360</u>
Total depreciation expense - governmental activities	\$ <u>1,053,831</u>
Business-type activities:	
Water and sewer	\$ <u>1,720,901</u>
Total depreciation expense - business-type activities	\$ <u>1,720,901</u>

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM DEBT

A. Governmental Activities

During the year ended September 30, 2018, the following changes occurred in long-term liabilities reported for the governmental activities:

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018	Amount Due Within One Year
Compensated absences	\$ 462,097	-	5,086	457,011	91,403
General obligation bonds	7,080,000	-	585,000	6,495,000	600,000
General obligation bonds premium	13,765	-	2,002	11,763	2,002
Limited obligation bonds	-	2,070,000	-	2,070,000	62,000
Capital lease payable	270,902	-	35,022	235,880	36,181
Total	\$ 7,826,764	2,070,000	627,110	9,269,654	791,586

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, 2018 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 \$11,763 at September 30, 2018. This debt will be retired from the City's General Obligation Bond Fund.

\$ 796,763

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 5.25% 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.

1,015,000

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

A. Governmental Activities - continued:

General Obligation Bonds - continued:

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 4.00% maturing in 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.

\$ 1,775,000

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.

2,920,000

Total General Obligation Bonds

\$ 6,506,763

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.

\$ 2,070,000

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

A. Governmental Activities - continued:

Capital Lease Obligations - continued:

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		Limited Obligation Bonds		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 602,002	177,425	62,000	168,607	36,181	7,806	700,183	353,838
2020	612,002	160,377	88,000	142,568	37,378	6,609	737,380	309,554
2021	642,002	142,834	95,000	136,320	38,615	5,371	775,617	284,525
2022	662,002	125,416	101,000	129,575	39,892	4,093	802,894	259,084
2023	682,002	108,377	109,000	122,404	41,212	2,774	832,214	233,555
2024-2028	2,456,753	295,683	669,000	484,930	42,602	1,384	3,168,355	781,997
2029-2033	585,000	114,929	946,000	208,733	-	-	1,531,000	323,662
2034-2035	265,000	15,001	-	-	-	-	265,000	15,001
Total	\$ 6,506,763	1,140,042	2,070,000	1,393,137	235,880	28,037	8,812,643	2,561,216

B. Business-Type Activities

During the year ended September 30, 2018, the following changes occurred in long-term liabilities reported for the business-type activities:

	Balance 10/1/2017	Additions	Retirements	Balance 9/30/2018	Amount Due Within One Year
Compensated absences	\$ 51,247	-	3,116	48,131	9,626
Water pollution revolving loans (DEQ)	26,992,643	329,035	1,823,464	25,498,214	1,856,829
Total	\$ 27,043,890	329,035	1,826,580	25,546,345	1,866,455

The following is outstanding debt related to business-type activities as of September 30, 2018:

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.

\$ 1,420,513

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

B. Business-Type Activities – continued:

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. 22,217,708

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. 1,530,958

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

\$ 25,498,214

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

Fiscal Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,856,829	445,030	2,301,859
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
2024-2028	10,624,104	955,545	11,579,649
2029-2033	4,960,921	132,924	5,093,845
2034-2038	210,271	7,303	217,574
2039-2040	<u>21,263</u>	<u>218</u>	<u>21,481</u>
	\$ <u><u>25,498,214</u></u>	<u><u>2,972,878</u></u>	<u><u>28,471,092</u></u>

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

Compensated Absences

In addition to the above mentioned debts, the City of McComb, Mississippi has recorded a debt of \$457,011 for the governmental activities and \$48,131 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.

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

General Information about the PERS Pension Plan - continued:

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, 2018, the City's total covered payroll for all employees was \$6,277,576. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

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, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ended September 30, 2018, 2017 and 2016 were \$988,720, \$1,034,757 and \$1,003,574, respectively, which equaled the required contributions for each year.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

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

At September 30, 2018, the City reported a liability of \$16,682,869 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, 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, 2018, the City recognized pension expense of \$1,945,568. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual results	\$	93,322	80,225
Changes in assumptions		11,229	12,467
Net difference between projected and actual earnings on Plan investments		918,301	1,269,186
Changes in proportion and differences between City contributions and proportionate share of contributions		322,101	264,465
City contributions subsequent to the measurement date		<u>258,182</u>	<u>-</u>
Total	\$	<u>1,603,135</u>	<u>1,626,343</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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

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

Deferred Outflows/(Deferred Inflows) Aging:

Year ended September 30:

2019	\$	156,418
2020		41,836
2021		(404,618)
2022		(75,026)
	\$	<u>(281,390)</u>

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

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017. Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with rates set forward for one year for males with adjustments.

