CITY OF McCOMB, MISSISSIPPI

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

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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, 2017, 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, 2017, 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 May 15, 2018 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Gillon Group, PLLC

Natchez, Mississippi
May 15, 2018

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017. 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 15 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 $843,429 as a result of this year's operations ($173,357 decrease in 2016). The decrease was realized by the City's Governmental Activities.

- The City had $19,890,668 in total revenues for fiscal year 2017. Program specific revenues related to charges for services, operating and capital grants, and contributions account for $7,029,877 or 35.3% of total revenues. General revenues in the form of taxes, unrestricted investment earnings and other revenue account for $12,860,791 or 64.7% of total revenues.

- The City had $20,734,097 in total expenses. Expenses in the amount of $7,029,877 were offset by program specific revenues in the form of charges for services, operating and capital grants, and contributions. General revenues of $12,860,791 were not adequate to provide for the remaining expenses of $13,704,220, which resulted in a decrease in net position in 2017.

- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balance of $8,017,841, an increase of $2,248,947 from the prior year.

- The City's General Fund had $12,002,625 in revenues and other financing sources and $12,316,821 in expenditures and other financing uses. The General Fund's fund balance decreased $314,196 from the prior year.

- Capital assets used in governmental activities, net of accumulated depreciation, increased by $289,503. Capital assets used in business-type activities, net of accumulated depreciation, decreased by $804,644.

- Long-term debt for both governmental and business-type activities increased by $1,159,036.

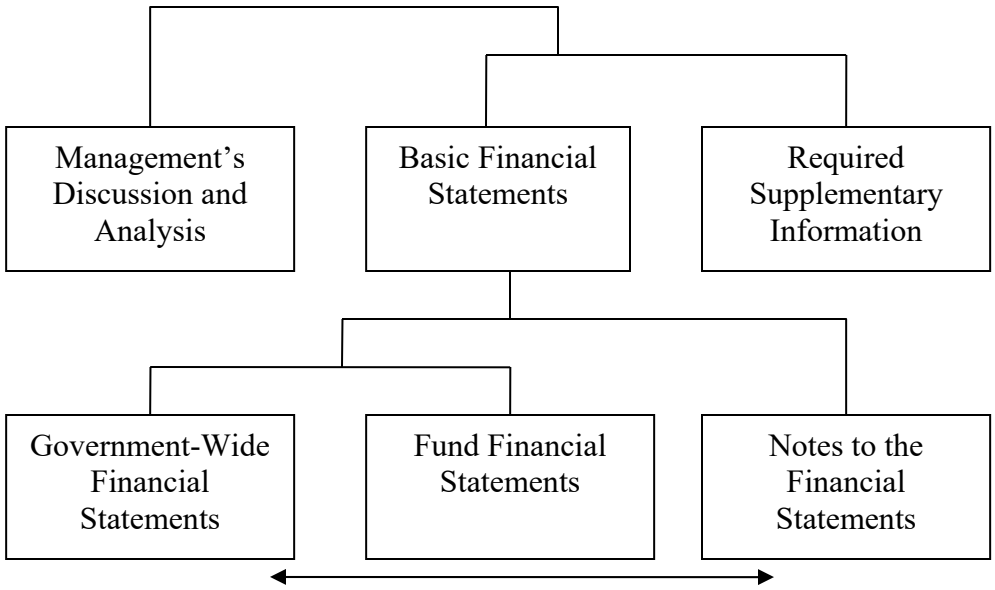
OVERVIEW OF THE FINANCIAL STATEMENTS

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



OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

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

	GOVERNMENT-WIDE FINANCIAL STATEMENTS	FUND FINANCIAL STATEMENTS		
		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	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Obligations
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short and long-term	All assets and liabilities, both short and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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 15 and 16 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, 2017.

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.

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 18 and 20.

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 17 and 19 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 21-24 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 25-61 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 69 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 62.

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 $21,254,851 as of September 30, 2017.

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 $28,111,959 of the City's net position as of September 30, 2017. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for further spending. Restricted net position of $6,920,354 as of September 30, 2017 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, 2017 and 2016.

Table 1
Condensed Statements of Net Position
At September 30, 2017 and 2016

	2017			2016		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Assets:						
Current and other assets	$ 13,062,256	5,276,656	18,338,912	10,824,957	4,952,059	15,777,016
Capital assets	16,324,790	46,144,479	62,469,269	16,035,287	46,949,123	62,984,410
Total assets	29,387,046	51,421,135	80,808,181	26,860,244	51,901,182	78,761,426
Deferred outflows of resources:						
Deferred outflows - pensions	2,742,810	258,433	3,001,243	3,594,509	291,736	3,886,245
Liabilities:						
Current liabilities	1,563,557	3,760,620	5,324,177	1,497,510	3,247,136	4,744,646
Long-term liabilities	24,813,593	26,665,082	51,478,675	22,818,536	28,356,981	51,175,517
Total liabilities	26,377,150	30,425,702	56,802,852	24,316,046	31,604,117	55,920,163
Deferred Inflows of Resources:						
Unavailable property taxes	3,759,761	-	3,759,761	3,723,133	-	3,723,133
Deferred inflows related to pension	1,818,660	173,300	1,991,960	836,232	69,863	906,095
Total deferred inflows of resources	5,578,421	173,300	5,751,721	4,559,365	69,863	4,629,228

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

		2017			2016		
		Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Net Position:							
Net investment in capital assets	$	8,960,123	19,151,836	28,111,959	11,643,284	18,165,770	29,809,054
Restricted		4,610,676	2,309,678	6,920,354	2,122,579	1,712,572	3,835,151
Unrestricted		(13,396,514)	(380,948)	(13,777,462)	(12,186,521)	640,596	(11,545,925)
Total net position	$	174,285	21,080,566	21,254,851	1,579,342	20,518,938	22,098,280

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)	$ (13,777,462)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71	18,146,894
Unrestricted net position, exclusive of the net pension liability effect	$ 4,369,432

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, 2017 and 2016 are summarized in **Table 2**.

Table 2
Condensed Statements of Changes in Net Position
For the Years Ended September 30, 2017 and 2016

		2017			2016		
		Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues:							
Program Revenue:							
Charges for services	$	203,886	6,569,300	6,773,186	207,731	6,267,729	6,475,460
Operating grants and contributions		183,008	-	183,008	241,719	-	241,719
Capital grants and contributions		73,683	-	73,683	538,504	-	538,504

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

		2017			2016		
		Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues - continued:							
General Revenue:							
Property taxes	$	3,974,816	-	3,974,816	3,692,088	-	3,692,088
Sales taxes		6,138,804	-	6,138,804	5,881,178	-	5,881,178
General intergovernmental revenue		616,199	-	616,199	598,380	-	598,380
Franchise taxes		481,772	-	481,772	506,613	-	506,613
Licenses and permits		83,516	-	83,516	92,618	-	92,618
Unrestricted investment earnings		26,088	12,868	38,956	20,014	13,072	33,086
Fines and forfeitures		247,835	-	247,835	196,659	-	196,659
Interfund charges		192,494	(192,494)	-	180,000	(180,000)	-
Insurance proceeds		756,661	-	756,661	-	-	-
Other		522,232	-	522,232	576,796	-	576,796
Total revenues		13,500,994	6,389,674	19,890,668	12,732,300	6,100,801	18,833,101
Expenses:							
General government		3,066,510	-	3,066,510	2,328,114	-	2,328,114
Public safety		6,891,666	-	6,891,666	6,515,838	-	6,515,838
Public works		3,323,324	-	3,323,324	2,886,791	-	2,886,791
Culture and recreation		1,125,342	-	1,125,342	1,091,940	-	1,091,940
Disability and relief funding		274,114	-	274,114	266,538	-	266,538
Interest and other expenses on long-term debt		239,585	-	239,585	150,875	-	150,875
Water/sewer		-	4,953,375	4,953,375	-	4,856,248	4,856,248
Sanitation		-	860,181	860,181	-	910,114	910,114
Total expenses		14,920,541	5,813,556	20,734,097	13,240,096	5,766,362	19,006,458
CHANGE IN NET POSITION BEFORE TRANSFERS		(1,419,547)	576,118	(843,429)	(507,796)	334,439	(173,357)
TRANSFERS		14,490	(14,490)	-	19,390	(19,390)	-
CHANGE IN NET POSITION		(1,405,057)	561,628	(843,429)	(488,406)	315,049	(173,357)
NET POSITION, BEGINNING OF YEAR		1,579,342	20,518,938	22,098,280	2,067,748	20,203,889	22,271,637
NET POSITION, END OF YEAR	$	174,285	21,080,566	21,254,851	1,579,342	20,518,938	22,098,280

