

# **CITY OF McCOMB, MISSISSIPPI**

**2012**

Annual Audited Financial Statements  
For the Fiscal Year Ended September 30, 2012

**Quordiniah N. Lockley**  
City Administrator

**Janice Dillon**  
Comptroller of Finance Division

Prepared By:  
**The Department of Finance**

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**City of McComb, Mississippi**  
McComb City Hall  
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McComb, Mississippi  
39648-0667

CITY OF McCOMB, MISSISSIPPI  
 ANNUAL AUDITED FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012  
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## ***INTRODUCTORY SECTION***

Whitney Rawlings  
Mayor

Quordinlah N. Lockley  
City Administrator

Wayne Dowdy  
City Attorney



Selectmen

Michael Cameron  
Melvin "Joe" Johnson  
Andranette R. Jordan  
Thomas G. McKenzie  
Ted N. Tullos  
Tammy Felder Witherspoon

## CITY OF McCOMB CITY

To the Honorable Mayor,  
Members of the Governing Council, and  
Citizens of the City of McComb

State law requires that all general-purpose local governments publish within twelve months after its fiscal year, a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of McComb, Mississippi for the fiscal year ended September 30, 2012.

This report consists of management's representations concerning the finances of the City of McComb, Mississippi. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of McComb, Mississippi has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of McComb, Mississippi's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of McComb, Mississippi's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Banks, Finley, White & Co., a firm of licensed certified public accountants, has audited the City of McComb, Mississippi's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of McComb, Mississippi for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of McComb, Mississippi's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent auditor of the financial statements of the City of McComb, Mississippi was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of McComb, Mississippi's Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of McComb, Mississippi's MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE GOVERNMENT

The City of McComb, Mississippi, incorporated in 1872, is located in the northwest section of Pike County, Mississippi, in the piney woods soil area of the State. The Municipality is located 81 miles southwest of Jackson, the capital city of the state, 86 miles northeast of Baton Rouge, Louisiana, and 109 miles northwest of New Orleans, Louisiana. The City of McComb, Mississippi currently occupies a land area of 11.7 square miles and serves a population of 12,790. The City of McComb, Mississippi is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The McComb area is served by Interstate 55, which runs north/south and connects New Orleans, Louisiana, with Chicago, Illinois. Two United States highways, 51 and 98, intersect at McComb. U.S. Highway 51 also runs north/south from the great Lakes to the Gulf of Mexico, while U.S. Highway 98 runs east/west from Natchez, Mississippi, to Palm Beach, Florida. State Highways 24, 44, 48 and 570 also serve the immediate area. A number of county highways provide access to many outlying areas in the county.

The City is served by a mainline of Illinois Central Railroad, which runs north/south to the major rail terminals of Memphis, Tennessee, and New Orleans, Louisiana. These two rail terminals link the City with all major manufacturing and distribution centers in the East, Midwest, South, and all ports along the Gulf of Mexico. Amtrak, the national rail passenger service, also serves the City on a daily basis.

The nearest inland Waterway River port to the City is the Mississippi River Port of Natchez, within 85 miles of the City. This port has warehousing facilities, including 53,000 square feet of enclosed storage, and two-mounted diesel cranes, one with lift capacity of 125 tons and the other rated at sixty tons. The port is connected to highway and rail. Deep-water ports are located in Baton Rouge and New Orleans, Louisiana, both within 100 miles of the City.

The McComb Pike County Airport serves the City as a noncommercial air service facility located three miles south of the City limits. The airport, with its 6,000 - foot runway and instrument landing systems, can accommodate most private aircraft including corporate jets. Major commercial airports are located in Jackson, Mississippi, Baton Rouge and New Orleans, Louisiana, all within 112 miles.

There are three elementary and two secondary public schools located within the McComb School District. Parklane Academy is a private school located within the City offering grades K-12. St. Alphonsus Catholic School opened in 1994 and at present offers preschool to sixth grade. Southwest Mississippi Community College, located in the adjoining City of Summit, offers 40 academic programs leading to Associate Degrees and 17 technology programs. In cooperation with the Pike County Chamber of Commerce and Economic Development Foundation and the State of Mississippi, Southwest Mississippi Community College also will structure training programs in any field, according to the needs of local industry.

