

CITY OF McCOMB, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

CONTENTS

DESCRIPTION

| | |
|---------------------------------------------------------------------------------------------------------------------------|----|
| INDEPENDENT AUDITOR'S REPORT | 4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 7 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 20 |
| Statement of Activities | 21 |
| Fund Financial Statements: | |
| Governmental Fund Financial Statements: | |
| Balance Sheet | 22 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 25 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position | 26 |
| Statement of Revenues, Expenses, and Changes in Net Position | 27 |
| Statement of Cash Flows | 28 |
| Notes to Financial Statements | 29 |
| REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A: | |
| Budgetary Comparison Schedule - General Fund | 67 |
| Schedule of Changes in Net Pension Liability and Related Ratios - PERS | 68 |
| Schedule of Employer Contributions - PERS | 69 |
| Schedule of Funding Progress - MMRS | 70 |
| Schedule of City's Contributions - MMRS | 71 |
| Notes to Required Supplementary Information Schedules | 72 |

SUPPLEMENTARY INFORMATION:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Combining Balance Sheet - Nonmajor Governmental Funds | 73 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 77 |
| Schedule of Surety Bonds for Municipal Officials | 81 |
| Internal Control Reports | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i> | 82 |
| Summary Schedule of Prior Audit Finding | 84 |
| Schedule of Findings | 85 |
| Compliance With State Law | |
| Independent Auditor's Report on Compliance with State Laws and Regulations | 86 |

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, 2016, 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, 2016, 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 June 12, 2017 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 Millen Group, PLLC

Natchez, Mississippi
June 12, 2017

CITY OF McCOMB, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 20 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

- The net position of the City decreased by \$173,357 as a result of this year's operations (\$1,183,443 increase in 2015). The decrease was realized by the City's Governmental Activities.
- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, during fiscal year 2015. The implementation resulted in the following items reported in the financial statements:
 - A net pension liability in the amount of \$19,860,099 at September 30, 2016.
 - An increase in the current year pension expense as determined prior to the implementation of GASB 68 in the amount of \$969,021 to \$2,273,200 as determined in accordance with GASB 68.
- The City had \$18,833,101 in total revenues for fiscal year 2016. Program specific revenues related to charges for services, operating and capital grants, and contributions account for \$7,255,683 or 38.5% of total revenues. General revenues in the form of taxes, unrestricted investment earnings and other revenue account for \$11,577,418 or 61.5% of total revenues.
- The City had \$19,006,458 in total expenses. Expenses in the amount of \$7,255,683 were offset by program specific revenues in the form of charges for services, operating and capital grants, and contributions. The majority of remaining expenses were covered with general revenues in the amount of \$11,577,418.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$5,768,894, a decrease of \$838,831 from the prior year.
- The City's General Fund had \$11,373,595 in revenues and \$10,660,818 in expenditures. The General Fund's fund balance increased \$27,085 from the prior year.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FINANCIAL HIGHLIGHTS - CONTINUED:

- Capital assets used in governmental activities, net of accumulated depreciation, increased by \$1,309,859. Capital assets used in business-type activities, net of accumulated depreciation, decreased by \$1,381,318.
- Long-term debt for both governmental and business-type activities decreased by \$2,353,430.

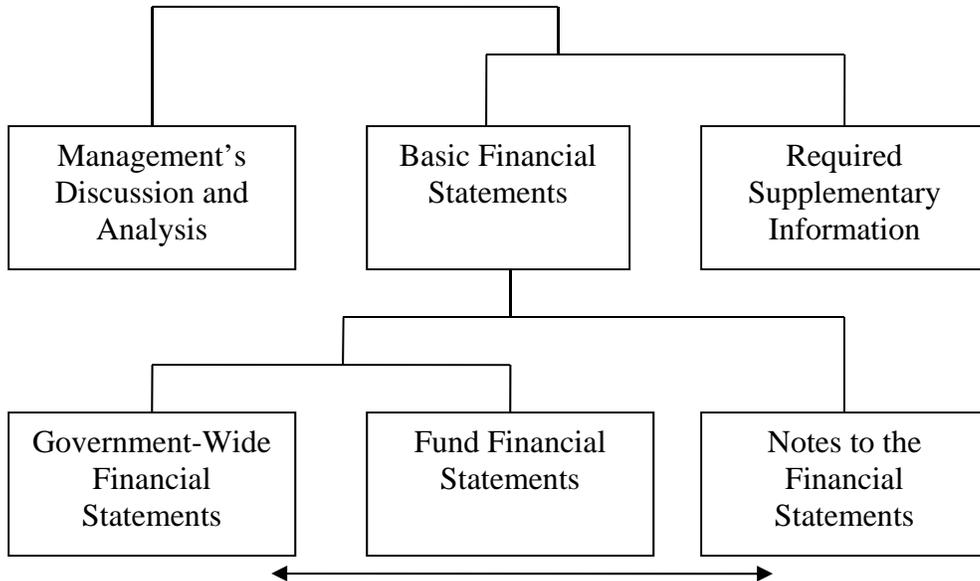
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

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

| | GOVERNMENT-WIDE FINANCIAL STATEMENTS | <u>FUND FINANCIAL STATEMENTS</u> | | |
|----------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| | | GOVERNMENTAL FUNDS | PROPRIETARY FUNDS | FIDUCIARY FUNDS |
| Scope | Entire City Government (except fiduciary funds) and component units | All activities of the City that are not business-type or fiduciary in nature | Activities of the City that operate similar to private businesses | The City is the Trustee or agent for someone else's resources |
| Required financial statements | Statement of Net Position Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Obligations |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, short and long-term | All assets and liabilities, both short and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

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

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

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

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

The Government-Wide Financial Statements can be found on pages 20 and 21 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, 2016.

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

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 23 and 25.

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 22 and 24 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 26-28 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 29-66 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 73 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 67.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

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 \$22,098,280 as of September 30, 2016.

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 \$29,809,054 of the City's net position as of September 30, 2016. The City uses these capital assets to provide services to citizens; consequently these assets are not available for further spending. Restricted net position of \$3,835,151 as of September 30, 2016 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, 2016 and 2015.

| Table 1 | | | | | | |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Condensed Statements of Net Position | | | | | | |
| At September 30, 2016 and 2015 | | | | | | |
| | 2016 | | | 2015 | | |
| | Governmental | Business- | Total | Governmental | Business- | Total |
| | Activities | Type | Primary | Activities | Type | Primary |
| | | Activities | Government | | Activities | Government |
| Assets: | | | | | | |
| Current and other assets | \$ 10,824,957 | 4,952,059 | 15,777,016 | 12,645,340 | 4,699,534 | 17,344,874 |
| Capital assets | 16,035,287 | 46,949,123 | 62,984,410 | 14,725,428 | 48,330,441 | 63,055,869 |
| Total assets | <u>26,860,244</u> | <u>51,901,182</u> | <u>78,761,426</u> | <u>27,370,768</u> | <u>53,029,975</u> | <u>80,400,743</u> |
| Deferred outflows of resources: | | | | | | |
| Deferred outflows - pensions | <u>3,594,509</u> | <u>291,736</u> | <u>3,886,245</u> | <u>2,842,495</u> | <u>215,652</u> | <u>3,058,147</u> |
| Liabilities: | | | | | | |
| Current liabilities | 1,497,510 | 3,247,136 | 4,744,646 | 2,193,193 | 3,084,308 | 5,277,501 |
| Long-term liabilities | <u>22,818,536</u> | <u>28,356,981</u> | <u>51,175,517</u> | <u>22,444,115</u> | <u>29,957,430</u> | <u>52,401,545</u> |
| Total liabilities | <u>24,316,046</u> | <u>31,604,117</u> | <u>55,920,163</u> | <u>24,637,308</u> | <u>33,041,738</u> | <u>57,679,046</u> |

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

| | 2016 | | | 2015 | | |
|-------------------------------------|---------------------|-------------------|---------------------------|---------------------|-------------------|---------------------------|
| | Governmental | Business- | Total | Governmental | Business- | Total |
| | <u>Activities</u> | <u>Activities</u> | <u>Primary Government</u> | <u>Activities</u> | <u>Activities</u> | <u>Primary Government</u> |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable property taxes | \$ 3,723,133 | - | 3,723,133 | 3,508,207 | - | 3,508,207 |
| Deferred inflows related to pension | 836,232 | 69,863 | 906,095 | - | - | - |
| Total deferred inflows of resources | <u>4,559,365</u> | <u>69,863</u> | <u>4,629,228</u> | <u>3,508,207</u> | <u>-</u> | <u>3,508,207</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 11,643,284 | 18,165,770 | 29,809,054 | 9,746,586 | 17,788,535 | 27,535,121 |
| Restricted | 2,122,579 | 1,712,572 | 3,835,151 | 3,031,326 | 1,008,230 | 4,039,556 |
| Unrestricted | <u>(12,186,521)</u> | <u>640,596</u> | <u>(11,545,925)</u> | <u>(10,710,164)</u> | <u>1,407,124</u> | <u>(9,303,040)</u> |
| Total net position | \$ <u>1,579,342</u> | <u>20,518,938</u> | <u>22,098,280</u> | <u>2,067,748</u> | <u>20,203,889</u> | <u>22,271,637</u> |

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

| | |
|-----------------------------------------------------------------------------------------------|---------------------|
| Total unrestricted net position (deficit) | \$ (11,545,925) |
| Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71 | <u>16,879,949</u> |
| Unrestricted net position, exclusive of the net pension liability effect | \$ <u>5,334,024</u> |

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

The Changes in Net Position for the years ended September 30, 2016 and 2015 are summarized in **Table 2**.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

| Table 2 | | | | | | |
|-----------------------------------------------------------------|-------------------|-------------------|-------------------------------------|-------------------|-------------------|-------------------|
| Condensed Statements of Changes in Net Position | | | | | | |
| For the Years Ended September 30, 2016 and 2015 | | | | | | |
| | 2016 | | | 2015 | | |
| | Governmental | Business- | Total | Governmental | Business- | Total |
| | <u>Activities</u> | <u>Activities</u> | <u>Primary</u> <u>Government</u> | <u>Activities</u> | <u>Activities</u> | <u>Government</u> |
| Revenues: | | | | | | |
| Program Revenue: | | | | | | |
| Charges for services | \$ 207,731 | 6,267,729 | 6,475,460 | 245,821 | 6,094,274 | 6,340,095 |
| Operating grants and contributions | 241,719 | - | 241,719 | 671,135 | - | 671,135 |
| Capital grants and contributions | 538,504 | - | 538,504 | 1,114,465 | - | 1,114,465 |
| General Revenue: | | | | | | |
| Property taxes | 3,692,088 | - | 3,692,088 | 3,773,498 | - | 3,773,498 |
| Sales taxes | 5,881,178 | - | 5,881,178 | 6,003,388 | - | 6,003,388 |
| General intergovernmental revenue | 598,380 | - | 598,380 | 645,162 | - | 645,162 |
| Franchise taxes | 506,613 | - | 506,613 | 583,000 | - | 583,000 |
| Licenses and permits | 92,618 | - | 92,618 | 159,518 | - | 159,518 |
| Grants and contributions not restricted to specific programs | - | - | - | - | - | - |
| Unrestricted investment earnings | 20,014 | 13,072 | 33,086 | 16,947 | 11,904 | 28,851 |
| Fines and forfeitures | 196,659 | - | 196,659 | 656,644 | - | 656,644 |
| Interfund charges | 180,000 | (180,000) | - | 180,000 | (180,000) | - |
| Other | 576,796 | - | 576,796 | 1,314,929 | - | 1,314,929 |
| Total revenues | <u>12,732,300</u> | <u>6,100,801</u> | <u>18,833,101</u> | <u>15,364,507</u> | <u>5,926,178</u> | <u>21,290,685</u> |
| Expenses: | | | | | | |
| General government | 2,328,114 | - | 2,328,114 | 2,225,514 | - | 2,225,514 |
| Public safety | 6,515,838 | - | 6,515,838 | 6,327,805 | - | 6,327,805 |
| Public works | 2,886,791 | - | 2,886,791 | 4,791,049 | - | 4,791,049 |
| Culture and recreation | 1,091,940 | - | 1,091,940 | 1,216,493 | - | 1,216,493 |
| Disability and relief funding | 266,538 | - | 266,538 | 246,939 | - | 246,939 |
| Interest and other expenses on long-term debt | 150,875 | - | 150,875 | 139,844 | - | 139,844 |
| Water/sewer | - | 4,856,248 | 4,856,248 | - | 4,247,047 | 4,247,047 |
| Sanitation | - | 910,114 | 910,114 | - | 828,946 | 828,946 |
| Total expenses | <u>13,240,096</u> | <u>5,766,362</u> | <u>19,006,458</u> | <u>14,947,644</u> | <u>5,075,993</u> | <u>20,023,637</u> |