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Governmental Activities

Several revenue sources fund our governmental activities. The City's largest source of operating revenue was received from sales tax which accounted for $6,138,804 or 45.5% of gross revenue; revenue from property taxes accounted for $3,974,816 or 29.4% of gross revenues; revenue from charges for services accounted for $203,886 or 1.5% of gross revenues; and revenues from capital and operating grants amounted to $256,691 or 1.9%.

Major expense activities include police and fire safety expenses which accounted for $6,891,666 or 46.2% of total program expenses, and street and public property maintenance accounting for $3,323,324 or 22.3%.

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:

		2017		2016	
		Expenses	Net (Expense) Revenue	Expenses	Net (Expense) Revenue
General government	$	3,066,510	(3,057,035)	2,328,114	(2,273,800)
Public safety		6,891,666	(6,687,731)	6,515,838	(6,135,120)
Public works		3,323,324	(3,179,828)	2,886,791	(2,449,125)
Culture and recreation		1,125,342	(1,021,671)	1,091,940	(976,684)
Disability and relief funding		274,114	(274,114)	266,538	(266,538)
Interest and other expenses on long-term debt		239,585	(239,585)	150,875	(150,875)
Total	$	14,920,541	(14,459,964)	13,240,096	(12,252,142)

Governmental Funds - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of $8,017,841, an increase of $2,248,947. The most significant factor contributing to the current year increase in the combined fund balance was bond proceeds received in FY 2017 in the 2017 $3.2M Bond Issue Fund which were not used prior to year end.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

The General Fund is the principal operating fund of the City. The fund balance of the General Fund decreased $314,196 for the fiscal year ended September 30, 2017.

Business-Type Funds - At the close of the fiscal year, the City's proprietary funds reported total net position of $21,080,566. Operating revenues totaled $6,569,300 and operating expenses totaled $5,503,365 resulting in operating income of $1,065,935. After net non-operating expenses of $489,817 and transfers out of $14,490 the change in net position in the proprietary fund was an increase of $561,628.

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 2017, 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.

With the General Fund supporting many of our major activities, such as our police and fire departments as well as public works, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, final budgeted revenues for fiscal year 2017 were $11,219,784 and actual revenue collections were $11,257,439. General Fund operating expenditures were $12,263,016 compared to budgeted amounts of $12,974,134.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the City had approximately $62 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, 2017 and 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

		Governmental Activities			Business-Type Activities	
		2017	2016		2017	2016
Land	$	756,288	756,288		43,925	43,925
Construction in progress		386,215	4,944		455,703	51,792
Buildings		8,259,601	8,461,668		87,045	87,257
Improvements other than buildings		615,140	650,491		-	-
Automotive and equipment		1,549,892	1,140,423		601,057	202,226
Infrastructure		4,757,654	5,021,473		44,956,749	46,563,923
Total	$	16,324,790	16,035,287		46,144,479	46,949,123

Total accumulated depreciation as of September 30, 2017 was $34,917,327, including $2,661,635 of depreciation expense for the year. Additional information on the City's capital assets can be found in Note 6 on pages 38-40 of this report.

Debt

At September 30, 2017 and 2016, the City had $34,870,654 and $33,711,618, respectively, in outstanding debt from General Obligation Bonds, Notes Payable, Capital Lease Payable, and Accrued Vacation. The table below summarizes the total outstanding long-term obligations of the City.

		Governmental Activities			Business-Type Activities	
		2017	2016		2017	2016
Compensated absences	$	462,097	495,606		51,247	40,656
General obligation bonds		7,080,000	4,175,000		-	-
General obligation bonds premium		13,765	15,767		-	-
Notes payable		-	201,236		-	-
Capital lease payable		270,902	-		-	-
Water pollution revolving loans		-	-		26,992,643	28,783,353
Total	$	7,826,764	4,887,609		27,043,890	28,824,009

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt - continued:

Additional information on the City's long-term debt can be found in Note 7 on pages 40-44 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:

- Parklane Road improvements
- Well #5 replacement
- Build a new sewer main, Northwest Interceptor, that will service the western portion of the city.

The City will continue to improve and expand the water and sewer system.

These factors have been considered in preparing the City's budget for the 2018 fiscal year.

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, 2017

		Governmental Activities	Business-Type Activities	Total
ASSETS				
Cash and cash equivalents	$	7,841,192	831,548	8,672,740
Net receivables		5,135,042	918,651	6,053,693
Prepaids		86,022	11,910	97,932
Restricted assets:				
Cash and cash equivalents		-	3,514,547	3,514,547
Non-depreciable capital assets:				
Land		756,288	43,925	800,213
Construction in progress		386,215	455,703	841,918
Depreciable capital assets, net:				
Buildings		8,259,601	87,045	8,346,646
Improvements other than buildings		615,140	-	615,140
Automotive and equipment		1,549,892	601,057	2,150,949
Infrastructure		4,757,654	44,956,749	49,714,403
Total assets		29,387,046	51,421,135	80,808,181
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	$	2,742,810	258,433	3,001,243

continued

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 214,170	262,363	476,533
Accrued liabilities	319,563	27,211	346,774
Payable to other governments	277,068	-	277,068
Interest payable on long-term debt	55,131	40,646	95,777
Customer deposits	-	1,204,869	1,204,869
Internal balances	(391,818)	391,818	-
Unearned revenue	375,000	-	375,000
Noncurrent liabilities:			
Due within one year:			
Compensated absences	92,419	10,249	102,668
Loans payable	-	1,823,464	1,823,464
Capital lease payable	35,022	-	35,022
Bonds payable	587,002	-	587,002
Due in more than one year:			
Compensated absences	369,678	40,998	410,676
Loans payable	-	25,169,179	25,169,179
Capital lease payable	235,880	-	235,880
Bonds payable	6,506,763	-	6,506,763
Net pension liability	17,701,272	1,454,905	19,156,177
Total liabilities	26,377,150	30,425,702	56,802,852
DEFERRED INFLOWS OF RESOURCES			
Unavailable property taxes	3,759,761	-	3,759,761
Deferred inflows related to pension	1,818,660	173,300	1,991,960
Total deferred inflows of resources	5,578,421	173,300	5,751,721
NET POSITION			
Net investment in capital assets	8,960,123	19,151,836	28,111,959
Restricted	4,610,676	2,309,678	6,920,354
Unrestricted	(13,396,514)	(380,948)	(13,777,462)
Total net position	$ 174,285	21,080,566	21,254,851