The Southwest Mississippi Regional Medical Center is located in McComb and is owned by the City of McComb, Mississippi, Pike County and Amite County. The Medical Center is an acute care facility and provides primary medical care to more than 200,000 residents of ten Mississippi counties, and several Louisiana parishes. The medical center was established in 1969, and has continued to increase its level of services with technological advances and increased staffing. The Medical Center recently established a cancer treatment center and cardiovascular institute.

Additional residential health care needs are provided to the citizens of the City by two proprietary nursing homes that have a combined capacity of 141 beds.

Two major recreational facilities located near McComb are Percy Quinn State Park and the Bogue Chitto Water Park. Percy Quinn State Park is a state recreational facility that contains 1,700 acres. Included in the facilities are 22 furnished cabins, 101 RV campsites, a group camp that will accommodate up to 212 visitors, a nature trail, archery range, miniature golf course, tennis courts, swimming pool, picnic facilities, a multi-use convention center, a motel and modern eighteen-hole golf course. The Bogue Chitto Water Park is a development of the Pearl River Basin Development District, and its facilities include 80 trailer/camper sites, a primitive camping area, basketball, volleyball, and badminton courts, hiking/nature trails, boat launching ramp and canoeing, tubing and swimming areas.

The City of McComb, Mississippi has operated under the mayor-selectman form of government since 1872. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six Selectmen. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's administrator and attorney. The government's administrator is responsible for carrying out the policies and ordinance of the governing council, and for overseeing the day-to-day operations of the government. The board is elected and members serve four-year terms. The mayor is elected to serve a four-year term. Five of the board members are elected by district. The mayor and the remaining selectman are elected at large.

The government provides a full range of services. These services include police and fire protection; sanitation services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body operates the Water and Sewer System; therefore, these activities are included in the reporting entity. However, the McComb School District, and the Southwest Mississippi Regional Medical Center Hospital District have not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The annual budget serves as the foundation for the City of McComb, Mississippi's financial planning and control. All agencies of the City of McComb, Mississippi are required to submit requests for appropriation to the government's City Administrator on or before September 1 each year. The government's City Administrator uses these requests as the starting point for developing a proposed budget. The government's City Administrator then presents this proposed budget to the council for review prior to September 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 15. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 32 as part of the basic financial statements. For other governmental funds, with appropriated annual budgets, this comparison is presented in the combining and individual fund financial statements - governmental funds sections of this report, which starts on page 72.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of McComb, Mississippi operates.

**Local economy** - The City of McComb, Mississippi currently enjoys a favorable economic environment and local indicators point to continued stability. The region has varied manufacturing and industrial bases that adds to the relative stability of the unemployment rate. Pike County is a major producer of timber, lumber and poultry products, and nearly one fourth of employed residents work in the manufacturing industry. It is projected that the county has an available labor force of 15,510 and unemployment at the end of 2012 was 11.4%.

**Cash management policies and practices** - Cash during the year was invested in demand deposits.

**Risk management** - The City continues utilizing a limited risk management program for workers' compensation. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. Third party coverage is currently maintained for workers' compensation claims.

**Pension and other post employment benefits** - The City of McComb, Mississippi contributes to the Public Employees Retirement System of Mississippi ("PERS"), a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

PERS members are required to contribute 9.00% of their annual covered salary and the City of McComb, Mississippi is required to contribute at an actuarially determined rate. This rate was 12.00% of annual covered payroll until June 30, 2012. The same rate is in effect for fiscal year 2011-2012. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of McComb, Mississippi also contributes to the Mississippi Municipal Retirement System of Mississippi ("MMRS"), a cost sharing, multiple-employer defined benefit pension plan. This plan only covers policemen and firemen employed prior to June 1, 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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

All MMRS members are retirees and the current rate is a 3.52 mills tax levy. The contribution requirements of MMRS members are established and may be amended only by the State of Mississippi Legislature.

## **MAJOR INITIATIVES**

Retail sales continued to increase in the City of McComb, Mississippi during this fiscal year. Annual sales tax revenue continues at an estimated rate of 7%, and new retailers locating in the area indicate that this trend will continue for quite some time.

In an effort to preserve the City's historical integrity, the City has established a Historic Preservation Commission and have a designated historic district. These programs will provide guidelines, boundaries and possible funding for renovation/restoration of structures located within the preservation district. The City has the certified retirement community designation. McComb is one of only thirty-seven municipalities in Mississippi with the certified local government designation.