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:

CITY OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27.00%	4.60 %
International Equity	18.00%	4.50 %
Emerging Markets Equity	4.00%	4.75 %
Global	12.00%	4.75 %
Fixed Income	18.00%	0.75 %
Real Assets	10.00%	3.50 %
Private Equity	8.00%	5.10 %
Emerging Debt	2.00%	2.25 %
Cash	<u>1.00%</u>	0.00 %
Total	<u>100.00%</u>	

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, 2018, 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 OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

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

	<u>City's Proportionate Share of Net Pension Liability</u>
1.00% decrease (6.75%)	\$ 21,868,099
Current discount rate (7.75%)	16,682,869
1.00% increase (8.75%)	12,360,422

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 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:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

General Information about the MMRS Pension Plan - continued:

- 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.

- a) the member has retired,
- b) the member is eligible to retire,
- c) the death is in the line of duty, or
- d) 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 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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

General Information about the MMRS Pension Plan - continued:

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, 2018 (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	22
Total	22

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	4.00 - 5.50%
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 McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

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 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.

VALUATION 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.

CITY OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

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. 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, 2018, 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, 2018, 2017 and 2016 were \$279,433, \$267,859 and \$270,327, respectively.

CITY OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

Changes in Net Pension Liability

Changes in the City's net pension liability for the MMRS plan for the year ended September 30, 2018 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at September 30, 2017	\$ 3,358,271	925,228	2,433,043
Changes for the year:			
Service cost	-	-	-
Interest	246,955	-	246,955
Changes of assumptions	-	-	-
Difference between expected and actual experience	(213,532)	-	(213,532)
Contributions - employer	-	272,021	(272,021)
Contributions - employee	-	-	-
Net investment income	-	71,944	(71,944)
Benefit payments, including refunds of employee contributions	(343,501)	(343,501)	-
Administrative expense	-	(5,440)	5,440
Other changes	-	(85)	85
Net changes	<u>(310,078)</u>	<u>(5,061)</u>	<u>(305,017)</u>
Balances at September 30, 2018	\$ <u>3,048,193</u>	<u>920,167</u>	<u>2,128,026</u>

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:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability	\$ 2,365,925	2,128,026	1,919,785

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, 2018, the City reported a liability of \$2,128,026 for the MMRS net pension liability. The MMRS net pension liability was measured as of June 30, 2018, 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, 2018, 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	\$ -	7,504
City contributions subsequent to the measurement date	35,328	-
Total	\$ <u>35,328</u>	<u>7,504</u>

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:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

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

Deferred outflows/(Deferred inflow)	
aging:	
Year ended September 30:	
2019	\$ 7,107
2020	(2,326)
2021	(11,641)
2022	<u>(644)</u>
	\$ <u>(7,504)</u>

NOTE 9 - FUND BALANCE CLASSIFICATION

The fund balances of the governmental funds are classified by specific purpose as follows:

	General Fund	2017 \$3.2M Bond Issue Fund	2017 \$2.07M Bond Issue Fund	Nonmajor Funds	Total
Nonspendable:					
Prepaid items	\$ 131,479	-	-	-	131,479
Restricted for:					
MESC	-	-	-	36,573	36,573
Library Support	-	-	-	5,264	5,264
Recreation	-	-	-	29,353	29,353
Disability and Relief Funding	-	-	-	8,400	8,400
Public Safety	-	-	-	222,645	222,645
Public Works	-	-	-	15,058	15,058
Debt Service	-	-	-	619,452	619,452
Capital Projects	-	-	500	651,880	652,380
	-	-	500	1,588,625	1,589,125
Committed for:					
Cemetery Maintenance	-	-	-	425,331	425,331
Parks and Recreation	-	-	-	45,202	45,202
	-	-	-	470,533	470,533
Unassigned	1,716,052	(27,602)	-	-	1,688,450
Total fund balance	\$ 1,847,531	(27,602)	500	2,059,158	3,879,587

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The City has restated prior year net position to reflect the correction of an error in previously reported amounts.

The following summarizes the prior period adjustment discussed above:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 12 - PRIOR PERIOD ADJUSTMENT – CONTINUED:

	<u>Amount</u>
<u>Government-Wide Governmental Activities - Net Position</u>	
Balance, September 30, 2018, as previously reported	\$ 174,285
Prior period adjustments and reclassification for:	
Construction in progress	<u>407,439</u>
Balance, September 30, 2018 as restated	\$ <u>581,724</u>
Net increase in governmental activities net position	\$ <u>407,439</u>

NOTE 13 - 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, 2018, 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 14 - 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

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.

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 enhances 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.