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

| | 2016 | | | 2015 | | |
|-------------------------------------------------------------------------|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | | Business- | Total | | Business- | Total |
| | Governmental | Type | Primary | Governmental | Type | Primary |
| | Activities | Activities | Government | Activities | Activities | Government |
| CHANGE IN NET POSITION BEFORE TRANSFERS AND SPECIAL ITEM | \$ (507,796) | 334,439 | (173,357) | 416,863 | 850,185 | 1,267,048 |
| TRANSFERS | 19,390 | (19,390) | - | (100,000) | 100,000 | - |
| SPECIAL ITEM: | | | | | | |
| Estimated loss-court fines and fees | - | - | - | (83,605) | - | (83,605) |
| CHANGE IN NET POSITION | (488,406) | 315,049 | (173,357) | 233,258 | 950,185 | 1,183,443 |
| NET POSITION, BEGINNING OF YEAR, as previously reported | 2,067,748 | 20,203,889 | 22,271,637 | 15,435,237 | 20,271,494 | 35,706,731 |
| PRIOR PERIOD ADJUSTMENT | - | - | - | (13,600,747) | (1,017,790) | (14,618,537) |
| NET POSITION, BEGINNING OF YEAR, as restated | <u>2,067,748</u> | <u>20,203,889</u> | <u>22,271,637</u> | <u>1,834,490</u> | <u>19,253,704</u> | <u>21,088,194</u> |
| NET POSITION, END OF YEAR | \$ <u>1,579,342</u> | <u>20,518,938</u> | <u>22,098,280</u> | <u>2,067,748</u> | <u>20,203,889</u> | <u>22,271,637</u> |

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 \$5,881,178 or 46.2% of gross revenue. Revenue from property taxes accounted for \$3,692,088 or 29.0% of gross revenues. In addition, capital and operating grants amounted to \$780,223 or 6.1%.

Major expense activities include police and fire safety expenses which accounted for \$6,515,838 or 49.2% of total program expenses, and street and public property maintenance in the amount of \$2,886,791 or 21.8%.

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

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

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

| | | 2016 | | 2015 | |
|--------------------------------------------------|-----------|-------------------|---------------------|-------------------|---------------------|
| | | Net (Expense) | | Net (Expense) | |
| | | Expenses | Revenue | Expenses | Revenue |
| General government | \$ | 2,328,114 | (2,273,800) | 2,225,514 | (2,161,072) |
| Public safety | | 6,515,838 | (6,135,120) | 6,327,805 | (5,919,547) |
| Public works | | 2,886,791 | (2,449,125) | 4,791,049 | (3,826,120) |
| Culture and recreation | | 1,091,940 | (976,684) | 1,216,493 | (622,701) |
| Disability and relief funding | | 266,538 | (266,538) | 246,939 | (246,939) |
| Interest and other expenses on long-term debt | | 150,875 | (150,875) | 139,844 | (139,844) |
| Total | \$ | 13,240,096 | (12,252,142) | 14,947,644 | (12,916,223) |

Governmental Funds - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$5,768,894, a decrease of \$838,831.

The General Fund is the principal operating fund of the City. The fund balance of the General Fund increased \$27,085 for the fiscal year ended September 30, 2016.

Business-Type Funds - At the close of the fiscal year, the City's proprietary funds reported total net position of \$20,518,938. Operating revenues totaled \$6,267,729 and operating expenses totaled \$5,415,412 resulting in operating income of \$852,317. After net non-operating expenses of \$517,878 and transfers out of \$19,390 the change in net position in the proprietary fund was an increase of \$315,049.

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 2016, 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 2016 were \$11,576,970 and actual revenue collections were \$11,366,748. General Fund operating expenditures were \$10,658,227 compared to budgeted amounts of \$11,407,737.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the City had approximately \$63 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, 2016 and 2015.

| | Governmental | | Business-Type | |
|-----------------------------------|----------------------|-------------------|-------------------|-------------------|
| | Activities | | Activities | |
| | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 756,288 | 756,288 | 43,925 | 43,925 |
| Construction in progress | 4,944 | 1,536,557 | 51,792 | - |
| Buildings | 8,461,668 | 7,106,257 | 87,257 | 87,480 |
| Improvements other than buildings | 650,491 | 466,603 | - | - |
| Automotive and equipment | 1,140,423 | 1,206,015 | 202,226 | 229,092 |
| Infrastructure | 5,021,473 | 3,653,708 | 46,563,923 | 47,969,944 |
| Total | \$ 16,035,287 | 14,725,428 | 46,949,123 | 48,330,441 |

Total accumulated depreciation as of September 30, 2016 was \$32,255,692, including \$2,490,885 of depreciation expense for the year. Additional information on the City's capital assets can be found in Note 6 on pages 42-44 of this report.

Debt

At September 30, 2016 and 2015, the City had \$33,711,618 and \$36,065,048, respectively, in outstanding debt from General Obligation Bonds, Notes Payable and Accrued Vacation. The table below summarizes the total outstanding long-term obligations of the City.

| | Governmental | | Business-Type | |
|----------------------------------|---------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | |
| | 2016 | 2015 | 2016 | 2015 |
| Compensated absences | \$ 495,606 | 510,376 | 40,656 | 33,924 |
| General obligation bonds | 4,175,000 | 4,460,000 | - | - |
| General obligation bonds premium | 15,767 | 17,769 | - | - |
| Notes payable | 201,236 | 501,073 | - | - |
| Water pollution revolving loans | - | - | 28,783,353 | 30,541,906 |
| Total | \$ 4,887,609 | 5,489,218 | 28,824,009 | 30,575,830 |

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt - continued:

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

Additional information on the City's long-term debt can be found in Note 7 on pages 44-48 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

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

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

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

- Street paving throughout the City.
- Parklane Road Expansion
- 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 2017 fiscal year.

CITY OF McCOMB, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016**

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 5,581,387 | 1,317,425 | 6,898,812 |
| Net receivables | 5,243,570 | 893,554 | 6,137,124 |
| Prepays | - | 4,982 | 4,982 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 2,736,098 | 2,736,098 |
| Non-depreciable capital assets: | | | |
| Land | 756,288 | 43,925 | 800,213 |
| Construction in progress | 4,944 | 51,792 | 56,736 |
| Depreciable capital assets, net | | | |
| Buildings | 8,461,668 | 87,257 | 8,548,925 |
| Improvements other than buildings | 650,491 | - | 650,491 |
| Automotive and equipment | 1,140,423 | 202,226 | 1,342,649 |
| Infrastructure | <u>5,021,473</u> | <u>46,563,923</u> | <u>51,585,396</u> |
| Total assets | <u>26,860,244</u> | <u>51,901,182</u> | <u>78,761,426</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows related to pensions | \$ <u>3,594,509</u> | <u>291,736</u> | <u>3,886,245</u> |

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 427,150 | 183,689 | 610,839 |
| Accrued liabilities | 363,362 | 20,217 | 383,579 |
| Payable to other governments | 266,087 | - | 266,087 |
| Interest payable on long-term debt | 21,063 | 43,352 | 64,415 |
| Customer deposits | - | 1,023,526 | 1,023,526 |
| Internal balances | (177,511) | 177,511 | - |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Compensated absences | 99,121 | 8,131 | 107,252 |
| Loans payable | 201,236 | 1,790,710 | 1,991,946 |
| Bonds payable | 297,002 | - | 297,002 |
| Due in more than one year: | | | |
| Compensated absences | 396,485 | 32,525 | 429,010 |
| Loans payable | - | 26,992,643 | 26,992,643 |
| Bonds payable | 3,893,765 | - | 3,893,765 |
| Net pension liability | 18,528,286 | 1,331,813 | 19,860,099 |
| Total liabilities | <u>24,316,046</u> | <u>31,604,117</u> | <u>55,920,163</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable property taxes | 3,723,133 | - | 3,723,133 |
| Deferred inflows related to pension | 836,232 | 69,863 | 906,095 |
| Total deferred inflows of resources | <u>4,559,365</u> | <u>69,863</u> | <u>4,629,228</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 11,643,284 | 18,165,770 | 29,809,054 |
| Restricted | 2,122,579 | 1,712,572 | 3,835,151 |
| Unrestricted | (12,186,521) | 640,596 | (11,545,925) |
| Total net position | <u>\$ 1,579,342</u> | <u>20,518,938</u> | <u>22,098,280</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | | <u>Program Revenues</u> | | |
|--------------------------------------------------|----------------------|----------------------------|-------------------------------------------|-----------------------------------------|
| | <u>Expenses</u> | <u>Charges for Service</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Functions/programs: | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,328,114 | - | 53,200 | 1,114 |
| Public safety | 6,515,838 | 11,997 | 101,767 | 266,954 |
| Public works | 2,886,791 | 96,425 | 86,752 | 254,489 |
| Culture and recreation | 1,091,940 | 99,309 | - | 15,947 |
| Disability and relief funding | 266,538 | - | - | - |
| Interest and other expenses on long-term debt | 150,875 | - | - | - |
| Total governmental activities | <u>13,240,096</u> | <u>207,731</u> | <u>241,719</u> | <u>538,504</u> |
| Business-type activities: | | | | |
| Water/sewer | 4,856,248 | 5,288,796 | - | - |
| Sanitation | 910,114 | 978,933 | - | - |
| Total business-type activities | <u>5,766,362</u> | <u>6,267,729</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 19,006,458</u> | <u>6,475,460</u> | <u>241,719</u> | <u>538,504</u> |
| General revenues: | | | | |
| General property taxes | | | | |
| Sales taxes | | | | |
| General intergovernmental revenue | | | | |
| Franchise taxes | | | | |
| Privilege licenses and permits | | | | |
| Fines and forfeitures | | | | |
| Interfund charges | | | | |
| Miscellaneous | | | | |
| Unrestricted investment earnings | | | | |
| Gain on disposal of capital assets | | | | |
| Transfer in (out) | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position at beginning of year | | | | |
| Net position at end of year | | | | |