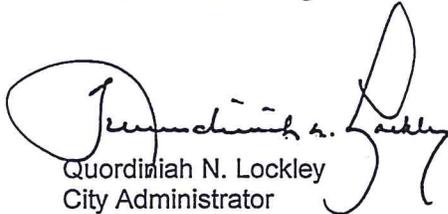
The City's police department, along with the usual types of law enforcement activities, began the operation of strict enforcement of ordinances to eliminate excess noise, loitering, and to have a presence in high crime areas.

The Pike County Board of Supervisors, and the City's Board of Mayor and Selectmen developed a county-wide system of emergency and law enforcement communication under the supervision of the McComb Police Department. This consolidated communication system is located on Parklane Road. The City, with funding assistance of Pike County's 911 Committee, purchased the facility for use as the communications center and for the relocation of the City's central fire station.

The public works department continued its efforts in upgrading and maintaining the City's water, sewer and drainage systems and also developed a major stormwater drainage improvement plan for implementation and completion in the next fiscal year. This complex project will be initiated in phases, with the first phase expected to cost approximately \$2.1 million. Another major project under the public works departments' jurisdiction is the construction of a new wastewater treatment plant. This project is being funded by a loan from the State of Mississippi Department of Environmental Quality. The estimated cost of this project is approximately \$32,000,000.

### ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor for his unfailing support for maintaining the highest standards of professionalism in the management of the City of McComb, Mississippi's finances.



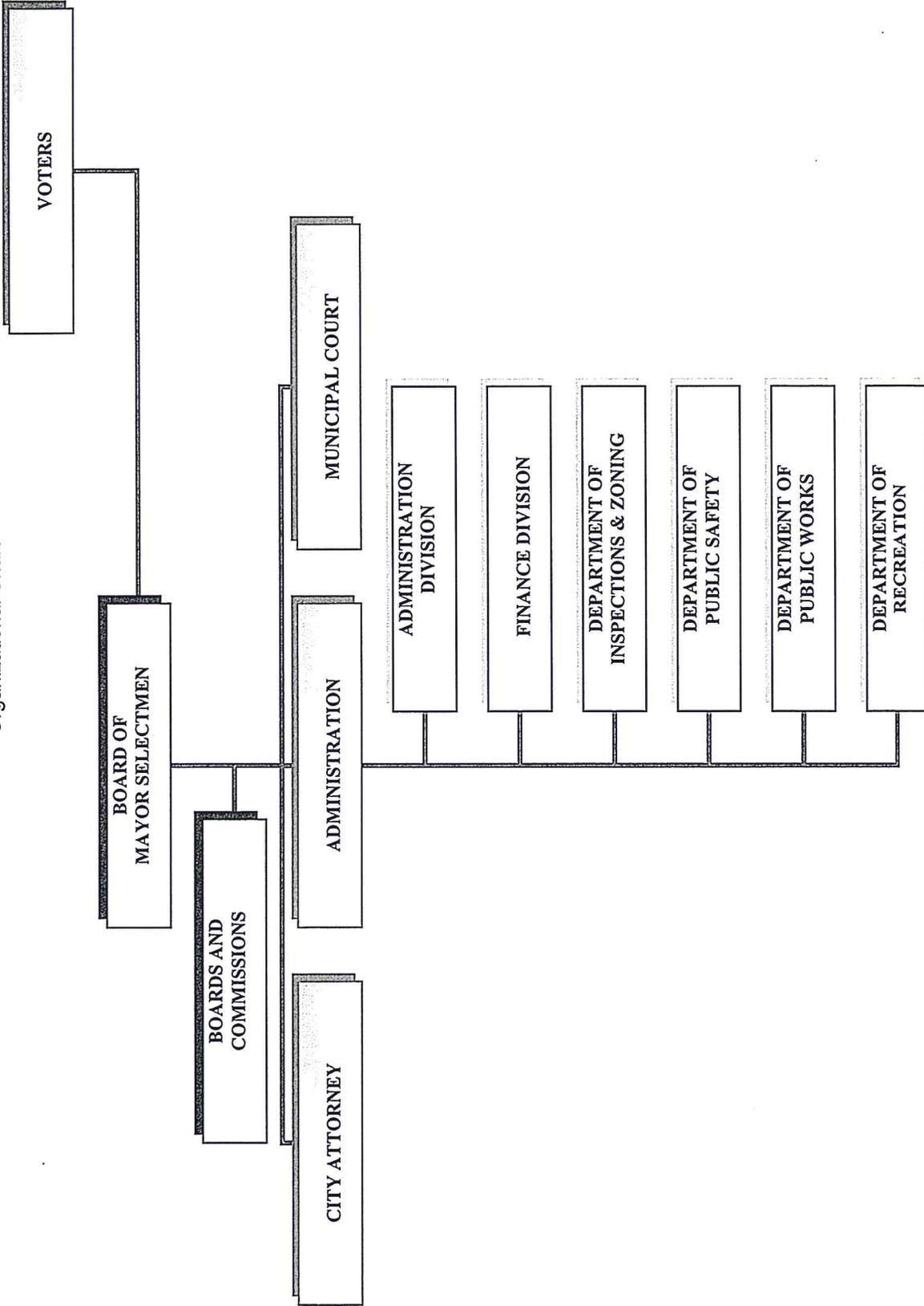
Quordiniah N. Lockley  
City Administrator