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

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

		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	Total
Functions/programs:							
Primary government:							
Governmental activities:							
General government	$ 3,066,510	-	7,404	2,071	(3,057,035)	-	(3,057,035)
Public safety	6,891,666	9,310	123,013	71,612	(6,687,731)	-	(6,687,731)
Public works	3,323,324	90,905	52,591	-	(3,179,828)	-	(3,179,828)
Culture and recreation	1,125,342	103,671	-	-	(1,021,671)	-	(1,021,671)
Disability and relief funding	274,114	-	-	-	(274,114)	-	(274,114)
Interest and other expenses on long-term debt	239,585	-	-	-	(239,585)	-	(239,585)
Total governmental activities	14,920,541	203,886	183,008	73,683	(14,459,964)	-	(14,459,964)
Business-type activities:							
Water/sewer	4,953,375	5,593,132	-	-	-	639,757	639,757
Sanitation	860,181	976,168	-	-	-	115,987	115,987
Total business-type activities	5,813,556	6,569,300	-	-	-	755,744	755,744
Total	$ 20,734,097	6,773,186	183,008	73,683	(14,459,964)	755,744	(13,704,220)
	General revenues:						
	General property taxes				3,974,816	-	3,974,816
	Sales taxes				6,138,804	-	6,138,804
	General intergovernmental revenue				616,199	-	616,199
	Franchise taxes				481,772	-	481,772
	Privilege licenses and permits				83,516	-	83,516
	Fines and forfeitures				247,835	-	247,835
	Interfund charges				192,494	(192,494)	-
	Miscellaneous				522,232	-	522,232
	Unrestricted investment earnings				26,088	12,868	38,956
	Insurance proceeds				756,661	-	756,661
	Transfer in (out)				14,490	(14,490)	-
	Total general revenues and transfers				13,054,907	(194,116)	12,860,791
	Change in net position				(1,405,057)	561,628	(843,429)
	Net position at beginning of year				1,579,342	20,518,938	22,098,280
	Net position at end of year				174,285	21,080,566	21,254,851

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

CITY OF McCOMB, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

		General Fund	2017 $3.2M Bond Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$	2,290,877	3,025,641	2,524,674	7,841,192
Taxes receivable		3,111,931	-	1,181,632	4,293,563
Fines receivable		436,684	-	-	436,684
Other receivables		64,800	-	14,241	79,041
Due from other governments		-	-	74,609	74,609
Due from other funds		490,689	-	-	490,689
Prepaids		86,022	-	-	86,022
Total assets	$	6,481,003	3,025,641	3,795,156	13,301,800
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$	175,893	8,847	29,430	214,170
Accrued liabilities		318,885	-	678	319,563
Payable to other governments		25,923	-	-	25,923
Unearned revenue		-	-	375,000	375,000
Due to other funds		-	-	98,871	98,871
Total liabilities		520,701	8,847	503,979	1,033,527
Deferred Inflows of Resources:					
Unavailable property taxes		2,603,710	-	1,156,051	3,759,761
Unavailable fine revenue		490,671	-	-	490,671
Total deferred inflows of resources		3,094,381	-	1,156,051	4,250,432
Fund Balances:					
Nonspendable:					
Prepaid items		86,022	-	-	86,022
Restricted		-	3,016,794	1,593,882	4,610,676
Committed		-	-	541,244	541,244
Unassigned		2,779,899	-	-	2,779,899
Total fund balances		2,865,921	3,016,794	2,135,126	8,017,841
Total liabilities, deferred inflows of resources, and fund balances	$	6,481,003	3,025,641	3,795,156	13,301,800

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, 2017

Total fund balance - governmental funds		$ 8,017,841
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	30,714,646	
Less accumulated depreciation	(14,389,856)	16,324,790
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.		490,671
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		(17,701,272)
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	2,742,810	
Deferred inflows of resources related to pensions	(1,818,660)	924,150
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:		
General obligation bonds	(7,093,765)	
Capital lease payable	(270,902)	
Interest payable on long-term debt	(55,131)	
Compensated absences	(462,097)	(7,881,895)
Net position of governmental activities		$ 174,285

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, 2017

	General Fund	2017 $3.2M Bond Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes	$ 3,205,047	-	769,769	3,974,816
Privilege licenses and permits	83,516	-	-	83,516
Intergovernmental revenues	6,521,615	-	482,575	7,004,190
Franchise taxes	481,772	-	-	481,772
Charges for services	21,310	-	182,576	203,886
Court fines and forfeitures	210,736	-	270	211,006
Interest income	25,909	-	179	26,088
Interfund charges	192,494	-	-	192,494
Contributions	7,404	-	100	7,504
Miscellaneous	496,161	-	26,071	522,232
Total revenues	11,245,964	-	1,461,540	12,707,504
EXPENDITURES:				
General government	2,857,542	-	18,971	2,876,513
Public safety	5,956,349	-	639,126	6,595,475
Public works	2,812,073	117,206	338,583	3,267,862
Culture and recreations	631,214	-	351,677	982,891
Disability and relief funding	-	-	274,114	274,114
Debt service:				
Debt issuance costs	-	66,000	-	66,000
Principal	-	-	496,236	496,236
Interest and service charges	-	-	141,519	141,519
Total expenditures	12,257,178	183,206	2,260,226	14,700,610
Excess (deficiency) of revenues over expenditures	(1,011,214)	(183,206)	(798,686)	(1,993,106)
Other financing sources (uses):				
Proceeds from bond issue	-	3,200,000	-	3,200,000
Capital lease proceeds	-	-	270,902	270,902
Insurance proceeds	756,661	-	-	756,661
Transfers in	-	-	74,133	74,133
Transfers out	(59,643)	-	-	(59,643)
Total other financing sources (uses)	697,018	3,200,000	345,035	4,242,053
Net change in fund balances	(314,196)	3,016,794	(453,651)	2,248,947
Fund balances, beginning of year	3,180,117	-	2,588,777	5,768,894
Fund balances, end of year	$ 2,865,921	3,016,794	2,135,126	8,017,841

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, 2017

Net change in fund balance - total governmental funds	$ 2,248,947
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.	1,282,795
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.	(993,292)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as fund revenues.	36,829
The Statement of Activities reports pension expense and other activity related to the net pension liability activity:	
Contributions made after the measurement date	281,831
Pension expense	(1,288,944)
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 and capital lease 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:	
Bonds and capital lease obligations issued	(3,470,902)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	496,236
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	33,509
Change in accrued interest	(34,068)
Change in net position of governmental activities	$ (1,405,057)

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

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

		Water and Sewer Authority Fund	Sanitation Fund	Total
ASSETS				
Current assets:				
Cash in treasury accounts	$	444,980	386,568	831,548
Accounts receivable, net		776,037	142,614	918,651
Prepaid expenses		11,910	-	11,910
Due from other funds		75,612	-	75,612
Total current assets		1,308,539	529,182	1,837,721
Noncurrent assets:				
Restricted cash and cash equivalents:				
Customer deposits		1,204,869	-	1,204,869
Capital improvements		2,309,678	-	2,309,678
Total restricted assets		3,514,547	-	3,514,547
Property, plant and equipment, at cost:				
Land		43,925	-	43,925
Buildings		410,629	-	410,629
Infrastructure		63,798,445	-	63,798,445
Automotive and equipment		1,963,248	-	1,963,248
Less: accumulated depreciation		(20,527,471)	-	(20,527,471)
		45,688,776	-	45,688,776
Construction in progress		455,703	-	455,703
Net property, plant and equipment		46,144,479	-	46,144,479
Total assets		50,967,565	529,182	51,496,747
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	$	258,433	-	258,433

continued

		Water and Sewer Authority Fund	Sanitation Fund	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$	194,649	67,714	262,363
Accrued liabilities		27,211	-	27,211
Interest payable		40,646	-	40,646
Compensated absences		10,249	-	10,249
Due to other funds		392,020	75,410	467,430
State Department of Environmental Quality Loans		1,823,464	-	1,823,464
Total current liabilities		2,488,239	143,124	2,631,363
Current liabilities payable from restricted assets:				
Customer deposits		1,204,869	-	1,204,869
Noncurrent liabilities:				
Compensated absences		40,998	-	40,998
State Department of Environmental Quality Loans		25,169,179	-	25,169,179
Net pension liability		1,454,905	-	1,454,905
Total noncurrent liabilities payable		26,665,082	-	26,665,082
Total liabilities		30,358,190	143,124	30,501,314
Deferred inflows of resources:				
Deferred inflows related to pension		173,300	-	173,300
Total deferred inflows of resources		173,300	-	173,300
Net position:				
Net investment in capital assets		19,151,836	-	19,151,836
Restricted for capital improvements		2,309,678	-	2,309,678
Unrestricted		(767,006)	386,058	(380,948)
Total net position	$	20,694,508	386,058	21,080,566