Recently Issued Accounting Pronouncements

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

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 enhances 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. 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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

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 15 - SUBSEQUENT EVENTS

The City has issued the following debt subsequent to September 30, 2018:

- Issued \$1,500,000 general obligation bonds to be used for construction projects.
- 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 \$500,000 loan payable to be used for City park improvements.
- Issued \$3,200,000 general obligation bonds to be used for street improvements.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 15 - SUBSEQUENT EVENTS - CONTINUED:

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 July 28, 2020, 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 July 28, 2020, the date the financial statements were approved by the City’s management and available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF McCOMB, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:				
General property taxes	\$ 2,780,782	2,780,782	2,866,868	86,086
Licenses and permits	139,000	139,000	92,830	(46,170)
Intergovernmental revenues	7,304,000	7,316,885	6,986,550	(330,335)
Charges for services	9,000	9,000	23,236	14,236
Court fines and forfeits	550,000	550,000	260,004	(289,996)
Interest	20,000	20,000	62,958	42,958
Miscellaneous income	<u>555,075</u>	<u>561,517</u>	<u>687,561</u>	<u>126,044</u>
Total revenues	<u>11,357,857</u>	<u>11,377,184</u>	<u>10,980,007</u>	<u>(397,177)</u>
EXPENDITURES:				
General government:				
Personnel services	1,214,443	1,214,443	1,228,641	(14,198)
Supplies	31,000	31,000	53,389	(22,389)
Other services and charges	938,257	938,257	1,551,368	(613,111)
Capital outlay	107,500	107,500	37,666	69,834
Funding to outside agencies	<u>45,400</u>	<u>45,400</u>	<u>70,996</u>	<u>(25,596)</u>
Total general government	<u>2,336,600</u>	<u>2,336,600</u>	<u>2,942,060</u>	<u>(605,460)</u>
Public safety:				
Personnel services	5,217,622	5,217,622	5,145,458	72,164
Supplies	114,850	114,850	103,269	11,581
Other services and charges	467,650	489,348	544,992	(55,644)
Capital outlay	<u>1,000</u>	<u>3,477</u>	<u>3,142</u>	<u>335</u>
Total public safety	<u>5,801,122</u>	<u>5,825,297</u>	<u>5,796,861</u>	<u>28,436</u>
Public works:				
Personnel services	1,349,885	1,349,885	1,252,797	97,088
Supplies	343,750	343,750	366,308	(22,558)
Other services and charges	790,859	790,859	748,853	42,006
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>50,680</u>	<u>(680)</u>
Total public works	<u>2,534,494</u>	<u>2,534,494</u>	<u>2,418,638</u>	<u>115,856</u>
Recreation and parks:				
Personnel services	528,491	528,491	490,377	38,114
Supplies	46,950	46,950	42,536	4,414
Other services and charges	110,200	362,200	313,120	49,080
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total culture and recreation	<u>685,641</u>	<u>937,641</u>	<u>846,033</u>	<u>91,608</u>
Total expenditures	<u>11,357,857</u>	<u>11,634,032</u>	<u>12,003,592</u>	<u>(369,560)</u>

CITY OF McCOMB, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	\$ -	(256,848)	(1,023,585)	(766,737)
Other financing sources (uses):				
Insurance proceeds	-	-	18,376	18,376
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>18,376</u>	<u>18,376</u>
Net change in fund balance	-	(256,848)	(1,005,209)	(748,361)
Fund balance at beginning of year	<u>2,351,666</u>	<u>2,351,666</u>	<u>2,351,666</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>2,351,666</u></u>	<u><u>2,094,818</u></u>	<u><u>1,346,457</u></u>	<u><u>(748,361)</u></u>

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

Fund Balance - budgetary basis	\$ 1,346,457
Adjustment to GAAP basis:	
Net accrued revenues and related receivables	501,459
Net accrued expenditures and related liabilities paid after 30 days	<u>(385)</u>
Fund balance - GAAP basis	\$ <u><u>1,847,531</u></u>

CITY OF McCOMB, MISSISSIPPI

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

	<u>2009</u>	<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>
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	\$ 16,122,723	\$ 17,273,034	\$ 16,723,134	\$ 16,682,869
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	0.1043%	0.0967%	0.1006%	0.1003%
City's covered payroll	*	*	*	*	*	*	\$ 6,514,788	\$ 6,343,902	\$ 6,456,306	\$ 6,404,108
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%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	61.70%	57.47%	61.49%	62.54%

* 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>2009</u>	<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>
Actuarially determined employer contribution	*	*	*	*	*	*	\$ 1,021,457	\$ 1,003,574	\$ 1,034,757	\$ 988,720
Contributions in relation to the actuarially determined contributions	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>1,021,457</u>	<u>1,003,574</u>	<u>1,034,757</u>	<u>988,720</u>
Annual contribution deficiency (excess)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	*	*	*	*	*	*	\$ 6,485,441	\$ 6,371,898	\$ 6,569,886	\$ 6,277,576
Actual contributions as a percentage of covered-employer payroll	*	*	*	*	*	*	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	-	N/A
6/30/2016	871,792	3,458,857	25.2%	2,587,065	-	N/A
6/30/2017	925,228	3,358,271	27.6%	2,433,043	-	N/A
6/30/2018	920,167	3,048,193	30.2%	2,128,026	-	N/A

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

CITY OF McCOMB, MISSISSIPPI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS - MMRS
LAST 10 FISCAL YEARS***

Mississippi Municipal Retirement Systems (MMRS)

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

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented 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, 2018**

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 \$369,560 during fiscal year 2018.