Respectfully Submitted



Janice Dillon  
Finance Division

CITY OF McCOMB, MISSISSIPPI  
Organizational Chart



CITY OF McCOMB, MISSISSIPPI  
List of Principal Officials  
September 30, 2012

<u>TITLE</u>	<u>NAME</u>
Mayor	Whitney Rawlings
Selectman	Tommy McKenzie
Selectman	Ted Tullos
Selectman	Michael Cameron
Selectman	Melvin "Joe" Johnson
Selectwoman	Tammy F. Witherspoon
Selectwoman	Andranette R. Jordan
City Administrator	Quordiniah N. Lockley
City Attorney	Wayne Dowdy
Comptroller Finance Division	Janice Dillon
City Clerk	Jeannette Butler
Director of Inspections and Zoning	Walter Temple
Fire Chief	B. J. Nettles
Police Chief	Gregory Martin
Director of Public Works	Philip Russell
Director of Recreation	Joseph Parker

***FINANCIAL SECTION***



INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City of McComb, Mississippi's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of McComb, Mississippi's management. 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 *Governmental 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 32 and 70 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 response 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McComb, Mississippi's, financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory have 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 them.

*Banks, Finley, White & Co.*

Ridgeland, Mississippi  
February 8, 2013

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

CITY OF McCOMB, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2012

## INTRODUCTION

The discussion and analysis of the City of McComb, Mississippi's annual financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the City's performance as a whole; we encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-8 of this report.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

## FINANCIAL HIGHLIGHTS

The assets of the City of McComb, Mississippi exceeded its liabilities at the close of the most recent fiscal year by \$31,021,983 (*net assets*). Of this amount, \$4,328,659 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$3,003,890. This increase is due primarily to additions made to capital assets during the fiscal year.

The City had \$18,358,192 in total revenues. Program specific revenues in the form of charges for services operating and capital grants and contributions accounted for \$6,717,946, or 36.59% of total revenues. General revenues in the form of taxes, grants and contributions not restricted to specific programs, unrestricted investment earnings and other revenue account for \$11,640,246, or 63.41% of total revenues.

The City had \$17,942,050 in total expenses. Expenses in the amount of \$6,717,946 were offset by program specific revenues in the form of charges for services, operating and capital grants and contributions. General revenues of \$11,640,246 were adequate to provide for the remainder of the expenses.

As of close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,214,655, an increase of \$59,591 in comparison with the prior year. This increase is due to an increase in operating revenues (i.e. property and sales tax) of the general fund and a decrease in operating expense.

Among major funds, the General Fund had \$10,514,869 in revenues and \$9,965,635 in expenditures. The General Fund's fund balance increased \$499,253 from the prior year, after net other financing uses of \$49,981. This increase is due primarily to an increase in property and sales tax revenues and a reduction in operating expenses. The Storm Water Construction Fund had no revenues nor any expenditures.

CITY OF McCOMB, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2012

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,046,186, or 40.60% of total general fund expenditures.

Capital assets used in governmental activities, net of accumulated depreciation, decreased by \$462,502. This net decrease is due primarily to an increase in depreciation expense. Capital assets used in business-type activities, net of accumulated depreciation, decreased by \$1,582,179. This net decrease is due primarily to an increase in depreciation expense.