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, 2017

		Water and Sewer Authority Fund	Sanitation Fund	Total
OPERATING REVENUES:				
Charges for services	$	4,748,792	976,168	5,724,960
Tap, connection and other fees		208,497	-	208,497
Capital improvement fees		629,186	-	629,186
Other revenues		6,657	-	6,657
Total operating revenues		5,593,132	976,168	6,569,300
OPERATING EXPENSES:				
Personal services		1,114,363	-	1,114,363
Operating supplies and expenses		359,960	-	359,960
Contract services and other charges		1,500,518	860,181	2,360,699
Depreciation		1,668,343	-	1,668,343
Total operating expenses		4,643,184	860,181	5,503,365
OPERATING INCOME		949,948	115,987	1,065,935
NON-OPERATING REVENUES (EXPENSES):				
Investment earnings		12,868	-	12,868
Interest and service charges on long-term debt		(502,685)	-	(502,685)
Total nonoperating revenues (expenses)		(489,817)	-	(489,817)
INCOME BEFORE TRANSFERS		460,131	115,987	576,118
Transfers out		-	(14,490)	(14,490)
CHANGE IN NET POSITION		460,131	101,497	561,628
NET POSITION AT BEGINNING OF YEAR		20,234,377	284,561	20,518,938
NET POSITION AT END OF YEAR	$	20,694,508	386,058	21,080,566

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, 2017

		Water and Sewer Authority Fund	Sanitation Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	$	5,756,787	968,759	6,725,546
Payments to suppliers		(1,620,031)	(814,575)	(2,434,606)
Payments to employees		(836,945)	-	(836,945)
Net cash provided by operating activities		3,299,811	154,184	3,453,995
Cash flows from noncapital financing activities:				
Transfers to other funds		-	(14,490)	(14,490)
Net cash used in noncapital financing activities:		-	(14,490)	(14,490)
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(863,699)	-	(863,699)
Principal paid on bonds and notes		(1,790,710)	-	(1,790,710)
Interest paid on bonds and notes		(505,392)	-	(505,392)
Net cash used in capital and related financing activities		(3,159,801)	-	(3,159,801)
Cash flows from investing activities:				
Interest received		12,868	-	12,868
Net cash provided by investing activities		12,868	-	12,868
Net increase in cash and cash equivalents		152,878	139,694	292,572
Cash and cash equivalents at beginning of year		3,806,649	246,874	4,053,523
Cash and cash equivalents at end of year	$	3,959,527	386,568	4,346,095

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

CITY OF McCOMB, MISSISSIPPI

STATEMENT OF CASH FLOWS - CONTINUED:
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water and Sewer Authority Fund	Sanitation Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 949,948	115,987	1,065,935
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,668,343	-	1,668,343
(Increase) decrease:			
Accounts receivable, net	(17,688)	(7,409)	(25,097)
Prepaid expenses	(6,928)	-	(6,928)
Deferred outflows related to pensions	33,303	-	33,303
Increase (decrease):			
Accounts payable	81,360	(2,686)	78,674
Accrued liabilities	6,994	-	6,994
Customer deposits	181,343	-	181,343
Due to other funds	166,015	48,292	214,307
Compensated absences	10,592	-	10,592
Net pension liability	123,092	-	123,092
Deferred inflows related to pension	103,437	-	103,437
	2,349,863	38,197	2,388,060
Net cash provided by operating activities	$ 3,299,811	154,184	3,453,995

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.

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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

	Capitalization Policy	Estimated Useful Life
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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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.

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, 2017, accumulated unpaid vacation of $462,097 was reported for the governmental activities and $51,247 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

are reported by PERS and MMRS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position and Fund Balance

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

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

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

N. Encumbrances

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

O. Property Taxes

Property taxes for fiscal year 2017 were levied at 39.84 mills in September 2016 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 2018 property taxes levied in September 2017. The City has recorded deferred inflows for the estimated fiscal year 2018 property taxes as of September 30, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

P. Expenditures

Expenditures are recognized when the related fund liability is incurred.

Q. Use of Estimates

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

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.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED:

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds were $7,841,192 and $4,346,095, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - $8,672,740 and Restricted Cash and Cash Equivalents - $3,514,547.

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits at September 30, 2017, are summarized as follows:

	Reported Amount	Bank Balance
Cash	$ 12,187,287	13,460,372

The difference of $1,273,085 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, 2017, 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.

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, 2017.

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

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

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, 2017, 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:

		General	Water and Sewer Authority	Sanitation Fund	Nonmajor Governmental Funds	Total
Receivables:						
Taxes	$	3,111,931	-	-	1,181,632	4,293,563
Accounts		-	961,863	180,529	-	1,142,392
Fines		2,631,768	-	-	-	2,631,768
Other		969,576	-	-	14,241	983,817
Intergovernmental		-	-	-	74,609	74,609
Gross receivables		6,713,275	961,863	180,529	1,270,482	9,126,149
Less: allowance for uncollectibles		(3,099,860)	(185,826)	(37,915)	-	(3,323,601)
Net receivables	$	3,613,415	776,037	142,614	1,270,482	5,802,548

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund transactions and balances:

Receivable Fund	Payable Fund		Amount
Water/Sewer Authority Fund	Sanitation Fund	$	75,410
Water/Sewer Authority Fund	Nonmajor Funds		202
General Fund	Water/Sewer Authority		392,020
General Fund	Nonmajor Funds		98,669
Total		$	566,301

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

	Transfer In	Transfer Out		Total
	Nonmajor Funds	General Fund	$	59,643
	Nonmajor Funds	Sanitation Fund		14,490
			$	74,133

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

NOTE 6 - CAPITAL ASSETS

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

		Balance 10/1/2016	Addition	Retirements	Balance 9/30/2017
Non-depreciable capital assets:					
Land	$	756,288	-	-	756,288
Construction in progress		4,944	381,271	-	386,215
Total non-depreciable capital assets		761,232	381,271	-	1,142,503
Depreciable capital assets:					
Buildings		12,636,433	-	-	12,636,433
Improvements other than buildings		707,022	-	-	707,022
Furniture and equipment		3,002,183	89,015	-	3,091,198
Mobile equipment		3,901,981	642,421	-	4,544,402
Infrastructure		8,423,000	170,088	-	8,593,088
Total depreciable capital assets		28,670,619	901,524	-	29,572,143

NOTE 6 - CAPITAL ASSETS - CONTINUED:

		Balance 10/1/2016	Addition	Retirements	Balance 9/30/2017
Less accumulated depreciation:					
Buildings	$	4,174,765	202,067	-	4,376,832
Improvements other than buildings		56,531	35,351	-	91,882
Furniture and equipment		2,532,070	145,680	-	2,677,750
Mobile equipment		3,231,671	176,287	-	3,407,958
Infrastructure		3,401,527	433,907	-	3,835,434
Total accumulated depreciation		13,396,564	993,292	-	14,389,856
Total depreciable capital assets, net		15,274,055	(91,768)	-	15,182,287
Governmental activities capital assets, net	$	16,035,287	289,503	-	16,324,790

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.

