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CITY OF McCOMB, MISSISSIPPI

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2018

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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.

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 - CONTINUED:

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

	GOVERNMENT- WIDE FINANCIAL STATEMENTS	<u>FUND FINANCIAL STATEMENTS</u>		
		<u>GOVERNMENTAL FUNDS</u>	<u>PROPRIETARY FUNDS</u>	<u>FIDUCIARY FUNDS</u>
Scope	Entire City Government (except fiduciary funds) and component units	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses	The City is the Trustee or agent for someone else's resources
Required financial statements	Statement of Net Position Statement of Activities	<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:

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**

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	(15,182,704)	(1,213,015)	(16,395,719)	(13,396,514)	(380,948)	(13,777,462)
Total net position	\$ (885,811)	22,022,834	21,137,023	174,285	21,080,566	21,254,851

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	18,806,279
Unrestricted net position, exclusive of the net pension liability effect	\$ 2,410,560

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:

	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	407,439	-	407,439	-	-	-
NET POSITION, BEGINNING OF YEAR, as restated	581,724	21,080,566	21,662,290	1,579,342	20,518,938	22,098,280
NET POSITION, END OF YEAR	\$ (885,811)	22,022,834	21,137,023	174,285	21,080,566	21,254,851

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**

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	\$ <u>21,520,411</u>	<u>16,324,790</u>	<u>46,042,703</u>	<u>46,144,479</u>

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

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.

CITY OF McCOMB, MISSISSIPPI

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<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

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	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)	-
Public safety	6,403,006	11,240	163,832	37,653	-	-
Public works	2,925,583	113,280	60,633	948,836	(1,802,834)	-
Culture and recreation	1,150,173	120,263	-	-	(1,029,910)	-
Disability and relief funding	279,112	-	-	-	(279,112)	-
Interest and other expenses on long-term debt	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>
Business-type activities:						
Water/sewer	4,817,922	5,688,818	-	143,986	-	1,014,882
Sanitation	881,220	987,889	-	-	-	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>
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>(11,075,248)</u>
General revenues:						
General property taxes					\$ 4,036,375	-
Sales taxes					6,033,659	-
General intergovernmental revenue					645,240	-
Franchise taxes					527,039	-
Privilege licenses and permits					92,830	-
Fines and forfeitures					161,599	-
Interfund charges					212,075	(212,075)
Miscellaneous					478,958	-
Unrestricted investment earnings					65,308	45,742
Insurance proceeds					18,376	-
Transfer of proceeds from tax increment financing bonds to developer					(1,555,145)	-
Transfers in (out)					12,950	(12,950)
Total general revenues and transfers					<u>10,729,264</u>	<u>10,549,981</u>
Change in net position					<u>(1,467,535)</u>	<u>(525,267)</u>
Net position at beginning of year, as previously reported					174,285	21,080,566
Prior period adjustment (See Note 12)					407,439	-
Net position at beginning of year, as restated					<u>581,724</u>	<u>21,080,566</u>
Net position at end of year					<u>\$ (885,811)</u>	<u>21,137,023</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
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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
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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)
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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, there-
fore, 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>
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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.

	Water and Sewer		
	Authority	Sanitation	
	Fund	Fund	Total
<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	1,856,829	-	1,856,829
Total current liabilities	2,981,179	68,786	3,049,965
Current liabilities payable from restricted assets:			
Customer deposits	1,372,610	-	1,372,610
Noncurrent liabilities:			
Compensated absences	38,505	-	38,505
Loans payable	23,641,385	-	23,641,385
Net pension liability	1,515,936	-	1,515,936
Total noncurrent liabilities payable	25,195,826	-	25,195,826
Total liabilities	29,549,615	68,786	29,618,401
Deferred inflows of resources:			
Deferred inflows related to pension	147,782	-	147,782
Total deferred inflows of resources	147,782	-	147,782
Net position:			
Net investment in capital assets	20,544,489	-	20,544,489
Restricted for capital improvements	2,691,360	-	2,691,360
Unrestricted	(1,692,792)	479,777	(1,213,015)
Total net position	\$ 21,543,057	479,777	22,022,834

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 Fund	Sanitation Fund	Total
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	(823,841)	-	(823,841)
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	-	(12,950)	(12,950)
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	143,986	-	143,986
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	45,742	-	45,742
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
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:

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:

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:

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

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <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:

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 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 - 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 6 - CAPITAL ASSETS

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

	(As restated)* Balance 10/1/2017	Increases	Decreases	Balance 9/30/2018
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 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:

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:

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:

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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:

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:

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:

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:

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (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:

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	(644)
	<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 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 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 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.

CITY OF McCOMB, MISSISSIPPI

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
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	555,075	561,517	687,561	126,044
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	45,400	45,400	70,996	(25,596)
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	1,000	3,477	3,142	335
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	50,000	50,000	50,680	(680)
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	-	-	-	-
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

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 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

**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.

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			Debt Service			Total
	Subtotal from Prior Page	Hotel - Motel Tax Fund	USDA Facility Grant Fund	Cemetery Fund	City General Obligation Bond Fund	Limited Obligation Bond Fund	Debt and Special Revenue Funds
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 STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue							Subtotal
	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
REVENUES:								
General property taxes	-	-	-	-	71,224	-	-	279,113
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	120,225	-	73,049	384	71,224	52,307	170	596,472
EXPENDITURES:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	18,955	-	-	-	-	18,955
Public works	-	-	-	-	70,675	60,629	-	60,629
Culture and recreation	242,022	-	-	-	-	-	-	312,697
Disability and relief funding	-	-	-	-	-	-	-	279,112
Debt service:								
Principal	-	-	35,022	-	-	-	-	35,022
Interest	-	-	8,965	-	-	-	-	8,965
Total expenditures	242,022	-	63,942	-	70,675	60,629	-	715,380
Excess (deficiency) of revenues over expenditures	(121,797)	-	10,107	384	549	(8,322)	170	(118,908)
Other financing sources (uses):								
Issuance of tax increment financing bonds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	12,950	-	12,950
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	12,950	-	12,950
Excess (deficiency) of revenues over expenditures and other sources (uses)	(121,797)	-	10,107	384	549	4,628	170	1 (105,958)
Fund balances, beginning of year	166,999	5,582	126,832	36,189	4,715	9,912	16,773	375,401
Fund balances, end of year	\$ 45,202	\$ 5,582	\$ 136,939	\$ 36,573	\$ 5,264	\$ 14,540	\$ 16,943	\$ 269,443

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
	Subtotal from Prior Page	Hotel - Tax Fund	USDA Facility Grant Fund	Cemetery Fund	City General Obligation Bond Fund	Limited Obligation Bond Fund	Debt and Special Revenue Funds
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	809,525	239,255	-	101,280	826,092	1,756	1,977,908
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	903,458	281,248	-	50,194	813,828	-	2,048,728
Excess (deficiency) of revenues over expenditures	(93,933)	(41,993)	-	51,086	12,264	1,756	(70,820)
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)	12,950	(108,000)	-	-	-	326,526	231,476
Excess (deficiency) of revenues over expenditures and other sources (uses)	(80,983)	(149,993)	-	51,086	12,264	328,282	160,656
Fund balances, beginning of year	414,102	179,346	23	374,245	278,906	-	1,246,622
Fund balances, end of year	\$ 333,119	29,353	23	425,331	291,170	328,282	1,407,278

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



**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.



**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

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

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.