| Net (Expenses) Revenues and Changes in Net Position | | |
|----------------------------------------------------------------|------------------------------------------|---------------------|
| Governmental Activities | Business- Type Activities | Total |
| (2,273,800) | - | (2,273,800) |
| (6,135,120) | - | (6,135,120) |
| (2,449,125) | - | (2,449,125) |
| (976,684) | - | (976,684) |
| (266,538) | - | (266,538) |
| <u>(150,875)</u> | <u>-</u> | <u>(150,875)</u> |
| <u>(12,252,142)</u> | <u>-</u> | <u>(12,252,142)</u> |
| - | 432,548 | 432,548 |
| - | 68,819 | 68,819 |
| <u>-</u> | <u>501,367</u> | <u>501,367</u> |
| <u>(12,252,142)</u> | <u>501,367</u> | <u>(11,750,775)</u> |
| 3,692,088 | - | 3,692,088 |
| 5,881,178 | - | 5,881,178 |
| 598,380 | - | 598,380 |
| 506,613 | - | 506,613 |
| 92,618 | - | 92,618 |
| 196,659 | - | 196,659 |
| 180,000 | (180,000) | - |
| 555,846 | - | 555,846 |
| 20,014 | 13,072 | 33,086 |
| 20,950 | - | 20,950 |
| 19,390 | (19,390) | - |
| <u>11,763,736</u> | <u>(186,318)</u> | <u>11,577,418</u> |
| (488,406) | 315,049 | (173,357) |
| <u>2,067,748</u> | <u>20,203,889</u> | <u>22,271,637</u> |
| <u>1,579,342</u> | <u>20,518,938</u> | <u>22,098,280</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------------------------------------------------|-------------------------|--------------------------------------------|-----------------------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 2,948,334 | 2,633,053 | 5,581,387 |
| Taxes receivable | 3,438,387 | 817,573 | 4,255,960 |
| Fines receivable | 417,707 | - | 417,707 |
| Other receivables | 72,000 | 187,059 | 259,059 |
| Due from other governments | - | 70,817 | 70,817 |
| Due from other funds | <u>477,908</u> | <u>-</u> | <u>477,908</u> |
| Total assets | \$ <u>7,354,336</u> | <u>3,708,502</u> | <u>11,062,838</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 388,581 | 38,569 | 427,150 |
| Accrued liabilities | 361,994 | 1,368 | 363,362 |
| Payable to other governments | 26,060 | - | 26,060 |
| Due to other funds | <u>-</u> | <u>300,397</u> | <u>300,397</u> |
| Total liabilities | <u>776,635</u> | <u>340,334</u> | <u>1,116,969</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable property taxes | 2,943,742 | 779,391 | 3,723,133 |
| Unavailable fine revenue | <u>453,842</u> | <u>-</u> | <u>453,842</u> |
| Total deferred inflows of resources | <u>3,397,584</u> | <u>779,391</u> | <u>4,176,975</u> |
| Fund Balances: | | | |
| Restricted | - | 2,122,579 | 2,122,579 |
| Committed | - | 466,198 | 466,198 |
| Unassigned | <u>3,180,117</u> | <u>-</u> | <u>3,180,117</u> |
| Total fund balances | <u>3,180,117</u> | <u>2,588,777</u> | <u>5,768,894</u> |
| Total liabilities, deferred inflows of resources, and fund balances | \$ <u>7,354,336</u> | <u>3,708,502</u> | <u>11,062,838</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------|
| Total fund balance - governmental funds | | \$ 5,768,894 |
| 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 | 29,431,851 | |
| Less accumulated depreciation | <u>(13,396,564)</u> | 16,035,287 |
| 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. | | |
| | | 453,842 |
| 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 | | (18,528,286) |
| 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 | 3,594,509 | |
| Deferred inflows of resources related to pensions | <u>(836,232)</u> | 2,758,277 |
| 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 | (4,190,767) | |
| Loans payable | (201,236) | |
| Interest payable on long-term debt | (21,063) | |
| Compensated absences | <u>(495,606)</u> | <u>(4,908,672)</u> |
| Net position of governmental activities | | \$ <u><u>1,579,342</u></u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | General | Nonmajor | Total |
|---------------------------------------------------|--------------------|---------------------|---------------------|
| | Fund | Governmental | Governmental |
| | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> |
| REVENUES: | | | |
| General property taxes | \$ 2,941,201 | 750,887 | 3,692,088 |
| Privilege licenses and permits | 92,618 | - | 92,618 |
| Intergovernmental revenues | 6,272,239 | 967,300 | 7,239,539 |
| Franchise taxes | 506,613 | - | 506,613 |
| Charges for services | 23,997 | 183,734 | 207,731 |
| Court fines and forfeitures | 331,050 | 2,952 | 334,002 |
| Interest income | 19,840 | 174 | 20,014 |
| Interfund charges | 180,000 | - | 180,000 |
| Contributions | 18,200 | 2,042 | 20,242 |
| Miscellaneous | 987,837 | 41,902 | 1,029,739 |
| Total revenues | <u>11,373,595</u> | <u>1,948,991</u> | <u>13,322,586</u> |
| EXPENDITURES: | | | |
| General government | 2,041,513 | 51,483 | 2,092,996 |
| Public safety | 5,788,082 | 602,191 | 6,390,273 |
| Public works | 2,209,540 | 1,420,536 | 3,630,076 |
| Culture and recreations | 621,683 | 443,187 | 1,064,870 |
| Disability and relief funding | - | 266,538 | 266,538 |
| Debt service: | | | |
| Principal | - | 584,837 | 584,837 |
| Interest and service charges | - | 151,217 | 151,217 |
| Total expenditures | <u>10,660,818</u> | <u>3,519,989</u> | <u>14,180,807</u> |
| Excess (deficiency) of revenues over expenditures | <u>712,777</u> | <u>(1,570,998)</u> | <u>(858,221)</u> |

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|----------------------------|--------------------------------------------|-----------------------------------------|
| Other financing sources (uses): | | | |
| Operating transfers in | \$ - | 745,082 | 745,082 |
| Operating transfers out | <u>(685,692)</u> | <u>(40,000)</u> | <u>(725,692)</u> |
| Total other financing sources (uses) | <u>(685,692)</u> | <u>705,082</u> | <u>19,390</u> |
| Net change in fund balances | 27,085 | (865,916) | (838,831) |
| Fund balances, beginning of year | <u>3,153,032</u> | <u>3,454,693</u> | <u>6,607,725</u> |
| Fund balances, end of year | \$ <u><u>3,180,117</u></u> | <u><u>2,588,777</u></u> | <u><u>5,768,894</u></u> |

The accompanying notes are an integral part of these 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, 2016**

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Net change in fund balance - total governmental funds | \$ (838,831) |
| 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. | 2,153,011 |
| 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. | (843,152) |
| The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position. | 20,950 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as fund revenues. | (611,236) |
| The Statement of Activities reports pension expense and other activity related to the net pension liability activity: | |
| Contributions made after the measurement date | 297,227 |
| Pension expense | (1,266,324) |
| 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 |
| Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. | 584,837 |
| 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 | 14,770 |
| Change in accrued interest | <u>(1,660)</u> |
| Change in net position of governmental activities | \$ <u>(488,406)</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 SEPTEMBER 30, 2016**

| | Water and Sewer | | |
|--------------------------------------------------|------------------------|-------------------|--------------|
| | Authority | Sanitation | |
| | Fund | Fund | Total |
| | <hr/> | <hr/> | <hr/> |
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash in treasury accounts | \$ 1,070,551 | 246,874 | 1,317,425 |
| Accounts receivable, net | 758,349 | 135,205 | 893,554 |
| Prepaid expenses | 4,982 | - | 4,982 |
| Total current assets | <hr/> | <hr/> | <hr/> |
| | 1,833,882 | 382,079 | 2,215,961 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents: | | | |
| Customer deposits | 1,023,526 | - | 1,023,526 |
| Capital improvements | 1,712,572 | - | 1,712,572 |
| Total restricted assets | <hr/> | <hr/> | <hr/> |
| | 2,736,098 | - | 2,736,098 |
| 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 | 1,503,460 | - | 1,503,460 |
| Less: accumulated depreciation | <hr/> | <hr/> | <hr/> |
| | 46,897,331 | - | 46,897,331 |
| Construction in progress | 51,792 | - | 51,792 |
| Net property, plant and equipment | <hr/> | <hr/> | <hr/> |
| | 46,949,123 | - | 46,949,123 |
| Total assets | <hr/> | <hr/> | <hr/> |
| | 51,519,103 | 382,079 | 51,901,182 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows related to pensions | \$ 291,736 | - | 291,736 |

| | Water and Sewer Authority Fund | Sanitation Fund | Total |
|-----------------------------------------------------|-----------------------------------------------|----------------------------|-------------------|
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 113,289 | 70,400 | 183,689 |
| Accrued liabilities | 20,217 | - | 20,217 |
| Interest payable | 43,352 | - | 43,352 |
| Compensated absences | 8,131 | - | 8,131 |
| Due to other funds | 150,393 | 27,118 | 177,511 |
| State Department of Environmental Quality Loans | <u>1,790,710</u> | - | <u>1,790,710</u> |
| Total current liabilities | <u>2,126,092</u> | <u>97,518</u> | <u>2,223,610</u> |
| Current liabilities payable from restricted assets: | | | |
| Customer deposits | <u>1,023,526</u> | - | <u>1,023,526</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 32,525 | - | 32,525 |
| State Department of Environmental Quality Loans | 26,992,643 | - | 26,992,643 |
| Net pension liability | <u>1,331,813</u> | - | <u>1,331,813</u> |
| Total noncurrent liabilities payable | <u>28,356,981</u> | - | <u>28,356,981</u> |
| Total liabilities | <u>31,506,599</u> | <u>97,518</u> | <u>31,604,117</u> |
| Deferred inflows of resources: | | | |
| Deferred inflows related to pension | <u>69,863</u> | - | <u>69,863</u> |
| Total deferred inflows of resources | <u>69,863</u> | - | <u>69,863</u> |
| Net position: | | | |
| Net investment in capital assets | 18,165,770 | - | 18,165,770 |
| Restricted for capital improvements | 1,712,572 | - | 1,712,572 |
| Unrestricted | <u>356,035</u> | <u>284,561</u> | <u>640,596</u> |
| Total net position | <u>\$ 20,234,377</u> | <u>284,561</u> | <u>20,518,938</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Water and Sewer | | |
|------------------------------------------------|---------------------------|---------------------|------------------------|
| | Authority | Sanitation | |
| | Fund | Fund | Total |
| | <hr/> | <hr/> | <hr/> |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 4,433,366 | 978,933 | 5,412,299 |
| Tap, connection and other fees | 180,145 | - | 180,145 |
| Capital improvement fees | 671,553 | - | 671,553 |
| Other revenues | 3,732 | - | 3,732 |
| Total operating revenues | <hr/> 5,288,796 | <hr/> 978,933 | <hr/> 6,267,729 |
| OPERATING EXPENSES: | | | |
| Personal services | 870,252 | - | 870,252 |
| Operating supplies and expenses | 349,284 | - | 349,284 |
| Contract services and other charges | 1,638,029 | 910,114 | 2,548,143 |
| Depreciation | 1,647,733 | - | 1,647,733 |
| Total operating expenses | <hr/> 4,505,298 | <hr/> 910,114 | <hr/> 5,415,412 |
| OPERATING INCOME | <hr/> 783,498 | <hr/> 68,819 | <hr/> 852,317 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Investment earnings | 13,072 | - | 13,072 |
| Interest and service charges on long-term debt | (530,950) | - | (530,950) |
| Total nonoperating revenues (expenses) | <hr/> (517,878) | <hr/> - | <hr/> (517,878) |
| INCOME BEFORE TRANSFERS | <hr/> 265,620 | <hr/> 68,819 | <hr/> 334,439 |
| Transfer out | <hr/> - | <hr/> (19,390) | <hr/> (19,390) |
| CHANGE IN NET POSITION | <hr/> 265,620 | <hr/> 49,429 | <hr/> 315,049 |
| NET POSITION AT BEGINNING OF YEAR | <hr/> 19,968,757 | <hr/> 235,132 | <hr/> 20,203,889 |
| NET POSITION AT END OF YEAR | \$ <hr/> <hr/> 20,234,377 | <hr/> <hr/> 284,561 | <hr/> <hr/> 20,518,938 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Water and Sewer Authority Fund | Sanitation Fund | Total |
|-----------------------------------------------------------|-----------------------------------------------|----------------------------|--------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 5,298,550 | 966,855 | 6,265,405 |
| Payments to suppliers | (2,081,536) | (799,321) | (2,880,857) |
| Payments to employees | (677,784) | - | (677,784) |
| Net cash provided by operating activities | <u>2,539,230</u> | <u>167,534</u> | <u>2,706,764</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers to other funds | - | (19,390) | (19,390) |
| Net cash used in noncapital financing activities | <u>-</u> | <u>(19,390)</u> | <u>(19,390)</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of fixed assets | (266,415) | - | (266,415) |
| Principal paid on bonds and notes | (1,758,553) | - | (1,758,553) |
| Interest paid on bonds and notes | (538,334) | - | (538,334) |
| Net cash used in capital and related financing activities | <u>(2,563,302)</u> | <u>-</u> | <u>(2,563,302)</u> |
| Cash flows from investing activities: | | | |
| Interest received | 13,072 | - | 13,072 |
| Net cash provided by investing activities | <u>13,072</u> | <u>-</u> | <u>13,072</u> |
| Net increase (decrease) in cash and cash equivalents | (11,000) | 148,144 | 137,144 |
| Cash and cash equivalents at beginning of year | <u>3,817,649</u> | <u>98,730</u> | <u>3,916,379</u> |
| Cash and cash equivalents at end of year | \$ <u>3,806,649</u> | <u>246,874</u> | <u>4,053,523</u> |