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

		Balance 10/1/2016	Addition	Retirements	Balance 9/30/2017
Non-depreciable capital assets:					
Land	$	43,925	-	-	43,925
Construction in progress		51,792	403,911	-	455,703
Total non-depreciable capital assets		95,717	403,911	-	499,628
Depreciable capital assets:					
Buildings		410,629	-	-	410,629
Equipment		697,814	50,609	-	748,423
Mobile equipment		805,646	409,179	-	1,214,825
Infrastructure		63,798,445	-	-	63,798,445
Total depreciable capital assets		65,712,534	459,788	-	66,172,322
Less accumulated depreciation:					
Buildings	$	323,372	212	-	323,584
Equipment		665,073	13,963	-	679,036
Mobile equipment		636,159	46,996	-	683,155
Infrastructure		17,234,524	1,607,172	-	18,841,696
Total accumulated depreciation		18,859,128	1,668,343	-	20,527,471
Total depreciable capital assets, net		46,853,406	(1,208,555)	-	45,644,851
Business-type activities capital assets, net	$	46,949,123	(804,644)	-	46,144,479

NOTE 6 - CAPITAL ASSETS - CONTINUED:

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	$	62,001
Public safety		271,289
Public works		454,478
Culture and recreation		205,524
Total depreciation expense - governmental activities	$	993,292
Business-type activities:		
Water and sewer	$	1,668,343
Total depreciation expense - business-type activities	$	1,668,343

NOTE 7 - LONG-TERM DEBT

A. Governmental Activities

During the year ended September 30, 2017, the following changes occurred in long-term liabilities reported for the governmental activities:

		Balance 10/1/2016	Additions	Retirements	Balance 9/30/2017	Amount Due Within One Year
Compensated absences	$	495,606	-	33,509	462,097	92,419
General obligation bonds		4,175,000	3,200,000	295,000	7,080,000	585,000
General obligation bonds premium		15,767	-	2,002	13,765	2,002
Capital lease payable		-	270,902	-	270,902	35,022
Notes payable		201,236	-	201,236	-	-
Total	$	4,887,609	3,470,902	531,747	7,826,764	714,443

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.

NOTE 7 - LONG-TERM DEBT - CONTINUED:

A. Governmental Activities - continued:

General Obligation Bonds - continued:

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, 2017 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 $13,765 at September 30, 2017. This debt will be retired from the City's General Obligation Bond Fund.	$	923,765
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.		1,120,000
On August 13, 2015, the Mayor and Board of Selectmen authorized the issuance of $2,000,000 in general obligation bonds with interest rates of 3.00% to 4.00% maturing in fiscal year 2035. Proceeds from these bonds will be used for various capital improvements throughout the City of McComb. This debt will be retired from the City's General Obligation Bond Fund.		1,850,000
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 will be used for street paving throughout the City. This debt will be retired from the City's General Obligation Bond Fund.		3,200,000
Total General Obligation Bonds	$	7,093,765

NOTE 7 - LONG-TERM DEBT - CONTINUED:

A. Governmental Activities - continued:

Capital Lease Obligations

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

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

Fiscal year ending September 30,		General Obligation Bonds		Capital Lease Payable		Total	
		Principal	Interest	Principal	Interest	Principal	Interest
2018	$	587,002	222,728	35,022	8,965	622,024	231,693
2019		602,002	177,425	36,181	7,806	638,183	185,231
2020		612,002	160,377	37,378	6,609	649,380	166,986
2021		642,002	142,834	38,615	5,371	680,617	148,205
2022		662,002	125,416	39,892	4,093	701,894	129,509
2023-2027		3,033,755	369,497	83,814	4,158	3,117,569	373,655
2028-2032		565,000	134,867	-	-	565,000	134,867
2033-2035		390,000	29,626	-	-	390,000	29,626
Total	$	7,093,765	1,362,770	270,902	37,002	7,364,667	1,399,772

B. Business-Type Activities

During the year ended September 30, 2017, the following changes occurred in liabilities reported for the business-type activities:

		Balance 10/1/2016	Additions	Retirements	Balance 9/30/2017	Amount Due Within One Year
Compensated absences	$	40,656	10,591	-	51,247	10,249
Water pollution revolving loans (DEQ)		28,783,353	-	1,790,710	26,992,643	1,823,464
Total	$	28,824,009	10,591	1,790,710	27,043,890	1,833,713

NOTE 7 - LONG-TERM DEBT - CONTINUED:

The following is outstanding debt related to business-type activities as of September 30, 2017:

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.	$	1,537,776
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.		23,842,195
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.		1,612,672
	$	26,992,643

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

Fiscal Year Ending September 30,		Principal	Interest	Total
2018	$	1,823,464	472,636	2,296,100
2019		1,856,829	439,272	2,296,101
2020		1,890,816	405,285	2,296,101
2021		1,925,436	370,664	2,296,100
2022		1,960,703	335,398	2,296,101
2023-2027		10,356,003	1,124,501	11,480,504
2028-2032		6,955,985	225,533	7,181,518
2033-2035		223,407	4,261	227,668
	$	26,992,643	3,377,550	30,370,193

NOTE 7 - LONG-TERM DEBT - CONTINUED:

B. Business-Type Activities - continued:

Compensated Absences

In addition to the above mentioned debts, the City of McComb, Mississippi has recorded a debt of $462,097 for the governmental activities and $51,247 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

General Information about the PERS Pension Plan - continued:

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the plan year ended September 30, 2017, the City's total covered payroll for all employees was $6,569,886. 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, 2017 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, 2017, 2016 and 2015 were $1,034,757, $1,003,574 and $1,021,457, 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, 2017, the City reported a liability of $16,723,134 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.1006 percent, which was an increase of 0.0039 percent from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of $2,387,724. At September 30, 2017, 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	$	250,555	126,868
Changes in assumptions		385,412	29,780
Net difference between projected and actual earnings on Plan investments		1,495,375	1,292,120
Changes in proportion and differences between City contributions and proportionate share of contributions		561,054	543,192
City contributions subsequent to the measurement date		278,111	-
Total	$	2,970,507	1,991,960

The $278,111 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, 2018. 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:		
2018	$	660,576
2019		238,736
2020		124,154
2021		(323,030)
	$	700,436

Actuarial Assumptions. The total pension liability in the June 30, 2017 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, 2017 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:

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00%	0.00 %
Total	100.00%	

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%). 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, 2017, 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:

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:

	City's Proportionate Share of Net Pension Liability
1.00% decrease (6.75%)	$ 21,933,507
Current discount rate (7.75%)	16,723,134
1.00% increase (8.75%)	12,397,393

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:

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.

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, 2017 (measurement date), the following City of McComb employees were covered by the plan:

Description	Meridian General
Active participants	-
Inactive members or their beneficiaries	26
Total	26

Actuarial Assumptions

Valuation date	6/30/2017
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	17 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	3.75%
Cost of living adjustments	2.00% - 3.75% depending on municipality

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

SALARY INCREASES: 3.25% for wage inflation plus the following chart:

Ages	Merit and Seniority Salary Increase
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.

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, 2017, the City levied 2.16 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, 2017, 2016 and 2015 were $267,859, $270,327 and $246,939, respectively.