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, 2018**

	Special Revenue								
	Parks and Recreation Fund	Animal Shelter Fund	Fire Protection Fund	MESC Fund	Library Support Fund	Recycle One 2015 Fund	Police Forfeiture and Seizure Fund	Fire and Police D & R Fund	Subtotal
Assets:									
Cash and cash equivalents	\$ 44,823	5,582	136,939	36,573	8,729	15,797	16,943	26,283	291,669
Taxes receivable	-	-	-	-	73,282	-	-	278,635	351,917
Other receivables	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Due from other funds	3,044	-	-	-	-	-	-	-	3,044
Total assets	\$ 47,867	5,582	136,939	36,573	82,011	15,797	16,943	304,918	646,630
Liabilities:									
Accounts payable	\$ 2,565	-	-	-	4,013	420	-	2,145	9,143
Accrued liabilities	-	-	-	-	-	837	-	-	837
Unearned revenue	-	-	-	-	-	-	-	-	-
Due to other funds	100	-	-	-	-	-	-	17,884	17,984
Total liabilities	\$ 2,665	-	-	-	4,013	1,257	-	20,029	27,964
Deferred inflows of resources:									
Unavailable property taxes	\$ -	-	-	-	72,734	-	-	276,489	349,223
Fund balances:									
Restricted	\$ -	5,582	136,939	36,573	5,264	14,540	16,943	8,400	224,241
Committed	45,202	-	-	-	-	-	-	-	45,202
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 45,202	5,582	136,939	36,573	5,264	14,540	16,943	8,400	269,443
Total liabilities, deferred inflows of resources, and fund balances	\$ 47,867	5,582	136,939	36,573	82,011	15,797	16,943	304,918	646,630

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue							Subtotal
	Subtotal from Prior Page	Scenic Rivers Fund	OJT- Mississippi Employment Security Fund	Brownsfield Petro Grant Fund	City Donation Funds	Crime Stoppers and Public Safety Grant Funds	Regional Response Team Funds	
Assets:								
Cash and cash equivalents	\$ 291,669	-	-	495	44,441	2,829	10,221	349,655
Taxes receivable	351,917	-	-	-	-	-	-	351,917
Other receivables	-	14,241	-	-	-	-	-	14,241
Due from other governments	-	-	-	-	-	-	25,737	25,737
Due from other funds	3,044	-	-	-	-	-	-	3,044
Total assets	\$ 646,630	14,241	-	495	44,441	2,829	35,958	744,594
Liabilities:								
Accounts payable	\$ 9,143	-	-	-	43	-	2,229	11,415
Accrued liabilities	837	-	-	-	-	-	-	837
Unearned revenue	-	-	-	-	-	-	-	-
Due to other funds	17,984	14,241	-	-	-	-	17,775	50,000
Total liabilities	\$ 27,964	14,241	-	-	43	-	20,004	62,252
Deferred inflows of resources:								
Unavailable property taxes	\$ 349,223	-	-	-	-	-	-	349,223
Fund balances:								
Restricted	\$ 224,241	-	-	495	44,398	2,829	15,954	287,917
Committed	45,202	-	-	-	-	-	-	45,202
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	\$ 269,443	-	-	495	44,398	2,829	15,954	333,119
Total liabilities, deferred inflows of resources, and fund balances	\$ 646,630	14,241	-	495	44,441	2,829	35,958	744,594

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue				Debt Service		Total Debt and Special Revenue Funds
	Subtotal from Prior Page	Hotel - Motel Tax Fund	USDA Facility Grant Fund	Cemetery Fund	City General Obligation Bond Fund	Limited Obligation Bond Fund	
Assets:							
Cash and cash equivalents	\$ 349,655	10,599	23	427,331	284,804	328,282	1,400,694
Taxes receivable	351,917	22,339	-	-	827,253	-	1,201,509
Other receivables	14,241	-	-	-	-	-	14,241
Due from other governments	25,737	-	-	-	-	-	25,737
Due from other funds	3,044	-	-	-	-	-	3,044
Total assets	\$ 744,594	32,938	23	427,331	1,112,057	328,282	2,645,225
Liabilities:							
Accounts payable	\$ 11,415	-	-	-	-	-	11,415
Accrued liabilities	837	-	-	-	-	-	837
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	50,000	3,585	-	2,000	-	-	55,585
Total liabilities	\$ 62,252	3,585	-	2,000	-	-	67,837
Deferred inflows of resources:							
Unavailable property taxes	\$ 349,223	-	-	-	820,887	-	1,170,110
Fund balances:							
Restricted	\$ 287,917	29,353	23	-	291,170	328,282	936,745
Committed	45,202	-	-	425,331	-	-	470,533
Unassigned	-	-	-	-	-	-	-
Total fund balances	\$ 333,119	29,353	23	425,331	291,170	328,282	1,407,278
Total liabilities, deferred inflows of resources, and fund balances	\$ 744,594	32,938	23	427,331	1,112,057	328,282	2,645,225