CITY OF McCOMB, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Water and Sewer Authority Fund | Sanitation Fund | Total |
|----------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 783,498 | 68,819 | 852,317 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 1,647,733 | - | 1,647,733 |
| (Increase) decrease: | | | |
| Accounts receivable, net | (98,321) | (12,078) | (110,399) |
| Prepaid expenses | (4,982) | - | (4,982) |
| Deferred outflows related to pensions | (76,084) | - | (76,084) |
| Increase (decrease): | | | |
| Accounts payable | 34,574 | 66,300 | 100,874 |
| Accrued liabilities | 6,296 | - | 6,296 |
| Customer deposits | 108,075 | - | 108,075 |
| Due to other funds | (123,815) | 44,493 | (79,322) |
| Compensated absences | 6,731 | - | 6,731 |
| Net pension liability | 185,662 | - | 185,662 |
| Deferred inflows related to pension | 69,863 | - | 69,863 |
| | <u>1,755,732</u> | <u>98,715</u> | <u>1,854,447</u> |
| Net cash provided by operating activities | \$ <u>2,539,230</u> | <u>167,534</u> | <u>2,706,764</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Sanitation Fund - This fund accounts for solid waste collection.

Additionally, the government reports the following fund types:

Governmental Funds

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

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

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

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

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

D. Deferred Outflows/Inflows of Resources

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 recorded at estimated fair market value at the date of donation.

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 | Estimated |
|-------------------------------------|----------------|--------------------|
| | <u>Policy</u> | <u>Useful Life</u> |
| Land | \$ - | - |
| Buildings | 50,000 | 40 years |
| Buildings improvements | 25,000 | 20 years |
| Improvements other than buildings | 25,000 | 20 years |
| Mobile equipment | 5,000 | 5-10 years |
| Furniture and equipment | 5,000 | 3-7 years |
| Leased property under capital lease | * | * |

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016, accumulated unpaid vacation of \$495,606 was reported for the governmental activities and \$40,656 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 2016 were levied in September 2015 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 2017 property taxes levied in September 2016. The City has recorded deferred inflows for the estimated fiscal year 2017 property taxes as of September 30, 2016.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 \$5,581,387 and \$4,053,523, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$6,898,812 and Restricted Cash and Cash Equivalents - \$2,736,098.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits at September 30, 2016, are summarized as follows:

| | <u>Reported Amount</u> | <u>Bank Balance</u> |
|------|----------------------------|-------------------------|
| Cash | \$9,634,910 | 9,930,378 |

The difference of \$295,468 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, 2016, 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, 2016.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2016, 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 - ACCOUNTS RECEIVABLE

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:

| | | Water and Sewer | Sanitation | Nonmajor Governmental | |
|---------------------------------------|---------------------|--------------------|-----------------|--------------------------|--------------------|
| | <u>General</u> | <u>Authority</u> | <u>Fund</u> | <u>Funds</u> | <u>Total</u> |
| Receivables: | | | | | |
| Taxes | \$ 3,438,387 | - | - | 817,573 | 4,255,960 |
| Accounts | - | 926,070 | 168,891 | - | 1,094,961 |
| Fines | 2,541,559 | - | - | - | 2,541,559 |
| Other | 976,176 | - | - | 187,059 | 1,163,235 |
| Intergovernmental | - | - | - | 69,243 | 69,243 |
| Gross receivables | 6,956,122 | 926,070 | 168,891 | 1,073,875 | 9,124,958 |
| Less: allowance for uncollectibles | <u>(3,028,027)</u> | <u>(167,721)</u> | <u>(33,686)</u> | <u>-</u> | <u>(3,229,434)</u> |
| Net receivables | \$ <u>3,928,095</u> | <u>758,349</u> | <u>135,205</u> | <u>1,073,875</u> | <u>5,895,524</u> |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund transactions and balances:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | | <u>Amount</u> |
|------------------------|-----------------------|----|----------------|
| General Fund | Sanitation Fund | \$ | 27,118 |
| | Nonmajor Funds | | 300,397 |
| General Fund | Water/Sewer Authority | | <u>150,393</u> |
| Total | | \$ | <u>477,908</u> |

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

| | <u>Transfer In</u> | <u>Transfer Out</u> | | <u>Total</u> |
|--|--------------------|---------------------|----|----------------|
| | Nonmajor Funds | General Fund | \$ | 685,692 |
| | Nonmajor Funds | Sanitation Fund | | <u>19,390</u> |
| | | | \$ | <u>705,082</u> |

Operating 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:

| | | <u>Balance</u> | | <u>Balance</u> | |
|--------------------------------------|----|------------------|-----------------|--------------------|------------------|
| | | <u>10/1/2015</u> | <u>Addition</u> | <u>Retirements</u> | <u>9/30/2016</u> |
| Non-depreciable capital assets: | | | | | |
| Land | \$ | 756,288 | - | - | 756,288 |
| Construction in progress | | <u>1,536,557</u> | <u>4,944</u> | <u>1,536,557</u> | <u>4,944</u> |
| Total non-depreciable capital assets | | <u>2,292,845</u> | <u>4,944</u> | <u>1,536,557</u> | <u>761,232</u> |
| Depreciable capital assets: | | | | | |
| Buildings | | 11,096,291 | 1,540,142 | - | 12,636,433 |
| Improvements other than buildings | | 497,576 | 209,446 | - | 707,022 |
| Furniture and equipment | | 3,006,993 | 16,704 | 21,514 | 3,002,183 |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

| | | Balance | | | Balance |
|---------------------------------------------|----|-------------------|------------------|------------------|-------------------|
| | | 10/1/2015 | Addition | Retirements | 9/30/2016 |
| Depreciable capital assets - continued: | | | | | |
| Mobile equipment | \$ | 3,960,848 | 209,612 | 268,479 | 3,901,981 |
| Infrastructure | | 6,714,280 | 1,708,720 | - | 8,423,000 |
| Total depreciable capital assets | | <u>25,275,988</u> | <u>3,684,624</u> | <u>289,993</u> | <u>28,670,619</u> |
| Less accumulated depreciation: | | | | | |
| Buildings | | 3,990,034 | 184,731 | - | 4,174,765 |
| Improvements other than buildings | | 30,973 | 25,558 | - | 56,531 |
| Furniture and equipment | | 2,391,227 | 162,357 | 21,514 | 2,532,070 |
| Mobile equipment | | 3,370,599 | 129,551 | 268,479 | 3,231,671 |
| Infrastructure | | 3,060,572 | 340,955 | - | 3,401,527 |
| Total accumulated depreciation | | <u>12,843,405</u> | <u>843,152</u> | <u>289,993</u> | <u>13,396,564</u> |
| Total depreciable capital assets, net | | <u>12,432,583</u> | <u>2,841,472</u> | - | <u>15,274,055</u> |
| Governmental activities capital assets, net | \$ | <u>14,725,428</u> | <u>2,846,416</u> | <u>1,536,557</u> | <u>16,035,287</u> |

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

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

| | | Balance | | | Balance |
|--------------------------------------|----|-------------------|----------------|-------------|-------------------|
| | | 10/1/2015 | Addition | Retirements | 9/30/2016 |
| Non-depreciable capital assets: | | | | | |
| Land | \$ | 43,925 | - | - | 43,925 |
| Construction in progress | | - | 51,792 | - | 51,792 |
| Total non-depreciable capital assets | | <u>43,925</u> | <u>51,792</u> | - | <u>95,717</u> |
| Depreciable capital assets: | | | | | |
| Buildings | | 410,629 | - | - | 410,629 |
| Equipment | | 681,046 | 16,768 | - | 697,814 |
| Mobile equipment | | 805,646 | - | - | 805,646 |
| Infrastructure | | 63,600,590 | 197,855 | - | 63,798,445 |
| Total depreciable capital assets | | <u>65,497,911</u> | <u>214,623</u> | - | <u>65,712,534</u> |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

| | | Balance <u>10/1/2015</u> | <u>Addition</u> | <u>Retirements</u> | Balance <u>9/30/2016</u> |
|----------------------------------------------|----|-----------------------------|--------------------|--------------------|-----------------------------|
| Less accumulated depreciation: | | | | | |
| Buildings | \$ | 323,149 | 223 | - | 323,372 |
| Equipment | | 658,573 | 6,500 | - | 665,073 |
| Mobile equipment | | 599,027 | 37,132 | - | 636,159 |
| Infrastructure | | <u>15,630,646</u> | <u>1,603,876</u> | - | <u>17,234,522</u> |
| Total accumulated depreciation | | <u>17,211,395</u> | <u>1,647,731</u> | - | <u>18,859,126</u> |
| Total depreciable capital assets, net | | <u>48,286,516</u> | <u>(1,433,108)</u> | - | <u>46,853,408</u> |
| Business-type activities capital assets, net | \$ | <u>48,330,441</u> | <u>(1,381,316)</u> | - | <u>46,949,125</u> |

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

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

| | | |
|-------------------------------------------------------|----|------------------|
| Governmental activities: | | |
| General government | \$ | 73,140 |
| Public safety | | 218,632 |
| Public works | | 356,131 |
| Culture and recreation | | <u>195,249</u> |
| Total depreciation expense - governmental activities | \$ | <u>843,152</u> |
| Business-type activities: | | |
| Water and sewer | \$ | <u>1,647,731</u> |
| Total depreciation expense - business-type activities | \$ | <u>1,647,731</u> |