During fiscal year 2008, the City issued additional debt mainly due to financing wastewater treatment infrastructure. However, long-term debt for governmental activities decreased by \$22,027 due primarily to principal payments on general obligation bonds. Long-term debt for business-type activities decreased by \$3,625,536 due primarily to the principal payments on State Department of Environmental Quality debt.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

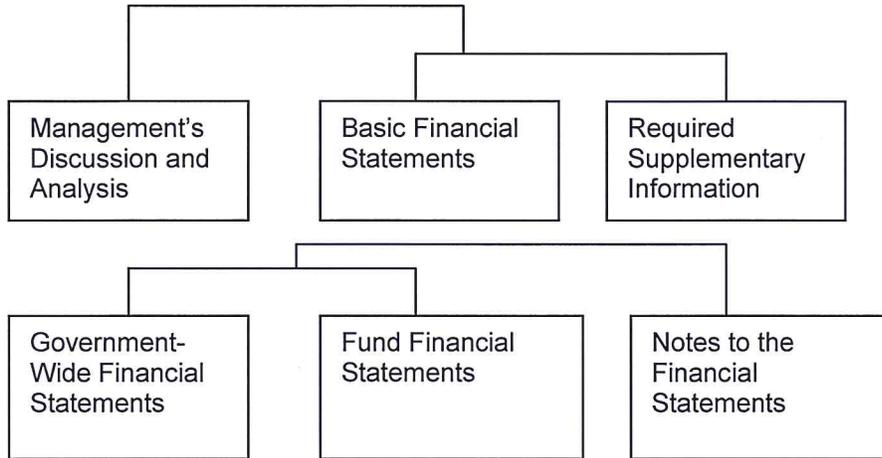
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. 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 summarize the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this section of the Management's Discussion and Analysis explains the structure and content of each of the statements.

CITY OF McCOMB, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2012

**Figure 1 - Required Components of the City's Annual Report**



CITY OF McCOMB, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2012

**Figure 2 - Major features of the City' Government-Wide and Fund Financial Statements**

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City Government (except fiduciary funds ) and component units	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses	The City is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets  Statement of activities	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary obligations</li> </ul>
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 and 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, and 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

**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 assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF McCOMB, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2012

The **statement of activities** present information showing how net assets changed during the most recent fiscal year. All changes in net assets 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); health and welfare; culture and recreation; economic development; internal services; contributions to state PERS; other services and interest and other expenses on long-term debt. The business-type activities of the City include the water and sewer authority.

The Government-wide Financial Statements can be found on pages 26 - 27 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.

**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.

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. Both the "Governmental Funds Balance Sheet" and that "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 29 and 31.

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 non-major funds are combined together and presented in these reports as other governmental funds. The basic governmental funds financial statements can be found on pages 28-32 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 a proprietary fund to account for the Water and Sewer Authority. Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements can be found on pages 33-35 of this report.

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**Notes to the 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 36-60 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 **Supplemental Information**. This information can be found beginning on page 62 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 basic financial statements on page 32. Budgetary Comparison Statements have also been provided for each nonmajor governmental fund and the major capital project fund beginning on page 70 of this report.

#### ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Net Assets** - Net assets may serve overtime as a useful indicator of the government's financial position. In the case of the City of McComb, Mississippi, assets exceeded liabilities by \$31,021,983 as of September 30, 2012.

The City's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$22,723,336 of the City's net assets 73.25% reflects its investment in capital assets (e.g., land, buildings, furniture and equipment, mobile equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for further spending. \$3,969,988 of the City's net assets 12.80% reflects its restricted net assets. A portion of the restricted net assets is expendable for public safety, public works, culture and recreation, capital improvements, debt service and other purposes. \$4,328,659 of the City's net assets 13.95% reflects its unrestricted net assets.

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.