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Total Debt and Special Revenue Funds	Capital Project Funds										Total Capital Project Funds	Total Nonmajor Governmental Funds
		NCRS Watershed Protection Project Fund	Fire Station #1 Project Fund	GO Zone Down- town Fund	Delaware Ave/Anna Drive Light Fund	Capital Improve- ment Fund	Complete Street Projects Fund	Transportation Alternative Program Project Fund	Delaware Corridor Study Project Fund	Martin Luther King Gym Project Fund	Police Department Generator Project Fund		
Assets:													
Cash and cash equivalents	\$ 1,400,694	42,325	49,957	10,250	46,647	1,085	356,225	118,355	60,623	158,100	-	843,567	2,244,261
Taxes receivable	1,201,509	-	-	-	-	-	-	-	-	-	-	-	1,201,509
Other receivables	14,241	-	-	-	-	-	-	-	-	-	-	-	14,241
Due from other governments	25,737	-	-	-	-	-	-	184,872	-	-	13,280	198,152	223,889
Due from other funds	3,044	-	-	-	-	-	-	-	-	-	-	-	3,044
Total assets	\$ 2,645,225	42,325	49,957	10,250	46,647	1,085	356,225	303,227	60,623	158,100	13,280	1,041,719	3,686,944
Liabilities:													
Accounts payable	\$ 11,415	-	-	-	-	-	93,868	217,216	-	-	425	311,509	322,924
Accrued liabilities	837	-	-	-	-	-	-	-	-	-	-	-	837
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	55,585	-	-	-	-	-	-	-	60,623	-	17,707	78,330	133,915
Total liabilities	\$ 67,837	-	-	-	-	-	93,868	217,216	60,623	-	18,132	389,839	457,676
Deferred inflows of resources:													
Unavailable property taxes	\$ 1,170,110	-	-	-	-	-	-	-	-	-	-	-	1,170,110
Fund balances:													
Restricted	\$ 936,745	42,325	49,957	10,250	46,647	1,085	262,357	86,011	-	158,100	(4,852)	651,880	1,588,625
Committed	470,533	-	-	-	-	-	-	-	-	-	-	-	470,533
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 1,407,278	42,325	49,957	10,250	46,647	1,085	262,357	86,011	-	158,100	(4,852)	651,880	2,059,158
Total liabilities, deferred inflows of resources and fund balances	\$ 2,645,225	42,325	49,957	10,250	46,647	1,085	356,225	303,227	60,623	158,100	13,280	1,041,719	3,686,944

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue								
	Parks and Recreation Fund	Animal Shelter Fund	Fire Protection Fund	MESC Fund	Library Support Fund	Recycle One 2015 Fund	Police Forfeiture and Seizure Fund	Fire and Police D & R Fund	Subtotal
REVENUES:									
General property taxes	\$ -	-	-	-	71,224	-	-	279,113	350,337
Intergovernmental revenue	-	-	73,009	-	-	52,307	-	-	125,316
Charges for services	120,225	-	-	-	-	-	-	-	120,225
Interest income	-	-	40	384	-	-	170	-	594
Contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	<u>120,225</u>	<u>-</u>	<u>73,049</u>	<u>384</u>	<u>71,224</u>	<u>52,307</u>	<u>170</u>	<u>279,113</u>	<u>596,472</u>
EXPENDITURES:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	18,955	-	-	-	-	-	18,955
Public works	-	-	-	-	-	60,629	-	-	60,629
Culture and recreation	242,022	-	-	-	70,675	-	-	-	312,697
Disability and relief funding	-	-	-	-	-	-	-	279,112	279,112
Debt service:									
Principal	-	-	35,022	-	-	-	-	-	35,022
Interest	-	-	8,965	-	-	-	-	-	8,965
Total expenditures	<u>242,022</u>	<u>-</u>	<u>62,942</u>	<u>-</u>	<u>70,675</u>	<u>60,629</u>	<u>-</u>	<u>279,112</u>	<u>715,380</u>
Excess (deficiency) of revenues over expenditures	<u>(121,797)</u>	<u>-</u>	<u>10,107</u>	<u>384</u>	<u>549</u>	<u>(8,322)</u>	<u>170</u>	<u>1</u>	<u>(118,908)</u>
Other financing sources (uses):									
Issuance of tax increment financing bonds	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	12,950	-	-	12,950
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,950</u>	<u>-</u>	<u>-</u>	<u>12,950</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(121,797)</u>	<u>-</u>	<u>10,107</u>	<u>384</u>	<u>549</u>	<u>4,628</u>	<u>170</u>	<u>1</u>	<u>(105,958)</u>
Fund balances, beginning of year	<u>166,999</u>	<u>5,582</u>	<u>126,832</u>	<u>36,189</u>	<u>4,715</u>	<u>9,912</u>	<u>16,773</u>	<u>8,399</u>	<u>375,401</u>
Fund balances, end of year	\$ <u>45,202</u>	<u>5,582</u>	<u>136,939</u>	<u>36,573</u>	<u>5,264</u>	<u>14,540</u>	<u>16,943</u>	<u>8,400</u>	<u>269,443</u>