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, 2017 were as follows:

		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at September 30, 2016	$	3,458,857	871,792	2,587,065
Changes for the year:				
Service cost		-	-	-
Interest		254,460	-	254,460
Changes of assumptions		17,185	-	17,185
Difference between expected and actual experience		(21,218)	-	(21,218)
Contributions - employer		-	276,947	(276,947)
Contributions - employee		-	-	-
Net investment income		-	119,465	(119,465)
Benefit payments, including refunds of employee contributions		(351,013)	(351,013)	-
Administrative expense		-	(5,539)	5,539
Other changes		-	13,576	(13,576)
Net changes		(100,586)	53,436	(154,022)
Balances at September 30, 2017	$	3,358,271	925,228	2,433,043

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:

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	$	2,697,812	2,433,043	2,201,732

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, 2017, the City reported a liability of $2,433,043 for the MMRS net pension liability. The MMRS net pension liability was measured as of June 30, 2017, 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, 2017, the City reported deferred outflows of resources related to pensions from the following source:

Net difference between projected and actual earnings on plan investments	$ 2,820
City contributions subsequent to the measurement date	27,916
Total	$ 30,736

The $27,916 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, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Deferred outflows/(Deferred inflow) aging:	
Year ended September 30:	
2018	$ 7,749
2019	7,751
2020	(1,682)
2021	(10,998)
	$ 2,820

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	Nonmajor Funds	Total
Nonspendable:					
Prepaid items	$	86,022	-	-	86,022
Restricted for:					
MESC		-	-	36,189	36,189
Library Support		-	-	4,715	4,715
Recreation		-	-	179,346	179,346
Disability and Relief Funding		-	-	8,399	8,399
Public Safety		-	-	197,405	197,405
Public Works		-	-	518	518
Debt Service		-	-	278,906	278,906
Capital Projects		-	3,016,794	888,404	3,905,198
		-	3,016,794	1,593,882	4,610,676
Committed for:					
Cemetery Maintenance		-	-	374,245	374,245
Parks and Recreation		-	-	166,999	166,999
		-	-	541,244	541,244
Unassigned		2,779,899	-	-	2,779,899
Total fund balance	$	2,865,921	3,016,794	2,135,126	8,017,841

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 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. See Note 13 to the financial statements for details of current tax year abatements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued in December 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015, enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14, issued January 2016, enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73, issued March 2016, improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The Board proposed that this Statement be effective for reporting periods beginning after June 15, 2016. The implementation of this statement did not have a significant impact on the City's financial statements.

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will improve 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. This accounting pronouncement is not expected to 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. This accounting pronouncement is not expected to impact the City's financial statements.

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

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability 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. 85, *Omnibus 2017*, issued March 2017, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

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. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will increase 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 also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance 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. 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.

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.

NOTE 13 - TAX ABATEMENTS - CONTINUED:

For the fiscal year ended September 30, 2017, the City abated ad valorem taxes for local business in the amount of $20,293 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 - SUBSEQUENT EVENTS

On February 8, 2018, the City issued tax increment bonds in the amount of $2,070,000.

The City had no additional subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through May 24, 2018, 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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General property taxes	$ 3,097,783	3,009,091	3,205,847	196,756
Licenses and permits	189,000	73,706	83,516	9,810
Intergovernmental revenues	7,326,500	7,200,961	6,988,678	(212,283)
Charges for services	9,000	5,960	21,642	15,682
Court fines and forfeits	550,000	265,503	235,788	(29,715)
Interest	14,000	22,071	25,909	3,838
Miscellaneous income	521,000	642,492	696,059	53,567
Total revenues	11,707,283	11,219,784	11,257,439	37,655
EXPENDITURES:				
General government:				
Personnel services	1,154,595	1,257,595	1,260,203	(2,608)
Supplies	23,002	53,002	41,905	11,097
Other services and charges	803,150	1,574,305	1,485,018	89,287
Capital outlay	7,500	9,000	5,872	3,128
Funding to outside agencies	-	69,467	67,170	2,297
Total general government	1,988,247	2,963,369	2,860,168	103,201
Public safety:				
Personnel services	5,390,156	5,460,156	5,380,248	79,908
Supplies	88,350	142,020	123,761	18,259
Other services and charges	488,400	404,804	340,426	64,378
Capital outlay	-	127,655	113,445	14,210
Total public safety	5,966,906	6,134,635	5,957,880	176,755
Public works:				
Personnel services	1,507,058	1,357,058	1,304,545	52,513
Supplies	361,193	361,193	347,818	13,375
Other services and charges	1,153,597	1,448,597	1,114,986	333,611
Capital outlay	-	45,000	46,405	(1,405)
Total public works	3,021,848	3,211,848	2,813,754	398,094
Recreation and parks:				
Personnel services	572,132	502,132	485,312	16,820
Supplies	46,950	48,950	42,982	5,968
Other services and charges	111,200	111,200	101,790	9,410
Capital outlay	-	2,000	1,130	870
Total culture and recreation	730,282	664,282	631,214	33,068
Total expenditures	11,707,283	12,974,134	12,263,016	711,118

CITY OF McCOMB, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over expenditures	$ -	(1,754,350)	(1,005,577)	748,773
Other financing sources (uses):				
Insurance proceeds	-	756,661	756,661	-
Transfers out	-	(63,643)	(59,643)	4,000
Transfers in	-	-	-	-
Total other financing uses	-	693,018	697,018	4,000
Net change in fund balance	-	(1,061,332)	(308,559)	752,773
Fund balance at beginning of year	2,660,225	2,660,225	2,660,225	-
Fund balance at end of year	$ 2,660,225	1,598,893	2,351,666	752,773

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

Fund Balance - budgetary basis	$	2,351,666
Adjustment to GAAP basis:		
Net accrued revenues and related receivables		519,035
Net accrued expenditures and related liabilities paid after 30 days		(4,780)
Fund balance - GAAP basis	$	2,865,921

CITY OF McCOMB, MISSISSIPPI

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	$ 16,122,723	$ 17,273,034	$ 16,723,134
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	0.1043%	0.0967%	0.1006%
City's covered payroll	*	*	*	*	*	*	*	$ 6,514,788	$ 6,343,902	$ 6,456,306
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%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	*	61.70%	57.47%	61.49%

* 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 *

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined employer contribution	*	*	*	*	*	*	*	$ 1,021,457	$ 1,003,574	$ 1,034,757
Contributions in relation to the actuarially determined contributions	*	*	*	*	*	*	*	1,021,457	1,003,574	1,034,757
Annual contribution deficiency (excess)	*	*	*	*	*	*	*	$ -	$ -	$ -
City's covered payroll	*	*	*	*	*	*	*	$ 6,485,441	$6,371,898	$6,569,886
Actual contributions as a percentage of covered-employer payroll	*	*	*	*	*	*	*	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

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

* 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)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SEPTEMBER 30, 2017

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).

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 - PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- The expectation of the retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

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, 2017

		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	$	171,304	5,582	126,832	36,189	12,092	10,770	16,773	26,283	405,825
Taxes receivable		-	-	-	-	70,464	-	-	276,143	346,607
Other receivables		-	-	-	-	-	-	-	-	-
Due from other governments		-	-	-	-	-	-	-	-	-
Due from other funds		-	-	-	-	-	-	-	-	-
Total assets	$	171,304	5,582	126,832	36,189	82,556	10,770	16,773	302,426	752,432
Liabilities:										
Accounts payable	$	4,205	-	-	-	8,006	180	-	2,466	14,857
Accrued liabilities		-	-	-	-	-	678	-	-	678
Unearned revenue		-	-	-	-	-	-	-	-	-
Due to other funds		100	-	-	-	-	-	-	17,884	17,984
Total liabilities	$	4,305	-	-	-	8,006	858	-	20,350	33,519
Deferred inflows of resources:										
Unavailable property taxes	$	-	-	-	-	69,835	-	-	273,677	343,512
Fund balances:										
Restricted	$	-	5,582	126,832	36,189	4,715	9,912	16,773	8,399	208,402
Committed		166,999	-	-	-	-	-	-	-	166,999
Unassigned		-	-	-	-	-	-	-	-	-
Total fund balances	$	166,999	5,582	126,832	36,189	4,715	9,912	16,773	8,399	375,401
Total liabilities, deferred inflows of resources, and fund balances	$	171,304	5,582	126,832	36,189	82,556	10,770	16,773	302,426	752,432