NOTE 7 - LONG-TERM DEBT

A. Governmental Activities

During the year ended September 30, 2016, the following changes occurred in long-term liabilities reported for the governmental activities:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

| | | Balance | | | Balance | Amount Due |
|----------------------------------|-----------|------------------|-----------|----------------|------------------|--------------------|
| | | 10/1/2015 | Additions | Retirements | 9/30/2016 | Within One Year |
| Compensated absences | \$ | 510,376 | - | 14,770 | 495,606 | 99,121 |
| General obligation bonds | | 4,460,000 | - | 285,000 | 4,175,000 | 295,000 |
| General obligation bonds premium | | 17,769 | - | 2,002 | 15,767 | 2,002 |
| Notes payable | | 501,073 | - | 299,837 | 201,236 | 201,236 |
| Total | \$ | 5,489,218 | - | 601,609 | 4,887,609 | 597,359 |

General Obligation Bonds

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

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding as of September 30, 2016 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 \$15,767 at September 30, 2016. | | |
| This debt will be retired from the City's General Obligation Bond Fund. | \$ | 1,045,767 |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

| | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|----|-------------------------|
| 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. | | | | | \$ | 1,220,000 |
| 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. | | | | | | <u>1,925,000</u> |
| Total General Obligation Bonds | | | | | \$ | <u><u>4,190,767</u></u> |

Notes Payable

The outstanding notes payable are as follows as of September 30, 2016:

| | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|----|----------------|
| On September 15, 2015, the City executed a promissory tax anticipation note agreement with the Bank of Franklin in the amount of \$600,000 with an interest rate of 1.25% maturing September 1, 2017. The debt will be retired from the Hotel-Motel Tax Fund. | | | | | \$ | <u>201,236</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|----|----------------|

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

| Fiscal year ending September 30, | General Obligation Bonds | | Notes Payable | | Total | |
|----------------------------------------|-----------------------------|------------------|----------------|--------------|------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 297,002 | 137,414 | 201,236 | 1,426 | 498,238 | 138,840 |
| 2018 | 307,002 | 127,764 | - | - | 307,002 | 127,764 |
| 2019 | 317,002 | 118,379 | - | - | 317,002 | 118,379 |
| 2020 | 317,002 | 108,609 | - | - | 317,002 | 108,609 |
| 2021 | 337,002 | 98,784 | - | - | 337,002 | 98,784 |
| 2022-2026 | 1,555,757 | 334,544 | - | - | 1,555,757 | 334,544 |
| 2027-2031 | 550,000 | 153,867 | - | - | 550,000 | 153,867 |
| 2032-2036 | 510,000 | 48,601 | - | - | 510,000 | 48,601 |
| Total | \$ <u>4,190,767</u> | <u>1,127,962</u> | <u>201,236</u> | <u>1,426</u> | <u>4,392,003</u> | <u>1,129,388</u> |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 - LONG-TERM DEBT - CONTINUED:

B. Business-Type Activities

During the year ended September 30, 2016, the following changes occurred in liabilities reported for the business-type activities:

| | | Balance 10/1/2015 | Additions | Retirements | Balance 9/30/2016 | Amount Due Within One Year |
|------------------------------------------|----|----------------------|--------------|------------------|----------------------|----------------------------------|
| Compensated absences | \$ | 33,924 | 6,732 | - | 40,656 | 8,131 |
| Water pollution revolving loans (DEQ) | | <u>30,541,906</u> | - | <u>1,758,553</u> | <u>28,783,353</u> | <u>1,790,709</u> |
| Total | \$ | <u>30,575,830</u> | <u>6,732</u> | <u>1,758,553</u> | <u>28,824,009</u> | <u>1,798,840</u> |

The following is outstanding debt related to business-type activities as of September 30, 2016:

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|----------------------|
| 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. | | | \$ 1,651,862 |
| 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. | | | 25,438,522 |
| Sewer Improvements - SCRFC280909-03 | | | |
| 1.75% interest with monthly payments of \$169,061, 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. | | | <u>1,692,969</u> |
| | | | \$ <u>28,783,353</u> |

CITY OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7 - LONG-TERM DEBT - CONTINUED:

B. Business-Type Activities - continued:

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 |
|--|----------------------------------------|----------------------|------------------|-------------------|
| | 2017 | \$ 1,790,710 | 505,391 | 2,296,101 |
| | 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 |
| | 2022-2026 | 10,169,539 | 1,310,965 | 11,480,504 |
| | 2027-2031 | 8,998,772 | 396,565 | 9,395,337 |
| | 2032-2036 | <u>327,787</u> | <u>9,177</u> | <u>336,964</u> |
| | | \$ <u>28,783,353</u> | <u>3,909,955</u> | <u>32,693,308</u> |

Compensated Absences

In addition to the above mentioned debts, the City of McComb, Mississippi has recorded a debt of \$495,606 for the governmental activities and \$40,656 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

General Information about the PERS Pension Plan - continued:

amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

General Information about the PERS Pension Plan - continued:

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 June 30, 2016, the City's total covered payroll for all employees was \$6,343,902. 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, 2016 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, 2016, 2015 and 2014 were \$1,003,574, \$1,021,457 and \$988,347, respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the City reported a liability of \$17,273,034 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.0967 percent, which was a decrease of 0.0076 percent from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$2,273,200. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------------|-----------|--------------------------------------|-------------------------------------|
| Difference between expected and actual results | \$ | 449,262 | - |
| Changes in assumptions | | 878,286 | 47,094 |
| Net difference between projected and actual earnings on Plan investments | | 2,072,444 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | | 123,470 | 859,001 |
| City contributions subsequent to the measurement date | | 260,223 | - |
| Total | \$ | <u>3,783,685</u> | <u>906,095</u> |

The \$260,223 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Deferred Outflows/(Deferred Inflows) Aging: | | |
|---------------------------------------------|-----------|-------------------------|
| Year ended September 30: | | |
| 2017 | \$ | 1,025,071 |
| 2018 | | 1,025,071 |
| 2019 | | 929,727 |
| 2020 | | <u>654,461</u> |
| | \$ | <u>3,634,330</u> |

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF McCOMB, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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:

| | |
|---------------------------|-------------------------------------------------------------------|
| Inflation | 3.00 percent |
| Salary increases | 3.75-19.00 percent, including inflation |
| Investment rate of return | 7.75 percent, net of Plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2014. As a result of the experience report which is dated May 4, 2015, the Board of Trustees adopted changes in assumptions for PERS since the last Measurement Date.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|-----------------------------------------------|
| US Broad | 34.00% | 5.20 % |
| International Equity | 19.00% | 5.00 % |
| Emerging Markets Equity | 8.00% | 5.45 % |
| Fixed Income | 20.00% | 0.25 % |
| Real Assets | 10.00% | 4.00 % |
| Private Equity | 8.00% | 6.15 % |
| Cash | <u>1.00%</u> | (0.50)% |
| Total | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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, 2016, actuarial valuations, calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Public Employees' Retirement System (PERS) - continued:

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

| | <u>City's Proportionate Share of Net Pension Liability</u> |
|----------------------------------|------------------------------------------------------------------------|
| 1.00% decrease (6.75%) | \$ 22,147,903 |
| Current discount rate (7.75%) | 17,273,034 |
| 1.00% increase (8.75%) | 13,228,474 |

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

Mississippi Municipal Retirement Systems (MMRS)

General Information about the MMRS Pension Plan

Plan Description. The City of McComb, Mississippi also contributes to the Mississippi Municipal Retirement System of Mississippi ("MMRS"), an agent multiple-employer defined benefit pension plan. This plan only covers policemen and firemen employed prior to June, 1976. MMRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. MMRS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

General Information about the MMRS Pension Plan - continued:

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

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

Benefits Provided - Disability Retirement. A retirement allowance is payable to any member who is not eligible for a service retirement benefit but who becomes totally and permanently disabled, either physically or mentally, regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the member must have completed at least 5 years of creditable service to be eligible for retirement. The annual disability retirement allowance payable is equal to 50% of his salary at the time of retirement, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the allowance is equal to 2.5% times credited service, not in excess of 20 times his salary at the time of retirement for firemen and policemen, and average compensation for general employees.

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

- a) the member has retired,
- b) the member is eligible to retire,
- c) the death is in the line of duty, or
- d) the death is not in the line of duty, but occurs after the member has 5 years of credited service.

The benefit is payable to the surviving spouse and to children under age 18, to dependent children through age 23 when full time students, and to dependent children of any age if handicapped. The annual benefit payable under all conditions in the case of firemen and policemen and under other than condition (c) above in the case of general employees, is equal to 2.5% of average compensation for each year of credited service up to 20 and 1.7% of average compensation for each year over 20, with a maximum benefit of 66-2/3% of average compensation. For general employee members under condition (c) above the annual benefit payable is equal to 50% of salary at the time of death.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016 (measurement date), the following City of McComb employees were covered by the plan:

| | | |
|----------------------------------------|--|-----------|
| Active participants | | - |
| Retired participants and beneficiaries | | |
| currently receiving benefits | | 28 |
| Inactive participants | | - |
| Total | | <u>28</u> |

Actuarial Assumptions

| | |
|-------------------------------|-----------------------------------|
| Valuation date | 6/30/2015 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar closed |
| Remaining amortization period | 19 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 | 2.50% per year, not to exceed 10% |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

SALARY INCREASES: 3.75% for wage inflation plus the following chart:

| <u>Ages</u> | <u>Merit and Seniority Salary Increase</u> |
|-------------|------------------------------------------------|
| Under 43 | 1.75% |
| 43 - 47 | 1.25 |
| 48 - 52 | 0.75 |
| 53 and Over | 0.25 |

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 is the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year. The RP-2014 Disabled Retiree Table set forward 5 years for males and 4 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.

MARRIAGE ASSUMPTION: 85% married with the husband three years older than his wife.

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

ASSESSED PROPERTY VALUE RATE OF INCREASE: 2.0% per annum, compounded annually used in determining the millage rate under the prior funding policy.

EXPENSE LOAD: 2.0% of employer contributions.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 value of assets was set equal to the market value on September 30, 2006, and smoothing commenced in 2007. 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, 2016, the City levied 2.90 mills to help fund MMRS. This millage rate is determined through review of each plan's benefit structure during the MMRS annual actuarial valuation and certification by the actuary as to the funding level required of the City. The contribution requirements of MMRS members are established and may be amended only by the State of Mississippi Legislature. The City of McComb, Mississippi's contributions to MMRS the years ended September 30, 2016, 2015 and 2014 were \$270,327, \$246,939 and \$241,391, respectively.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016 were as follows:

| | | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---------------------------------------------------------------------|----|----------------------------|--------------------------------|-------------------------------------|
| | | (a) | (b) | (a) - (b) |
| Balance at September 30, 2015 | \$ | 3,580,411 | 950,477 | 2,629,934 |
| Changes for the year: | | | | |
| Service cost | | - | - | - |
| Interest | | 263,531 | - | 263,531 |
| Changes of assumptions | | - | - | - |
| Difference between expected and actual experience | | (25,064) | - | (25,064) |
| Contributions - employer | | - | 260,013 | (260,013) |
| Contributions - employee | | - | - | - |
| Net investment income | | - | 23,010 | (23,010) |
| Benefit payments, including refunds of employee contributions | | (360,021) | (360,021) | - |
| Administrative expense | | - | (5,200) | 5,200 |
| Other changes | | - | 3,513 | (3,513) |
| Net changes | | (121,554) | (78,685) | (42,869) |
| Balances at September 30, 2016 | \$ | <u>3,458,857</u> | <u>871,792</u> | <u>2,587,065</u> |

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

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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