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue							Subtotal
	Subtotal from Prior Page	Scenic Rivers Fund	OJT- Mississippi Employment Security Fund	Brownsfield Petro Grant Fund	City Donation Funds	Crime Stoppers and Public Safety Grant Funds	Regional Response Team Funds	
REVENUES:								
General property taxes	\$ 350,337	-	-	-	-	-	-	350,337
Intergovernmental revenue	125,316	-	14,764	-	-	-	153,205	293,285
Charges for services	120,225	-	-	-	-	-	-	120,225
Interest income	594	-	-	-	-	-	-	594
Contributions	-	-	-	-	35,000	-	-	35,000
Other	-	-	-	-	10,084	-	-	10,084
Total revenues	<u>596,472</u>	<u>-</u>	<u>14,764</u>	<u>-</u>	<u>45,084</u>	<u>-</u>	<u>153,205</u>	<u>809,525</u>
EXPENDITURES:								
General government	-	-	14,764	-	-	-	-	14,764
Public safety	18,955	-	-	-	27,282	-	146,032	192,269
Public works	60,629	-	-	-	-	-	-	60,629
Culture and recreation	312,697	-	-	-	-	-	-	312,697
Disability and relief funding	279,112	-	-	-	-	-	-	279,112
Debt service:								
Principal	35,022	-	-	-	-	-	-	35,022
Interest	8,965	-	-	-	-	-	-	8,965
Total expenditures	<u>715,380</u>	<u>-</u>	<u>14,764</u>	<u>-</u>	<u>27,282</u>	<u>-</u>	<u>146,032</u>	<u>903,458</u>
Excess (deficiency) of revenues over expenditures	<u>(118,908)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,802</u>	<u>-</u>	<u>7,173</u>	<u>(93,933)</u>
Other financing sources (uses):								
Issuance of tax increment financing bonds	-	-	-	-	-	-	-	-
Transfers in	12,950	-	-	-	-	-	-	12,950
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>12,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,950</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(105,958)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,802</u>	<u>-</u>	<u>7,173</u>	<u>(80,983)</u>
Fund balances, beginning of year	<u>375,401</u>	<u>-</u>	<u>-</u>	<u>495</u>	<u>26,596</u>	<u>2,829</u>	<u>8,781</u>	<u>414,102</u>
Fund balances, end of year	\$ <u>269,443</u>	<u>-</u>	<u>-</u>	<u>495</u>	<u>44,398</u>	<u>2,829</u>	<u>15,954</u>	<u>333,119</u>

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue				Debt Service		Total Debt and Special Revenue Funds
	Subtotal from Prior Page	Hotel - Motel Tax Fund	USDA Facility Grant Fund	Cemetery Fund	City General Obligation Bond Fund	Limited Obligation Bond Fund	
REVENUES:							
General property taxes	\$ 350,337	-	-	-	826,092	-	1,176,429
Intergovernmental revenue	293,285	239,255	-	-	-	-	532,540
Charges for services	120,225	-	-	101,280	-	-	221,505
Interest income	594	-	-	-	-	1,756	2,350
Contributions	35,000	-	-	-	-	-	35,000
Other	10,084	-	-	-	-	-	10,084
Total revenues	<u>809,525</u>	<u>239,255</u>	<u>-</u>	<u>101,280</u>	<u>826,092</u>	<u>1,756</u>	<u>1,977,908</u>
EXPENDITURES:							
General government	14,764	-	-	-	-	-	14,764
Public safety	192,269	-	-	-	-	-	192,269
Public works	60,629	-	-	50,194	-	-	110,823
Culture and recreation	312,697	281,248	-	-	-	-	593,945
Disability and relief funding	279,112	-	-	-	-	-	279,112
Debt service:							-
Principal	35,022	-	-	-	585,000	-	620,022
Interest	8,965	-	-	-	228,828	-	237,793
Total expenditures	<u>903,458</u>	<u>281,248</u>	<u>-</u>	<u>50,194</u>	<u>813,828</u>	<u>-</u>	<u>2,048,728</u>
Excess (deficiency) of revenues over expenditures	<u>(93,933)</u>	<u>(41,993)</u>	<u>-</u>	<u>51,086</u>	<u>12,264</u>	<u>1,756</u>	<u>(70,820)</u>
Other financing sources (uses):							
Issuance of tax increment financing bonds	-	-	-	-	-	326,526	326,526
Transfers in	12,950	-	-	-	-	-	12,950
Transfers out	-	(108,000)	-	-	-	-	(108,000)
Total other financing sources (uses)	<u>12,950</u>	<u>(108,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,526</u>	<u>231,476</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(80,983)</u>	<u>(149,993)</u>	<u>-</u>	<u>51,086</u>	<u>12,264</u>	<u>328,282</u>	<u>160,656</u>
Fund balances, beginning of year	<u>414,102</u>	<u>179,346</u>	<u>23</u>	<u>374,245</u>	<u>278,906</u>	<u>-</u>	<u>1,246,622</u>
Fund balances, end of year	\$ <u>333,119</u>	<u>29,353</u>	<u>23</u>	<u>425,331</u>	<u>291,170</u>	<u>328,282</u>	<u>1,407,278</u>