CITY OF McCOMB, MISSISSIPPI

COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

		Special Revenue						
		Subtotal from Prior Page	Scenic Rivers Fund	Brownsfield Petro Grant Fund	City Donation Funds	Crime Stoppers and Public Safety Grant Funds	Regional Response Team Funds	Subtotal
Assets:								
Cash and cash equivalents	$	405,825	-	495	26,696	2,829	9,915	445,760
Taxes receivable		346,607	-	-	-	-	-	346,607
Other receivables		-	14,241	-	-	-	-	14,241
Due from other governments		-	-	-	-	9,143	65,466	74,609
Due from other funds		-	-	-	-	-	-	-
Total assets	$	752,432	14,241	495	26,696	11,972	75,381	881,217
Liabilities:								
Accounts payable	$	14,857	-	-	-	-	12,173	27,030
Accrued liabilities		678	-	-	-	-	-	678
Unearned revenue		-	-	-	-	-	-	-
Due to other funds		17,984	14,241	-	-	9,143	54,427	95,795
Total liabilities	$	33,519	14,241	-	-	9,143	66,600	123,503
Deferred inflows of resources:								
Unavailable property taxes	$	343,512	-	-	-	-	-	343,512
Fund balances:								
Restricted	$	208,402	-	495	26,696	2,829	8,781	247,203
Committed		166,999	-	-	-	-	-	166,999
Unassigned		-	-	-	-	-	-	-
Total fund balances	$	375,401	-	495	26,696	2,829	8,781	414,202
Total liabilities, deferred inflows of resources, and fund balances	$	752,432	14,241	495	26,696	11,972	75,381	881,217

CITY OF McCOMB, MISSISSIPPI

COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

		Special Revenue				Debt Fund	
		Subtotal from Prior Page	Hotel - Motel Tax Fund	USDA Facility Grant Fund	Cemetery Fund	City General Obligation Bond Fund	Total Debt and Special Revenue Funds
Assets:							
Cash and cash equivalents	$	445,760	166,332	23	374,245	274,910	1,261,270
Taxes receivable		346,607	18,490	-	-	816,535	1,181,632
Other receivables		14,241	-	-	-	-	14,241
Due from other governments		74,609	-	-	-	-	74,609
Due from other funds		-	-	-	-	-	-
Total assets	$	881,217	184,822	23	374,245	1,091,445	2,531,752
Liabilities:							
Accounts payable	$	27,030	2,400	-	-	-	29,430
Accrued liabilities		678	-	-	-	-	678
Unearned revenue		-	-	-	-	-	-
Due to other funds		95,795	3,076	-	-	-	98,871
Total liabilities	$	123,503	5,476	-	-	-	128,979
Deferred inflows of resources:							
Unavailable property taxes	$	343,512	-	-	-	812,539	1,156,051
Fund balances:							
Restricted	$	247,203	179,346	23	-	278,906	705,478
Committed		166,999	-	-	374,245	-	541,244
Unassigned		-	-	-	-	-	-
Total fund balances	$	414,202	179,346	23	374,245	278,906	1,246,722
Total liabilities, deferred inflows of resources, and fund balances	$	881,217	184,822	23	374,245	1,091,445	2,531,752

CITY OF McCOMB, MISSISSIPPI

COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

		Capital Project Funds										
	Total Debt and Special Revenue Funds	NCRS Watershed Protection Project Fund	Delaware/ Pearl River 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 Protect Fund	2016 Paving Project Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
Assets:												
Cash and cash equivalents	$ 1,261,270	42,325	-	49,957	10,250	46,647	1,085	955,000	158,140	-	1,263,404	2,524,674
Taxes receivable	1,181,632	-	-	-	-	-	-	-	-	-	-	1,181,632
Other receivables	14,241	-	-	-	-	-	-	-	-	-	-	14,241
Due from other governments	74,609	-	-	-	-	-	-	-	-	-	-	74,609
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 2,531,752	42,325	-	49,957	10,250	46,647	1,085	955,000	158,140	-	1,263,404	3,795,156
Liabilities:												
Accounts payable	$ 29,430	-	-	-	-	-	-	-	-	-	-	29,430
Accrued liabilities	678	-	-	-	-	-	-	-	-	-	-	678
Unearned revenue	-	-	-	-	-	-	-	375,000	-	-	375,000	375,000
Due to other funds	98,871	-	-	-	-	-	-	-	-	-	-	98,871
Total liabilities	$ 128,979	-	-	-	-	-	-	375,000	-	-	375,000	503,979
Deferred inflows of resources:												
Unavailable property taxes	$ 1,156,051	-	-	-	-	-	-	-	-	-	-	1,156,051
Fund balances:												
Restricted	$ 705,478	42,325	-	49,957	10,250	46,647	1,085	580,000	158,140	-	888,404	1,593,882
Committed	541,244	-	-	-	-	-	-	-	-	-	-	541,244
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	$ 1,246,722	42,325	-	49,957	10,250	46,647	1,085	580,000	158,140	-	888,404	2,135,126
Total liabilities, deferred inflows of resources and fund balances	$ 2,531,752	42,325	-	49,957	10,250	46,647	1,085	955,000	158,140	-	1,263,404	3,795,156

CITY OF McCOMB, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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	$ -	-	-	-	68,353	-	-	267,627	335,980
Intergovernmental revenue	-	-	71,612	-	-	52,591	-	-	124,203
Charges for services	103,671	-	-	-	-	-	-	-	103,671
Court fines and forfeitures	-	-	-	-	-	-	270	-	270
Interest income	-	-	12	116	-	-	51	-	179
Contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	103,671	-	71,624	116	68,353	52,591	321	267,627	564,303
EXPENDITURES:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	514,558	-	-	-	-	-	514,558
Public works	-	-	-	-	-	70,112	-	-	70,112
Culture and recreation	63,019	-	-	-	69,927	-	-	-	132,946
Disability and relief funding	-	-	-	-	-	-	-	274,114	274,114
Debt service:						-			
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	63,019	-	514,558	-	69,927	70,112	-	274,114	991,730
Excess (deficiency) of revenues over expenditures	40,652	-	(442,934)	116	(1,574)	(17,521)	321	(6,487)	(427,427)
Other financing sources (uses):									
Capital lease proceeds	-	-	270,902	-	-	-	-	-	270,902
Transfers in	-	-	-	-	-	14,490	-	-	14,490
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	270,902	-	-	14,490	-	-	285,392
Excess (deficiency) of revenues over expenditures and other sources (uses)	40,652	-	(172,032)	116	(1,574)	(3,031)	321	(6,487)	(142,035)
Fund balances, beginning of year	126,347	5,582	298,864	36,073	6,289	12,943	16,452	14,886	517,436
Fund balances, end of year	$ 166,999	5,582	126,832	36,189	4,715	9,912	16,773	8,399	375,401