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

| | | 1% | Current | 1% |
|--------------------------------------|----|-----------|--------------|-----------|
| | | Decrease | Discount | Increase |
| | | (6.75%) | Rate (7.75%) | (8.75%) |
| Plan's Net Pension Liability (Asset) | \$ | 2,863,586 | 2,587,065 | 2,346,063 |

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, 2016, the City reported a liability of \$2,587,065 for the MMRS net pension liability. The MMRS net pension liability was measured as of June 30, 2016, 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, 2016, the City reported deferred outflows of resources related to pensions from the following source:

| | |
|--------------------------------------------------------------------------|-------------------|
| Net difference between projected and actual earnings on plan investments | \$ 65,555 |
| City contributions subsequent to the measurement date | <u>37,005</u> |
| Total | \$ <u>102,560</u> |

The \$37,005 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:

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - CONTINUED:

Mississippi Municipal Retirement Systems (MMRS) - continued:

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

| | |
|--------------------------|------------------|
| Deferred outflows aging: | |
| Year ended September 30: | |
| 2017 | \$ 18,746 |
| 2018 | 18,746 |
| 2019 | 18,748 |
| 2020 | 9,315 |
| Thereafter | <u>-</u> |
| | <u>\$ 65,555</u> |

NOTE 9 - FUND BALANCE CLASSIFICATION

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

| | General Fund | Nonmajor Funds | Total |
|-------------------------------|---------------------|-------------------|------------------|
| Restricted for: | | | |
| MESC | \$ - | 36,073 | 36,073 |
| Library Support | - | 6,289 | 6,289 |
| Urban Youth Corp | - | - | - |
| Recreation | - | 365,410 | 365,410 |
| Disability and Relief Funding | - | 14,886 | 14,886 |
| Public Safety | - | 366,602 | 366,602 |
| Public Works | - | 518 | 518 |
| Debt Service | - | 280,080 | 280,080 |
| Capital Projects | - | 1,052,721 | 1,052,721 |
| | <u>-</u> | <u>2,122,579</u> | <u>2,122,579</u> |
| Committed for: | | | |
| Cemetery Maintenance | - | 339,851 | 339,851 |
| Comprehensive Plan | - | - | - |
| Parks and Recreation | - | 126,347 | 126,347 |
| | <u>-</u> | <u>466,198</u> | <u>466,198</u> |
| Unassigned | 3,180,117 | - | 3,180,117 |
| Total fund balance | \$ <u>3,180,117</u> | <u>2,588,777</u> | <u>5,768,894</u> |

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 - OTHER INFORMATION

Risk Management

The government 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.

Contingent Liabilities:

A. Litigation

As of September 30, 2016, the City has been named in several lawsuits. However, the City's attorney believes that the insurance coverage is adequate to cover any judgment rendered in those lawsuits.

Although the outcome of these lawsuits are not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

B. Federal Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which, may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 73 will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 and are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015 to 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.

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

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. Management is currently evaluating the impact of the adoption of this Statement on 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

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

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

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 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. This accounting pronouncement is not expected to 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, enhances 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. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreement*, 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.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, improves 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. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

NOTE 12 - SUBSEQUENT EVENTS

On March 31, 2017, the City issued general obligation bonds in the amount of \$3,200,000 for the purpose of paving streets throughout the City.

The City had no additional subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through June 12, 2017, 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, 2016**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------|-------------------------|-------------------|-----------------------------------------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| General property taxes | \$ 2,764,624 | 2,945,115 | 2,945,032 | (83) |
| Licenses and permits | 150,000 | 88,191 | 92,618 | 4,427 |
| Intergovernmental revenues | 7,112,000 | 6,980,102 | 6,779,386 | (200,716) |
| Charges for services | 7,500 | 8,391 | 23,324 | 14,933 |
| Court fines and forfeits | 600,000 | 328,274 | 320,511 | (7,763) |
| Interest | 12,000 | 17,030 | 19,840 | 2,810 |
| Miscellaneous income | 402,776 | 1,209,867 | 1,186,037 | (23,830) |
| Total revenues | <u>11,048,900</u> | <u>11,576,970</u> | <u>11,366,748</u> | <u>(210,222)</u> |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Personal services | 1,123,602 | 1,202,602 | 1,150,984 | 51,618 |
| Supplies | 24,000 | 39,000 | 30,685 | 8,315 |
| Other services and charges | 757,350 | 818,893 | 806,179 | 12,714 |
| Capital outlay | - | 18,850 | 1,036 | 17,814 |
| Funding to outside agencies | - | 57,800 | 54,208 | 3,592 |
| Total general government | <u>1,904,952</u> | <u>2,137,145</u> | <u>2,043,092</u> | <u>94,053</u> |
| Public safety: | | | | |
| Personal services | 5,167,426 | 5,193,726 | 4,946,382 | 247,344 |
| Supplies | 87,950 | 107,229 | 90,933 | 16,296 |
| Other services and charges | 561,400 | 597,364 | 564,748 | 32,616 |
| Capital outlay | - | 198,594 | 183,625 | 14,969 |
| Total public safety | <u>5,816,776</u> | <u>6,096,913</u> | <u>5,785,688</u> | <u>311,225</u> |
| Public works: | | | | |
| Personal services | 1,521,559 | 1,446,559 | 1,541,402 | 104,951 |
| Supplies | 403,200 | 403,200 | 277,184 | 126,016 |
| Other services and charges | 608,834 | 628,334 | 585,189 | 43,145 |
| Capital outlay | - | - | 3,989 | (3,989) |
| Total public works | <u>2,533,373</u> | <u>2,477,873</u> | <u>2,207,764</u> | <u>270,109</u> |
| Recreation and parks: | | | | |
| Personal services | 584,156 | 534,156 | 491,120 | 43,036 |
| Supplies | 47,950 | 47,950 | 42,186 | 5,764 |
| Other services and charges | 113,700 | 113,700 | 88,377 | 25,323 |
| Capital outlay | - | - | - | - |
| Total culture and recreation | <u>745,806</u> | <u>695,806</u> | <u>621,683</u> | <u>74,123</u> |
| Total expenditures | <u>11,000,907</u> | <u>11,407,737</u> | <u>10,658,227</u> | <u>749,510</u> |

CITY OF McCOMB, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------------------|-------------------------|------------------|-----------------------------------------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Excess (deficiency) of revenues over expenditures | \$ 47,993 | 169,233 | 708,521 | 539,288 |
| Other financing sources (uses): | | | | |
| Transfers out | (22,500) | (759,935) | (685,692) | 74,243 |
| Transfers in | - | 40,000 | - | (40,000) |
| Estimated loss-court fines and fees | - | - | - | - |
| Total other financing uses | <u>(22,500)</u> | <u>(719,935)</u> | <u>(685,692)</u> | <u>34,243</u> |
| Net change in fund balance | 25,493 | (550,702) | 22,829 | 573,531 |
| Fund balance at beginning of year | <u>2,637,396</u> | <u>2,637,396</u> | <u>2,637,396</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>2,662,889</u> | <u>2,086,694</u> | <u>2,660,225</u> | <u>573,531</u> |

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

| | |
|---------------------------------------------------------------------|---------------------|
| Fund Balance - budgetary basis | \$ 2,660,225 |
| Adjustment to GAAP basis: | |
| Net accrued revenues and related receivables | 530,510 |
| Net accrued expenditures and related liabilities paid after 30 days | <u>(10,618)</u> |
| Fund balance - GAAP basis | \$ <u>3,180,117</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| City's proportionate share of the collective net pension liability | * | * | * | * | * | * | * | * | \$16,122,723 | \$17,273,034 |
| City's proportionate share of the collective net pension liability | * | * | * | * | * | * | * | * | 0.1043% | 0.0967% |
| City's covered employee payroll | * | * | * | * | * | * | * | * | \$ 6,514,788 | \$ 6,343,902 |
| City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll | * | * | * | * | * | * | * | * | 247.48% | 272.28% |
| PERS' fiduciary net position as a percentage of the total pension liability | * | * | * | * | * | * | * | * | 61.70% | 57.47% |

* 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.

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-----------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|--------------------|
| Actuarially determined employer contribution | * | * | * | * | * | * | * | * | \$ 1,026,079 | \$ 999,165 |
| Contributions in relation to the actuarially determined contributions | <u>*</u> | <u>1,026,079</u> | <u>999,165</u> |
| Annual contribution deficiency (excess) | <u><u>*</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| City's covered-employee payroll | * | * | * | * | * | * | * | * | \$ 6,514,788 | \$ 6,343,902 |
| Actual contributions as a percentage of covered-employer payroll | * | * | * | * | * | * | * | * | 15.75% | 15.75% |

* 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.

The accompanying notes are an integral part of these statements.

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 |

* 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.

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

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

Mississippi Municipal Retirement Systems (MMRS)

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

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

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SEPTEMBER 30, 2016**

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

None.