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The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2012.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
<u>Assets:</u>						
Current and other assets	\$ 6,851,871	\$ 5,566,167	\$ 8,034,369	\$ 7,468,939	\$ 14,886,240	\$ 13,035,106
Capital assets	<u>13,603,738</u>	<u>14,066,241</u>	<u>48,667,038</u>	<u>50,248,995</u>	<u>62,270,776</u>	<u>64,315,236</u>
Total Assets	<u>\$ 20,455,609</u>	<u>\$ 19,632,408</u>	<u>\$ 56,701,407</u>	<u>\$ 57,717,934</u>	<u>\$ 77,157,016</u>	<u>\$ 77,350,342</u>
<u>Current Liabilities:</u>						
Current liabilities	\$ 4,373,295	\$ 3,631,712	\$ 1,203,290	\$ 1,611,492	\$ 5,576,585	\$ 5,243,204
Other liabilities	-	-	518,277	445,365	518,277	445,365
Long-term liabilities	<u>3,867,659</u>	<u>3,845,632</u>	<u>36,172,512</u>	<u>39,798,048</u>	<u>40,040,171</u>	<u>43,643,680</u>
Total Liabilities	<u>\$ 8,240,954</u>	<u>\$ 7,477,344</u>	<u>\$ 37,894,079</u>	<u>\$ 41,854,905</u>	<u>\$ 46,135,033</u>	<u>\$ 49,332,249</u>
<u>Net Assets:</u>						
Invested in capital assets (net) of related debt	\$ 10,186,275	\$ 10,756,358	\$ 12,537,061	\$ 10,497,981	\$ 22,723,336	\$ 21,254,339
Restricted	1,383,382	957,786	2,586,606	501,487	3,969,988	1,459,273
Unrestricted	<u>644,998</u>	<u>440,920</u>	<u>3,683,661</u>	<u>4,863,561</u>	<u>4,328,659</u>	<u>5,304,481</u>
Total Net Assets	<u>\$ 12,214,655</u>	<u>\$ 12,155,064</u>	<u>\$ 18,807,328</u>	<u>\$ 15,863,029</u>	<u>\$ 31,021,983</u>	<u>\$ 28,018,093</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- ◆ Capital assets for governmental activities decreased from prior year due primarily to an increase in depreciation expense for the current fiscal year.
- ◆ Long-term debt for governmental activities decreased from prior year due primarily to retirement of debt on bonds and capital leases.
- ◆ Capital assets for business-type activities decrease from prior year due primarily to an increase in current year depreciation expense.
- ◆ Long-term debt outstanding for business-type activities decreased from prior year primarily due to the retirement of debt from the State Department of Environmental Quality.

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**Changes in Net Assets** - The City's total revenues for the fiscal year ended September 30, 2012 were \$18,358,192. The total costs for all services provided was \$17,942,050. The increase in net assets was \$3,003,890. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2012 and comparative data for the fiscal year ended September 30, 2011.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 150,950	\$ 186,366	\$ 5,819,246	\$ 5,850,280	\$ 5,970,196	\$ 6,036,646
Operating grants and contributions	727,612	384,939	-	274,085	727,612	659,024
Capital grants and contributions	20,138	512,824	-	-	20,138	512,824
<b>General Revenue:</b>						
Property taxes	4,229,399	4,610,731	-	-	4,229,399	4,610,731
Sales taxes	5,492,892	5,147,652	-	-	5,492,892	5,147,652
Other taxes	507,753	571,478	-	-	507,753	571,478
Licenses and permits	95,179	90,169	-	-	95,179	90,169
Grants and contributions not restricted to specific programs	288,037	226,465	-	-	288,037	226,465
Unrestricted investment earnings	34,656	99,535	35,392	110,973	70,048	210,508
Fines and forfeitures	410,223	412,562	-	-	410,223	412,562
Other	546,715	495,967	-	-	546,715	495,967
<b>Total Revenues</b>	<b><u>12,503,554</u></b>	<b><u>12,738,688</u></b>	<b><u>5,854,638</u></b>	<b><u>6,235,338</u></b>	<b><u>18,358,192</u></b>	<b><u>18,974,026</u></b>
<b>Expenses:</b>						
General Government	1,711,025	1,434,727	-	-	1,711,025	1,434,727
Public safety	6,245,457	5,648,105	-	-	6,245,457	5,648,105
Public works	3,116,837	2,337,222	-	-	3,116,837	2,337,222
Health and welfare	46,839	46,839	-	-	46,839	46,839
Culture and recreation	863,662	818,618	-	-	863,662	818,618
Economic development	(303)	78,479	-	-	(303)	78,479
Disability and relief funding	293,287	314,307	-	-	293,287	314,307
Other services	16,474	30,618	-	-	16,474	30,618
Interest and other expenses on long-term debt	139,031	159,656	-	-	139,031	159,656
Water/sewer/sanitation	-	-	4,666,799	4,837,924	4,666,799	4,837,924
Sanitation	-	-	842,942	999,525	842,942	999,525
<b>Total Expenses</b>	<b><u>12,432,309</u></b>	<b><u>10,868,571</u></b>	<b><u>5,509,741</u></b>	<b><u>5,837,449</u></b>	<b><u>17,942,050</u></b>	<b><u>16,706,020</u></b>
<b>Increase (decrease) in Net Assets Before Transfers and Special Items</b>	<b><u>71,245</u></b>	<b><u>1,870,117</u></b>	<b><u>344,897</u></b>	<b><u>397,889</u></b>	<b><u>416,142</u></b>	<b><u>2,268,006</u></b>
Transfers in (out)	-	(40,000)	-	40,000	-	-
<b>Increase (decrease) in net assets</b>	<b><u>71,245</u></b>	<b><u>1,830,117</u></b>	<b><u>344,897</u></b>	<b><u>437,889</u></b>	<b><u>416,142</u></b>	<b><u>2,268,006</u></b>
Net Assets, beginning 10/1	12,155,064	10,324,947	15,863,029	15,425,140	28,018,093	25,750,087
Prior period adjustment	(11,654)	-	-	-	(11,654)	-
<b>Net Assets, restated 10/1</b>	<b><u>12,143,410</u></b>	<b><u>10,324,947</u></b>	<b><u>15,863,029</u></b>	<b><u>15,425,140</u></b>	<b><u>28,006,439</u></b>	<b><u>25,750,087</u></b>
<b>Net Assets Ending 9/30</b>	<b><u>\$ 12,214,655</u></b>	<b><u>\$ 12,155,064</u></b>	<b><u>\$ 16,207,926</u></b>	<b><u>\$ 15,863,029</u></b>	<b><u>\$ 28,422,581</u></b>	<b><u>\$ 28,018,093</u></b>