CITY OF McCOMB, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED: NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Special Revenue						
		Subtotal from Prior Page	Scenic Rivers Fund	Brownsfield Petro Grant Fund	City Donation Funds	Crime Stoppers and Public Safety Grant Funds	Regional Response Team Funds	Subtotal
REVENUES:								
General property taxes	$	335,980	-	-	-	-	-	335,980
Intergovernmental revenue		124,203	-	-	-	23,217	99,696	247,116
Charges for services		103,671	-	-	-	-	-	103,671
Court fines and forfeitures		270	-	-	-	-	-	270
Interest income		179	-	-	-	-	-	179
Contributions		-	-	-	100	-	-	100
Other		-	18,971	-	7,100	-	-	26,071
Total revenues		564,303	18,971	-	7,200	23,217	99,696	713,387
EXPENDITURES:								
General government		-	18,971	-	-	-	-	18,971
Public safety		514,558	-	-	2,500	23,217	98,851	639,126
Public works		70,112	-	-	-	-	-	70,112
Culture and recreation		132,946	-	-	-	-	-	132,946
Disability and relief funding		274,114	-	-	-	-	-	274,114
Debt service:								
Principal		-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-
Total expenditures		991,730	18,971	-	2,500	23,217	98,851	1,135,269
Excess (deficiency) of revenues over expenditures		(427,427)	-	-	4,700	-	845	(421,882)
Other financing sources (uses):								
Capital lease proceeds		270,902	-	-	-	-	-	270,902
Transfers in		14,490	-	-	-	-	-	14,490
Transfers out		-	-	-	-	-	-	-
Total other financing sources (uses)		285,392	-	-	-	-	-	285,392
Excess (deficiency) of revenues over expenditures and other sources (uses)		(142,035)	-	-	4,700	-	845	(136,490)
Fund balances, beginning of year		517,436	-	495	21,996	2,829	7,936	550,692
Fund balances, end of year	$	375,401	-	495	26,696	2,829	8,781	414,202

CITY OF McCOMB, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED: NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				Debt Fund	
	Subtotal from Prior Page	Hotel - Motel Tax Fund	USDA Facility Grant Fund	Cemetery Fund	City General Obligation Bond Fund	Total Debt and Special Revenue Funds
REVENUES:						
General property taxes	$ 335,980	-	-	-	433,789	769,769
Intergovernmental revenue	247,116	235,459	-	-	-	482,575
Charges for services	103,671	-	-	78,905	-	182,576
Court fines and forfeitures	270	-	-	-	-	270
Interest income	179	-	-	-	-	179
Contributions	100	-	-	-	-	100
Other	26,071	-	-	-	-	26,071
Total revenues	713,387	235,459	-	78,905	433,789	1,461,540
EXPENDITURES:						
General government	18,971	-	-	-	-	18,971
Public safety	639,126	-	-	-	-	639,126
Public works	70,112	-	-	44,511	-	114,623
Culture and recreation	132,946	218,731	-	-	-	351,677
Disability and relief funding	274,114	-	-	-	-	274,114
Debt service:						
Principal	-	201,236	-	-	295,000	496,236
Interest	-	1,556	-	-	139,963	141,519
Total expenditures	1,135,269	421,523	-	44,511	434,963	2,036,266
Excess (deficiency) of revenues over expenditures	(421,882)	(186,064)	-	34,394	(1,174)	(574,726)
Other financing sources (uses):						
Capital lease proceeds	270,902	-	-	-	-	270,902
Transfers in	14,490	-	-	-	-	14,490
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	285,392	-	-	-	-	285,392
Excess (deficiency) of revenues over expenditures and other sources (uses)	(136,490)	(186,064)	-	34,394	(1,174)	(289,334)
Fund balances, beginning of year	550,692	365,410	23	339,851	280,080	1,536,056
Fund balances, end of year	$ 414,202	179,346	23	374,245	278,906	1,246,722

CITY OF McCOMB, MISSISSIPPI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED: NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Capital Project Funds											
	Total Debt and Special Revenue Funds	NCRS Watershed Protection Project Fund	Delaware / Pearl River Project Fund	Fire Station #1 Project Fund	GO Zone Down-town Fund	Delaware Ave / Anna Drive Light Fund	Capital Improvement Fund	Complete Street Projects Fund	Transportation Alternative Program Project Fund	2016 Paving Project Fund	Total Capital Project Funds	Interfund Eliminations	Total Nonmajor Governmental Funds
REVENUES:													
General property taxes	$ 769,769	-	-	-	-	-	-	-	-	-	-	-	769,769
Intergovernmental revenue	482,575	-	-	-	-	-	-	-	-	-	-	-	482,575
Charges for services	182,576	-	-	-	-	-	-	-	-	-	-	-	182,576
Court fines and forfeitures	270	-	-	-	-	-	-	-	-	-	-	-	270
Interest income	179	-	-	-	-	-	-	-	-	-	-	-	179
Contributions	100	-	-	-	-	-	-	-	-	-	-	-	100
Other	26,071	-	-	-	-	-	-	-	-	-	-	-	26,071
Total revenues	1,461,540	-	-	-	-	-	-	-	-	-	-	-	1,461,540
EXPENDITURES:													
General government	18,971	-	-	-	-	-	-	-	-	-	-	-	18,971
Public safety	639,126	-	-	-	-	-	-	-	-	-	-	-	639,126
Public works	114,623	-	-	-	-	-	-	-	53,872	170,088	223,960	-	338,583
Culture and recreation	351,677	-	-	-	-	-	-	-	-	-	-	-	351,677
Disability and relief funding	274,114	-	-	-	-	-	-	-	-	-	-	-	274,114
Debt service:												-	
Principal	496,236	-	-	-	-	-	-	-	-	-	-	-	496,236
Interest	141,519	-	-	-	-	-	-	-	-	-	-	-	141,519
Total expenditures	2,036,266	-	-	-	-	-	-	-	53,872	170,088	223,960	-	2,260,226
Excess (deficiency) of revenues over expenditures	(574,726)	-	-	-	-	-	-	-	(53,872)	(170,088)	(223,960)	-	(798,686)
Other financing sources (uses):													
Capital lease proceeds	270,902	-	-	-	-	-	-	-	-	-	-	-	270,902
Transfers in	14,490	-	36,337	-	-	-	-	67,036	-	23,306	126,679	(67,036)	74,133
Transfers out	-	-	-	-	-	(67,036)	-	-	-	-	(67,036)	67,036	-
Total other financing sources (uses)	285,392	-	36,337	-	-	(67,036)	-	67,036	-	23,306	59,643	-	345,035
Excess (deficiency) of revenues over expenditures and other sources (uses)	(289,334)	-	36,337	-	-	(67,036)	-	67,036	(53,872)	(146,782)	(164,317)	-	(453,651)
Fund balances, beginning of year	1,536,056	42,325	(36,337)	49,957	10,250	113,683	1,085	512,964	212,012	146,782	1,052,721	-	2,588,777
Fund balances, end of year	$ 1,246,722	42,325	-	49,957	10,250	46,647	1,085	580,000	158,140	-	888,404	-	2,135,126

CITY OF McCOMB, MISSISSIPPI

SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS

SEPTEMBER 30, 2017

Bond Name	Position	Company	Amount
Whitney Rawlings	Mayor	Western Surety	$ 50,000.00
Tommy McKenzie	Selectman	Western Surety	$ 50,000.00
Ted Tullos	Selectman	Western Surety	$ 50,000.00
Michael L. Cameron	Selectman	Western Surety	$ 50,000.00
Donovan R. Hill	Selectman	Western Surety	$ 50,000.00
Albert Eubanks	Selectman	Western Surety	$ 50,000.00
Ronnie Brock	Selectman	Western Surety	$ 50,000.00
Kelvin Butler	City Administrator	Western Surety	$ 50,000.00
Janice Dillon	Director of Finance/CFO	Western Surety	$ 50,000.00
Bryan Scott McKenzie	Chief of Police	Ohio Casualty	$ 50,000.00
Servia Fortenberry	City Clerk	Western Surety	$ 50,000.00
Schenika Nacole Garner	Deputy Clerk	Western Surety	$ 50,000.00
Sevetrius Dillon	Accounting Manager	Western Surety	$ 50,000.00

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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, 2017, 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 May 15, 2018.

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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Gillon Group, PLLC

Natchez, Mississippi
May 15, 2018

CITY OF McCOMB, MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings reported in the prior year

CITY OF McCOMB, MISSISSIPPI

SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2015

(1) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of McComb, Mississippi.

2. No significant deficiencies 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

None.

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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, 2017, and have issued our report dated May 15, 2018. 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. The prior year audit finding has been corrected.

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
May 15, 2018