NOTE D - DATA AVAILABLE AND PRESENTED

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

SUPPLEMENTARY INFORMATION

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | Special Revenue | | | | | | | | | Subtotal |
|----------------------------------------------------------------------------|---------------------------|---------------------|----------------------|---------------|------------------------------|----------------------|-----------------------|------------------------------------|----------------------------|----------------|
| | Parks and Recreation Fund | Animal Shelter Fund | Fire Protection Fund | MESC Fund | Pearl River Basin Grant Fund | Library Support Fund | Recycle One 2015 Fund | Police Forfeiture and Seizure Fund | Fire and Police D & R Fund | |
| Assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ 128,327 | 5,582 | 298,864 | 36,073 | - | 8,583 | 1,407 | 16,452 | 35,029 | 530,317 |
| Taxes receivable | - | - | - | - | - | 69,809 | - | - | 280,196 | 350,005 |
| Other receivables | - | - | - | - | - | - | 12,059 | - | - | 12,059 |
| Due from other governments | - | - | - | - | - | 1,574 | - | - | - | 1,574 |
| Due from other funds | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 128,327 | 5,582 | 298,864 | 36,073 | - | 79,966 | 13,466 | 16,452 | 315,225 | 893,955 |
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ 1,880 | - | - | - | - | 4,522 | - | - | 11,444 | 17,846 |
| Accrued liabilities | - | - | - | - | - | - | 523 | - | - | 523 |
| Due to other funds | 100 | - | - | - | - | - | - | - | 17,884 | 17,984 |
| Total liabilities | \$ 1,980 | - | - | - | - | 4,522 | 523 | - | 29,328 | 36,353 |
| Deferred inflows of resources: | | | | | | | | | | |
| Unavailable property taxes | \$ - | - | - | - | - | 69,155 | - | - | 271,011 | 340,166 |
| Fund balances: | | | | | | | | | | |
| Restricted | \$ - | 5,582 | 298,864 | 36,073 | - | 6,289 | 12,943 | 16,452 | 14,886 | 391,089 |
| Committed | 126,347 | - | - | - | - | - | - | - | - | 126,347 |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | \$ 126,347 | 5,582 | 298,864 | 36,073 | - | 6,289 | 12,943 | 16,452 | 14,886 | 517,436 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 128,327 | 5,582 | 298,864 | 36,073 | - | 79,966 | 13,466 | 16,452 | 315,225 | 893,955 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | Special Revenue | | | | | | | | Subtotal |
|----------------------------------------------------------------------------|-----------------------------------|--------------------------|---------------------------------------|---------------------------|----------------------------------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------|----------------|
| | Subtotal from Prior Page | Scenic Rivers Fund | Brownsfield Petro Grant Fund | City Donation Funds | Crime Stoppers and Public Safety Grant Funds | Urban Youth Corp Grant Fund | Regional Response Team Funds | Southeast Preservation Fund | |
| Assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 530,317 | - | 495 | 21,996 | 2,829 | - | 11,316 | - | 566,953 |
| Taxes receivable | 350,005 | - | - | - | - | - | - | - | 350,005 |
| Other receivables | 12,059 | - | - | - | - | - | - | - | 12,059 |
| Due from other governments | 1,574 | - | - | - | - | 35,000 | 26,406 | - | 62,980 |
| Due from other funds | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 893,955 | - | 495 | 21,996 | 2,829 | 35,000 | 37,722 | - | 991,997 |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 17,846 | - | - | - | - | 345 | - | - | 18,191 |
| Accrued liabilities | 523 | - | - | - | - | - | 845 | - | 1,368 |
| Due to other funds | 17,984 | - | - | - | - | 34,655 | 28,941 | - | 81,580 |
| Total liabilities | \$ 36,353 | - | - | - | - | 35,000 | 29,786 | - | 101,139 |
| Deferred inflows of resources: | | | | | | | | | |
| Unavailable property taxes | \$ 340,166 | - | - | - | - | - | - | - | 340,166 |
| Fund balances: | | | | | | | | | |
| Restricted | \$ 391,089 | - | 495 | 21,996 | 2,829 | - | 7,936 | - | 424,345 |
| Committed | 126,347 | - | - | - | - | - | - | - | 126,347 |
| Unassigned | - | - | - | - | - | - | - | - | - |
| Total fund balances | \$ 517,436 | - | 495 | 21,996 | 2,829 | - | 7,936 | - | 550,692 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 893,955 | - | 495 | 21,996 | 2,829 | 35,000 | 37,722 | - | 991,997 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | Special Revenue | | | | | | Debt Fund | Total Debt and Special Revenue Funds | |
|----------------------------------------------------------------------------|--------------------------|---------------------------------|-------------------------|------------------------|-------------------------------|--------------------------|----------------|--------------------------------------|-----------------------------------|
| | Subtotal from Prior Page | MDOT - T-Enhancement Grant Fund | Comprehensive Plan Fund | Hotel - Motel Tax Fund | Regional Recycling Grant Fund | USDA Facility Grant Fund | Cemetery Fund | | City General Obligation Bond Fund |
| Assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 566,953 | - | - | 356,396 | - | 23 | 339,851 | 275,828 | 1,539,051 |
| Taxes receivable | 350,005 | - | - | 24,091 | - | - | - | 443,477 | 817,573 |
| Other receivables | 12,059 | - | - | - | - | - | - | - | 12,059 |
| Due from other governments | 62,980 | 2,479 | - | - | - | - | - | - | 65,459 |
| Due from other funds | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 991,997 | 2,479 | - | 380,487 | - | 23 | 339,851 | 719,305 | 2,434,142 |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 18,191 | - | - | 12,000 | - | - | - | - | 30,191 |
| Accrued liabilities | 1,368 | - | - | - | - | - | - | - | 1,368 |
| Due to other funds | 81,580 | 2,479 | - | 3,077 | - | - | - | - | 87,136 |
| Total liabilities | \$ 101,139 | 2,479 | - | 15,077 | - | - | - | - | 118,695 |
| Deferred inflows of resources: | | | | | | | | | |
| Unavailable property taxes | \$ 340,166 | - | - | - | - | - | - | 439,225 | 779,391 |
| Fund balances: | | | | | | | | | |
| Restricted | \$ 424,345 | - | - | 365,410 | - | 23 | - | 280,080 | 1,069,858 |
| Committed | 126,347 | - | - | - | - | - | 339,851 | - | 466,198 |
| Unassigned | - | - | - | - | - | - | - | - | - |
| Total fund balances | \$ 550,692 | - | - | 365,410 | - | 23 | 339,851 | 280,080 | 1,536,056 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 991,997 | 2,479 | - | 380,487 | - | 23 | 339,851 | 719,305 | 2,434,142 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING BALANCE SHEET - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | Capital Project Funds | | | | | | | | | | | | | Total Capital Project Funds | Total Nonmajor Governmental Funds |
|-----------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------|---------------------------------------------|---------------------------------------|------------------------------------------|--------------------------------|-------------------------------------|----------------------------------------------------------|--------------------------------|--------------------------------------|--------------------------------------------|
| | Total Debt and Special Revenue Funds | NCRS Watershed Protection Project Fund | Delaware/ Pearl River Project Fund | Fire Station #1 Project Fund | Fire Station #3 Project Fund | GO Zone Downtown Fund | Delaware Ave/Anna Drive Light Fund | Hazard Mitigation Grant Fund | Parklane Drive Improvement Fund | Capital Improvement Fund | Complete Street Projects Fund | Transportation Alternative Program Project Fund | 2016 Paving Project Fund | | |
| Assets: | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,539,051 | 42,325 | - | 49,957 | - | 10,250 | 113,683 | - | - | 1,085 | 512,964 | 216,956 | 146,782 | 1,094,002 | 2,633,053 |
| Taxes receivable | 817,573 | - | - | - | - | - | - | - | - | - | - | - | - | - | 817,573 |
| Other receivables | 12,059 | - | - | - | 175,000 | - | - | - | - | - | - | - | - | 175,000 | 187,059 |
| Due from other governments | 65,459 | - | 5,358 | - | - | - | - | - | - | - | - | - | - | 5,358 | 70,817 |
| Due from other funds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 2,434,142 | 42,325 | 5,358 | 49,957 | 175,000 | 10,250 | 113,683 | - | - | 1,085 | 512,964 | 216,956 | 146,782 | 1,274,360 | 3,708,502 |
| Liabilities: | | | | | | | | | | | | | | | |
| Accounts payable | \$ 30,191 | - | 3,434 | - | - | - | - | - | - | - | - | 4,944 | - | 8,378 | 38,569 |
| Accrued liabilities | 1,368 | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,368 |
| Due to other funds | 87,136 | - | 38,261 | - | 175,000 | - | - | - | - | - | - | - | - | 213,261 | 300,397 |
| Total liabilities | \$ 118,695 | - | 41,695 | - | 175,000 | - | - | - | - | - | - | 4,944 | - | 221,639 | 340,334 |
| Deferred inflows of resources: | | | | | | | | | | | | | | | |
| Unavailable property taxes | \$ 779,391 | - | - | - | - | - | - | - | - | - | - | - | - | - | 779,391 |
| Fund balances: | | | | | | | | | | | | | | | |
| Restricted | \$ 1,069,858 | 42,325 | (36,337) | 49,957 | - | 10,250 | 113,683 | - | - | 1,085 | 512,964 | 212,012 | 146,782 | 1,052,721 | 2,122,579 |
| Committed | 466,198 | - | - | - | - | - | - | - | - | - | - | - | - | - | 466,198 |
| Unassigned | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | \$ 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 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,434,142 | 42,325 | 5,358 | 49,957 | 175,000 | 10,250 | 113,683 | - | - | 1,085 | 512,964 | 216,956 | 146,782 | 1,274,360 | 3,708,502 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Special Revenue | | | | | | | | | Subtotal |
|----------------------------------------------------------------------------|---------------------------|---------------------|----------------------|------------|------------------------------|----------------------|-----------------------|------------------------------------|----------------------------|-----------------|
| | Parks and Recreation Fund | Animal Shelter Fund | Fire Protection Fund | MESC Fund | Pearl River Basin Grant Fund | Library Support Fund | Recycle One 2015 Fund | Police Forfeiture and Seizure Fund | Fire and Police D & R Fund | |
| REVENUES: | | | | | | | | | | |
| General property taxes | \$ - | - | - | - | - | 64,710 | - | - | 266,538 | 331,248 |
| Intergovernmental revenue | - | - | 82,029 | - | 5,000 | - | 12,887 | - | - | 99,916 |
| Charges for services | 99,309 | - | - | - | - | - | - | - | - | 99,309 |
| Court fines and forfeitures | - | - | - | - | - | - | - | 2,952 | - | 2,952 |
| Interest income | - | - | 12 | 114 | - | - | - | 48 | - | 174 |
| Contributions | - | 25 | - | - | - | - | - | - | - | 25 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total revenues | 99,309 | 25 | 82,041 | 114 | 5,000 | 64,710 | 12,887 | 3,000 | 266,538 | 533,624 |
| EXPENDITURES: | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - | - |
| Public safety | - | - | 39,142 | - | - | - | - | - | - | 39,142 |
| Public works | - | - | - | - | - | - | 14,434 | - | - | 14,434 |
| Culture and recreation | 70,560 | - | - | - | 5,000 | 64,710 | - | - | - | 140,270 |
| Disability and relief funding | - | - | - | - | - | - | - | - | 266,538 | 266,538 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | 70,560 | - | 39,142 | - | 5,000 | 64,710 | 14,434 | - | 266,538 | 460,384 |
| Excess (deficiency) of revenues over expenditures | 28,749 | 25 | 42,899 | 114 | - | - | (1,547) | 3,000 | - | 73,240 |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 14,490 | - | - | 14,490 |
| Transfers out | - | - | - | - | - | - | - | - | (40,000) | (40,000) |
| Total other financing sources (uses) | - | - | - | - | - | - | 14,490 | - | (40,000) | (25,510) |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 28,749 | 25 | 42,899 | 114 | - | - | 12,943 | 3,000 | (40,000) | 47,730 |
| Fund balances, beginning of year | 97,598 | 5,557 | 255,965 | 35,959 | - | 6,289 | - | 13,452 | 54,886 | 469,706 |
| Fund balances, end of year | \$ 126,347 | 5,582 | 298,864 | 36,073 | - | 6,289 | 12,943 | 16,452 | 14,886 | 517,436 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Subtotal from Prior Page | Special Revenue | | | | | | | Subtotal |
|----------------------------------------------------------------------------------|-----------------------------------|--------------------------|---------------------------------------|---------------------------|----------------------------------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------|----------|
| | | Scenic Rivers Fund | Brownsfield Petro Grant Fund | City Donation Funds | Crime Stoppers and Public Safety Grant Funds | Urban Youth Corp Grant Fund | Regional Response Team Funds | Southeast Preservation Fund | |
| REVENUES: | | | | | | | | | |
| General property taxes | \$ 331,248 | - | - | - | - | - | - | - | 331,248 |
| Intergovernmental revenue | 99,916 | - | - | - | 5,393 | 35,000 | 94,332 | - | 234,641 |
| Charges for services | 99,309 | - | - | - | - | - | - | - | 99,309 |
| Court fines and forfeitures | 2,952 | - | - | - | - | - | - | - | 2,952 |
| Interest income | 174 | - | - | - | - | - | - | - | 174 |
| Contributions | 25 | - | - | 2,017 | - | - | - | - | 2,042 |
| Other | - | 28,382 | - | 13,520 | - | - | - | - | 41,902 |
| Total revenues | 533,624 | 28,382 | - | 15,537 | 5,393 | 35,000 | 94,332 | - | 712,268 |
| EXPENDITURES: | | | | | | | | | |
| General government | - | 28,382 | - | - | - | - | - | - | 28,382 |
| Public safety | 39,142 | - | - | - | 5,393 | 48,026 | 95,177 | - | 187,738 |
| Public works | 14,434 | - | - | - | - | - | - | 6,175 | 20,609 |
| Culture and recreation | 140,270 | - | - | - | - | - | - | - | 140,270 |
| Disability and relief funding | 266,538 | - | - | - | - | - | - | - | 266,538 |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - |
| Total expenditures | 460,384 | 28,382 | - | - | 5,393 | 48,026 | 95,177 | 6,175 | 643,537 |
| Excess (deficiency) of revenues over expenditures | 73,240 | - | - | 15,537 | - | (13,026) | (845) | (6,175) | 68,731 |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | 14,490 | - | - | - | - | 3,870 | - | 6,175 | 24,535 |
| Transfers out | (40,000) | - | - | - | - | - | - | - | (40,000) |
| Total other financing sources (uses) | (25,510) | - | - | - | - | 3,870 | - | 6,175 | (15,465) |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 47,730 | - | - | 15,537 | - | (9,156) | (845) | - | 53,266 |
| Fund balances, beginning of year | 469,706 | - | 495 | 6,459 | 2,829 | 9,156 | 8,781 | - | 497,426 |
| Fund balances, end of year | \$ 517,436 | - | 495 | 21,996 | 2,829 | - | 7,936 | - | 550,692 |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Special Revenue | | | | | | | Debt Fund | Total Debt and Special Revenue Funds |
|----------------------------------------------------------------------------|--------------------------|-----------------------------------|-------------------------|------------------------|-------------------------------|--------------------------|----------------|-----------------------------------|--------------------------------------|
| | Subtotal from Prior Page | MDOT - T - Enhancement Grant Fund | Comprehensive Plan Fund | Hotel - Motel Tax Fund | Regional Recycling Grant Fund | USDA Facility Grant Fund | Cemetery Fund | City General Obligation Bond Fund | |
| REVENUES: | | | | | | | | | |
| General property taxes | \$ 331,248 | - | - | - | - | - | - | 419,639 | 750,887 |
| Intergovernmental revenue | 234,641 | 10,947 | - | 227,800 | 54,498 | - | - | - | 527,886 |
| Charges for services | 99,309 | - | - | - | - | - | 84,425 | - | 183,734 |
| Court fines and forfeitures | 2,952 | - | - | - | - | - | - | - | 2,952 |
| Interest income | 174 | - | - | - | - | - | - | - | 174 |
| Contributions | 2,042 | - | - | - | - | - | - | - | 2,042 |
| Other | 41,902 | - | - | - | - | - | - | - | 41,902 |
| Total revenues | <u>712,268</u> | <u>10,947</u> | <u>-</u> | <u>227,800</u> | <u>54,498</u> | <u>-</u> | <u>84,425</u> | <u>419,639</u> | <u>1,509,577</u> |
| EXPENDITURES: | | | | | | | | | |
| General government | 28,382 | - | 23,101 | - | - | - | - | - | 51,483 |
| Public safety | 187,738 | - | - | - | - | - | - | - | 187,738 |
| Public works | 20,609 | - | - | - | 59,398 | - | 48,682 | - | 128,689 |
| Culture and recreation | 140,270 | 10,947 | - | 291,970 | - | - | - | - | 443,187 |
| Disability and relief funding | 266,538 | - | - | - | - | - | - | - | 266,538 |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | 299,837 | - | - | - | 285,000 | 584,837 |
| Interest | - | - | - | 4,156 | - | - | - | 147,061 | 151,217 |
| Total expenditures | <u>643,537</u> | <u>10,947</u> | <u>23,101</u> | <u>595,963</u> | <u>59,398</u> | <u>-</u> | <u>48,682</u> | <u>432,061</u> | <u>1,813,689</u> |
| Excess (deficiency) of revenues over expenditures | <u>68,731</u> | <u>-</u> | <u>(23,101)</u> | <u>(368,163)</u> | <u>(4,900)</u> | <u>-</u> | <u>35,743</u> | <u>(12,422)</u> | <u>(304,112)</u> |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | 24,535 | - | 1,440 | - | 4,900 | - | - | - | 30,875 |
| Transfers out | (40,000) | - | - | - | - | - | - | - | (40,000) |
| Total other financing sources (uses) | <u>(15,465)</u> | <u>-</u> | <u>1,440</u> | <u>-</u> | <u>4,900</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,125)</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | <u>53,266</u> | <u>-</u> | <u>(21,661)</u> | <u>(368,163)</u> | <u>-</u> | <u>-</u> | <u>35,743</u> | <u>(12,422)</u> | <u>(313,237)</u> |
| Fund balances, beginning of year | <u>497,426</u> | <u>-</u> | <u>21,661</u> | <u>733,573</u> | <u>-</u> | <u>23</u> | <u>304,108</u> | <u>292,502</u> | <u>1,849,293</u> |
| Fund balances, end of year | \$ <u>550,692</u> | <u>-</u> | <u>-</u> | <u>365,410</u> | <u>-</u> | <u>23</u> | <u>339,851</u> | <u>280,080</u> | <u>1,536,056</u> |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED:
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Capital Project Funds | | | | | | | | | | | | | | Total Capital Project Funds | Total Nonmajor Governmental Funds |
|----------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------|-----------------------------------------------|---------------------------------------|------------------------------------------|--------------------------------|-------------------------------------|----------------------------------------------------------|--------------------------------|------------------|--------------------------------------|--------------------------------------------|
| | Total Debt and Special Revenue Funds | NCRS Watershed Protection Project Fund | Delaware/ Pearl River Project Fund | Fire Station #1 Project Fund | Fire Station #3 Project Fund | GO Zone Downtown Fund | Delaware Ave / Anna Drive Light Fund | Hazard Mitigation Grant Fund | Parklane Drive Improvement Fund | Capital Improvement Fund | Complete Street Projects Fund | Transportation Alternative Program Project Fund | 2016 Paving Project Fund | | | |
| REVENUES: | | | | | | | | | | | | | | | | |
| General property taxes | \$ 750,887 | - | - | - | - | - | - | - | - | - | - | - | - | - | 750,887 | |
| Intergovernmental revenue | 527,886 | - | 254,489 | - | 184,925 | - | - | - | - | - | - | - | - | 439,414 | 967,300 | |
| Charges for services | 183,734 | - | - | - | - | - | - | - | - | - | - | - | - | - | 183,734 | |
| Court fines and forfeitures | 2,952 | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,952 | |
| Interest income | 174 | - | - | - | - | - | - | - | - | - | - | - | - | - | 174 | |
| Contributions | 2,042 | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,042 | |
| Other | 41,902 | - | - | - | - | - | - | - | - | - | - | - | - | - | 41,902 | |
| Total revenues | <u>1,509,577</u> | <u>-</u> | <u>254,489</u> | <u>-</u> | <u>184,925</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>439,414</u> | <u>1,948,991</u> | |
| EXPENDITURES: | | | | | | | | | | | | | | | | |
| General government | 51,483 | - | - | - | - | - | - | - | - | - | - | - | - | - | 51,483 | |
| Public safety | 187,738 | - | - | - | 414,453 | - | - | - | - | - | - | - | - | 414,453 | 602,191 | |
| Public works | 128,689 | - | 353,362 | - | - | 670,670 | 32,632 | 230,239 | - | - | 4,944 | - | - | 1,291,847 | 1,420,536 | |
| Culture and recreation | 443,187 | - | - | - | - | - | - | - | - | - | - | - | - | - | 443,187 | |
| Disability and relief funding | 266,538 | - | - | - | - | - | - | - | - | - | - | - | - | - | 266,538 | |
| Debt service: | | | | | | | | | | | | | | | | |
| Principal | 584,837 | - | - | - | - | - | - | - | - | - | - | - | - | - | 584,837 | |
| Interest | 151,217 | - | - | - | - | - | - | - | - | - | - | - | - | - | 151,217 | |
| Total expenditures | <u>1,813,689</u> | <u>-</u> | <u>353,362</u> | <u>-</u> | <u>414,453</u> | <u>670,670</u> | <u>32,632</u> | <u>230,239</u> | <u>-</u> | <u>-</u> | <u>4,944</u> | <u>-</u> | <u>-</u> | <u>1,706,300</u> | <u>3,519,989</u> | |
| Excess (deficiency) of revenues over expenditures | (304,112) | - | (98,873) | - | (229,528) | - | (670,670) | (32,632) | (230,239) | - | - | (4,944) | - | (1,266,886) | (1,570,998) | |
| Other financing sources (uses): | | | | | | | | | | | | | | | | |
| Transfers in | 30,875 | 42,325 | 52,563 | - | 50,950 | - | - | 11,547 | 201,634 | (521,514) | 512,964 | 216,956 | 146,782 | 714,207 | 745,082 | |
| Transfers out | (40,000) | - | - | - | - | - | - | - | - | - | - | - | - | - | (40,000) | |
| Total other financing sources (uses) | <u>(9,125)</u> | <u>42,325</u> | <u>52,563</u> | <u>-</u> | <u>50,950</u> | <u>-</u> | <u>-</u> | <u>11,547</u> | <u>201,634</u> | <u>(521,514)</u> | <u>512,964</u> | <u>216,956</u> | <u>146,782</u> | <u>714,207</u> | <u>705,082</u> | |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | (313,237) | 42,325 | (46,310) | - | (178,578) | - | (670,670) | (21,085) | (28,605) | (521,514) | 512,964 | 212,012 | 146,782 | (552,679) | (865,916) | |
| Fund balances, beginning of year | <u>1,849,293</u> | <u>-</u> | <u>9,973</u> | <u>49,957</u> | <u>178,578</u> | <u>10,250</u> | <u>784,353</u> | <u>21,085</u> | <u>28,605</u> | <u>522,599</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,605,400</u> | <u>3,454,693</u> | |
| Fund balances, end of year | \$ <u>1,536,056</u> | <u>42,325</u> | <u>(36,337)</u> | <u>49,957</u> | <u>-</u> | <u>10,250</u> | <u>113,683</u> | <u>-</u> | <u>-</u> | <u>1,085</u> | <u>512,964</u> | <u>212,012</u> | <u>146,782</u> | <u>1,052,721</u> | <u>2,588,777</u> | |