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Total Debt and Special Revenue Funds	Capital Project Funds										Interfund Eliminations	Total Nonmajor Governmental Funds	
		NCRS Watershed Protection Project Fund	Fire Station #1 Project Fund	GO Zone Downtown Fund	Delaware Ave / Anna Drive Light Fund	Capital Improvement Fund	Complete Street Projects Fund	Transportation Alternative Program Project Fund	Delaware Corridor Study Project Fund	Martin Luther King Gym Project Fund	Police Department Generator Project Fund			Total Capital Project Funds
REVENUES:														
General property taxes	\$ 1,176,429	-	-	-	-	-	-	-	-	-	-	-	-	1,176,429
Intergovernmental revenue	532,540	-	-	-	-	375,000	412,284	88,545	-	13,280	889,109	-	-	1,421,649
Charges for services	221,505	-	-	-	-	-	-	-	-	-	-	-	-	221,505
Interest income	2,350	-	-	-	-	-	-	-	-	-	-	-	-	2,350
Contributions	35,000	-	-	-	-	-	-	-	-	-	-	-	-	35,000
Other	10,084	-	-	-	-	-	-	-	-	-	-	-	-	10,084
Total revenues	<u>1,977,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>412,284</u>	<u>88,545</u>	<u>-</u>	<u>13,280</u>	<u>889,109</u>	<u>-</u>	<u>-</u>	<u>2,867,017</u>
EXPENDITURES:														
General government	14,764	-	-	-	-	-	-	-	-	-	-	-	-	14,764
Public safety	192,269	-	-	-	-	-	-	-	-	18,132	18,132	-	-	210,401
Public works	110,823	-	-	-	-	642,643	484,413	88,545	-	-	1,215,601	-	-	1,326,424
Culture and recreation	593,945	-	-	-	-	-	-	-	-	-	-	-	-	593,945
Disability and relief funding	279,112	-	-	-	-	-	-	-	-	-	-	-	-	279,112
Debt service:														
Principal	620,022	-	-	-	-	-	-	-	-	-	-	-	-	620,022
Interest	237,793	-	-	-	-	-	-	-	-	-	-	-	-	237,793
Total expenditures	<u>2,048,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,643</u>	<u>484,413</u>	<u>88,545</u>	<u>-</u>	<u>18,132</u>	<u>1,233,733</u>	<u>-</u>	<u>-</u>	<u>3,282,461</u>
Excess (deficiency) of revenues over expenditures	<u>(70,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(267,643)</u>	<u>(72,129)</u>	<u>-</u>	<u>-</u>	<u>(4,852)</u>	<u>(344,624)</u>	<u>-</u>	<u>-</u>	<u>(415,444)</u>
Other financing sources (uses):														
Issuance of tax increment financing bonds	326,526	-	-	-	-	-	-	-	-	-	-	-	-	326,526
Transfers in	12,950	-	-	-	-	-	-	-	158,000	-	158,000	(158,000)	-	12,950
Transfers out	(108,000)	-	-	-	-	(50,000)	-	-	-	-	(50,000)	158,000	-	-
Total other financing sources (uses)	<u>231,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>158,000</u>	<u>-</u>	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>339,476</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>160,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(317,643)</u>	<u>(72,129)</u>	<u>-</u>	<u>158,000</u>	<u>(4,852)</u>	<u>(236,624)</u>	<u>-</u>	<u>-</u>	<u>(75,968)</u>
Fund balances, beginning of year	<u>1,246,622</u>	<u>42,325</u>	<u>49,957</u>	<u>10,250</u>	<u>46,647</u>	<u>1,085</u>	<u>580,000</u>	<u>158,140</u>	<u>-</u>	<u>100</u>	<u>888,504</u>	<u>-</u>	<u>-</u>	<u>2,135,126</u>
Fund balances, end of year	\$ <u>1,407,278</u>	<u>42,325</u>	<u>49,957</u>	<u>10,250</u>	<u>46,647</u>	<u>1,085</u>	<u>262,357</u>	<u>86,011</u>	<u>-</u>	<u>158,100</u>	<u>(4,852)</u>	<u>651,880</u>	<u>-</u>	<u>2,059,158</u>

CITY OF McCOMB, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2018**

<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

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, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McComb, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of McComb, Mississippi's basic financial statements and have issued our report thereon dated October 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions 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 internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 and 2019-002 as material weaknesses.