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The following are significant current year transactions that have had an impact on the Statement of Activities.

- ◆ Revenue from operating and capital grants and contributions for governmental activities decreased from prior year, additionally, property tax revenue decreased during the current fiscal year when compared to the prior year.
- ◆ Expenses for governmental activities increased from the prior year due primarily to an increase in operating costs for general government, public safety and the public works departments.
- ◆ Revenue from operating grants for business-type activities decreased from the prior year because the grant was not funded in the current year.
- ◆ Expenses for business-type activities decreased from the prior year due primarily to a decrease in operating costs for repairs and maintenance to the water and sewer system.

**Governmental Activities** - The following table presents the cost of several major functional activities of the City: General government, Public safety, Public works, Health and welfare, Culture and recreation, Economic development, Internal services, Contributions to state PERS, Other services 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.

	2012		2011	
	Expenses	Net (Expense) Revenue	Expenses	Net (Expense) Revenue
General government	\$ 1,711,025	\$ (1,629,275)	\$ 1,434,727	\$ (1,339,761)
Public safety	6,245,457	(5,925,875)	5,648,105	(4,929,259)
Public works	3,116,837	(2,622,317)	2,337,222	(2,134,444)
Health and welfare	46,839	(46,839)	46,839	(46,839)
Culture and recreation	863,662	(860,814)	818,618	(751,079)
Economic development	(303)	303	78,479	(78,479)
Disability and relief funding	293,287	(293,287)	314,307	(314,307)
Other services	16,474	(16,474)	30,618	(30,618)
Interest and other expenses on long-term debt	139,031	(139,031)	159,656	(159,656)
<b>Total</b>	<b>\$ 12,432,309</b>	<b>\$ (11,533,609)</b>	<b>\$ 10,868,571</b>	<b>\$ (9,784,442)</b>

- ◆ Net cost of governmental activities \$11,533,609, was financed by general revenues, which is made up of primarily property taxes \$4,229,399 and state sales tax of \$5,492,892.
- ◆ Investment earnings accounted for \$34,656 of funding.
- ◆ Franchise taxes accounted for \$483,903 of funding.
- ◆ Unrestricted grants and contributions accounted for \$288,037 of funding.

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**Business-type Activities** - The following table presents the cost of water and sewer activities of the City. The table also shows the net cost (total cost less charges for services generated by the activity). The net cost shows the financial burden that was placed on taxpayers by the activities.

	2012		2011	
	Expenses	Net (Expense) Revenue	Expenses	Net (Expense) Revenue
	Water/Sewer	\$ 4,666,799	\$ 210,312	\$ 4,837,924
Sanitation	<u>842,942</u>	<u>99,193</u>	<u>999,525</u>	<u>(70,089)</u>
Total	<u>\$ 5,509,741</u>	<u>\$ 309,505</u>	<u>\$ 5,837,449</u>	<u>\$ 286,916</u>

- ◆ Charges for services revenues for business-type activities decreased by \$77,479 or 1.33%.
- ◆ Grant revenues for business-type activities decreased by \$274,085 or 100.00%.
- ◆ Investment earnings accounted for \$35,392 of total revenue resources.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds** - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$5,511,993, an increase of \$997,910. This increase is due primarily to an increase in property taxes and a decrease in operating expenses.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$499,253. This increase was primarily due to an increase in tax revenues of the general fund. The Stormwater Construction Fund had no change in fund balance due the lack of activities during the current year.