The accompanying notes are an integral part of these statements.

CITY OF McCOMB, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2016**

| <u>Bond Name</u> | <u>Position</u> | <u>Company</u> | <u>Amount</u> |
|------------------------|---------------------------|----------------|---------------|
| Whitney Rawlings | Mayor | Western Surety | \$ 50,000 |
| Tommy McKenzie | Selectman | Western Surety | 50,000 |
| Ted Tullos | Selectman | Western Surety | 50,000 |
| Michael Cameron | Selectman | Western Surety | 50,000 |
| Donovan R. Hill | Selectman | Western Surety | 50,000 |
| Albert Eubanks | Selectman | Western Surety | 50,000 |
| Ronnie Brock | Selectman | Western Surety | 50,000 |
| Joseph Parker | City Administrator | Ohio Casualty | 50,000 |
| Janice Dillon | Director of Finance / CFO | Western Surety | 50,000 |
| Bryan Scott McKenzie | Chief of Police | Ohio Casualty | 50,000 |
| Sherry Spears | Deputy Clerk | Ohio Casualty | 50,000 |
| Schenika Nacole Garner | Deputy Clerk | Western Surety | 50,000 |

The accompanying notes are an integral part of these statements.

**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, 2016, 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 June 12, 2017.

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 Millon Group, PLLC

Natchez, Mississippi
June 12, 2017

CITY OF McCOMB, MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding: 2015-1 Controls over Cash Receipts

Status: Corrected.

Corrective Action: Policies and procedures were put in place to assure that all funds received in the Municipal Court office are accounted for and deposited in the bank. The City engaged an outside firm to conduct a review of all their current internal control systems and determine areas where they could be strengthened. With respect to the defalcation, an investigation was launched with the State Auditor's Office and measures are being taken to pursue any recovery of the missing funds.

CITY OF McCOMB, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

(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.

**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, 2016, and have issued our report dated June 12, 2017. 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
June 12, 2017