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*.

City of McComb, Mississippi's Response to Findings

The City of McComb, Mississippi's response to the findings identified on our audit is described in the accompanying schedule of findings and responses. The City of McComb, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

The Millon Group, PLLC

Natchez, Mississippi
October 21, 2020

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

To the Mayor and Board of Selectmen
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, 2018, and have issued our report dated October 21, 2020. 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, except as noted in finding 2019-001 above.

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.

The Gillon Group, PLLC

Natchez, Mississippi
October 21, 2020

CITY OF McCOMB, MISSISSIPPI
SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2018

(1) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of McComb, Mississippi.
2. Two material weaknesses relating to the audit of the financial statements are reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
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.

(2) FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2019-001: Overall record keeping
{Material Weakness}

Criteria: The general ledger and the related trial balance should be the full and complete record of all financial transactions occurring during the year. It is the foundation of management's assertions that the financial statements and information is accurate and materially correct.

Condition: The auditors received an initial trial balance on June 27, 2019, by which to commence the audit process for the year ended September 30, 2018. There were numerous, obvious, errors that were brought to the attention of the Comptroller. A second trial balance was presented as of August 14, 2019, with revised account balances. Again, obvious errors existed and as the volume of misstates were being uncovered through the testing, it became necessary to stop the audit until the City personnel had adequate time to review the financial information and ensure its accuracy. We noted in our workpapers grant revenues and expenditures being recorded across funds and inconsistently within the funds. Material audit adjustments were necessary to correct these errors. It was also noted, in violation of Miss. Code 1972 (annotated) Section 21-39-5, that police fines and assessments collected were not properly recorded in the general ledger or being remitted timely.

Cause: Turnover in the accounting department and lack of proper oversight. Shortly before the end of the 2018 fiscal year the Comptroller and other staff members left their positions and were replaced but by persons without the same level of institutional knowledge. This led to errors in the accounting and no one in a supervisory position to initiate the corrections. The City did ultimately bring in outside CPA consultants to assist with making the necessary corrections and getting the year end general ledger closed so that the audit could continue. A final trial balance was received on May 1, 2020.

Effect: The information provided to the auditors was materially misstated and the condition of the records was such that numerous additional hours were needed on both the parts of the auditors, consultants, and the City personnel to uncover the sources of the errors and determine the best means of correction. Management's reliance on these reports during the course of the fiscal year could have led to misinformed decisions.

Recommendation: Additional layers of review are crucial to a proper internal control process. Financial information is too critical to management and their ability to make informed decisions to not have qualified designated persons reviewing and verifying the daily transactions.

View of Responsible Officials: We agree with the finding noted above. We have seen multiple turnovers in virtually all the positions in the Finance Department. We also have continued to engage the assistance of outside consultants to assist with getting the books accurate and current as we decide how to proceed with the current personnel structure.

2019-002 Bank reconciliations

{Material weakness}

Criteria: Bank reconciliations are one of the foremost important aspects of internal controls over cash. To be effective, they should be done timely and completely with attention given to outdated or unusual reconciling items.

Condition: At the time the audit was initially started the two largest bank reconciliations, the General Trust account and the Water & Sewer Revenue account, were not current and the reconciliations that had been completed had errors. New bank reconciliations were not available to the auditors until the revised trial balance was received in May 2020.

Cause: Turnover in the accounting department and lack of proper oversight. Shortly before the end of the 2018 fiscal year the Comptroller and other staff members left their positions and were replaced but by persons without the same level of institutional knowledge. This led to errors in the accounting and no one in a supervisory position to initiate the corrections. The City did ultimately bring in outside CPA consultants to assist with making the necessary corrections and getting the year end general ledger closed so that the audit could continue.

Effect: Numerous additional hours were needed on the part of the City and the consultants to bring the bank reconciliations current and get all the necessary corrections posted. Management's reliance on financial reports generated during the course of the fiscal year could have led to misinformed decisions, particularly because the City reports during the year to its management on a cash basis. Errors in cash or missing transactions from the general ledger, even if the money all flowed through the bank properly, can only mean that management did not have all the facts and circumstances they should have before making any financial decisions.

Recommendation: Reconciling bank accounts should be a routine monthly process. The reconciler should be one with limited access to the sources and uses of cash, and not have the ability to enter or change transactions in the general ledger. The monthly reconciliation should be reviewed, and that

review properly evidenced, and attention should be given to any stale reconciling items or unusual transactions.

View of Responsible Officials: We agree with the finding noted above. We are currently working with our consultants to finalize our processes.

CITY OF McCOMB, MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings reported in the prior year.