**Business-type Funds** - At the close of the fiscal year, the City's proprietary fund reported total net assets of \$18,807,328. Operating revenues totaled \$5,819,246 and operating expenses totaled \$4,663,278 resulting in operating income of \$1,155,968. After non-operating revenues (expenses) of \$1,788,331, the change in net assets in the proprietary fund was an increase of \$2,944,299.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as part of the basic financial statements. Significant revisions to the General Fund's budget during the fiscal year are as follows:

- ◆ Actual state shared revenue received during the fiscal year was greater than the budgeted amounts due primarily to an increase in property tax revenue.
- ◆ Actual local government revenue reported for the fiscal year exceeded budgeted amounts. In addition, charges for services increased because of an increase in cemetery fees.
- ◆ Actual expenditures for the general fund were less than the budgeted amounts primarily due to a budget cuts in personnel and other services and charges.

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***CAPITAL ASSETS AND DEBT ADMINISTRATION***

**Capital Assets** - As of September 30, 2012, the City's total capital assets was \$85,648,926. This includes land, buildings, furniture and equipment, mobile equipment and infrastructure. This amount represents a gross increase, before depreciation, of \$286,656 from the previous year. The majority of this increase is due to the acquisition of property and equipment.

Total accumulated depreciation as of September 30, 2012 was \$23,378,371, including \$2,331,337, of depreciation expense for the year. The balance in total net capital assets was \$62,270,555 at year-end. Additional information on the City's capital assets can be found in Note 6 on pages 47-48 of this report.

**Debt Administration** - As of September 30, 2012, the City had \$40,040,172 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, special assessment debt, obligations under capital leases and compensated absences payable. Of this debt, \$4,724,368 is due within one year.

In fiscal year 2007, the City obtained financing from the State of Mississippi Commission on Environmental Quality in the amount of \$3,125,000. This loan was for construction of a wastewater pump station and force main connecting the West Lagoon influent to the East Lagoon. During 2010 the project was completed and the City has an outstanding loan balance of \$2,078,120 at September 30, 2012.

During the 2008 fiscal year, the City obtained additional financing from the State of Mississippi Commission on Environmental Quality in the amount of \$34,467,710. The second loan was for the construction of a new 5.0 MGD activated sludge wastewater treatment facility. At September 30, 2012, the project is complete and the City has an outstanding loan balance of \$31,551,858.

During the 2010 fiscal year, the City entered into a master lease agreement with Siemens Financial Services to acquire an automated meter reading system in the amount of \$4,558,913. A settlement was reached during the subsequent period of the audit between the City and Siemens, thus reducing the outstanding balance to \$2,500,000.

The City maintains a "BBB" bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a City can issue to generally 15% of total assessed value. The City's outstanding debt is below its current limit of 14.8 million dollars.

Additional information on the City's long-term debt can be found in note 7 on pages 50-55 of this report.

***CURRENT AND FUTURE ITEMS OF IMPACT***

The City of McComb, Mississippi has an unemployment rate of 11.4% versus 11.4% a year ago. The state average unemployment rate decreased from 9.5% to 9.2%. Therefore, the City's unemployment rate remain unchanged compared to last year.

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Major revenues sources are expected to increase due to an increase in reassessed property values and new business growth. Costs for all City services are expected to increase as a result of rising fuel costs and general inflationary trends. The City administrator continues diligently to reduce City expenditures through the following methods:

- ◆ Examination and negotiation of existing and new contracts throughout the City for substantial costs savings.
- ◆ Use of City inmate labor for cleaning services previously paid for on contract.
- ◆ Enforcement of the City's ordinance for delinquent water bills.
- ◆ Identification of other City issues for which grant money is available.

These factors have been considered in preparing the City's budget for the 2013 fiscal year.

***CONTACTING THE CITY'S FINANCIAL MANAGEMENT***

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

***BASIC FINANCIAL STATEMENTS***

CITY OF McCOMB, MISSISSIPPI  
Statement of Net Assets  
September 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,181,322	\$ 3,784,141	\$ 9,965,463
Net receivables	643,191	650,181	1,293,372
Deferred charges	27,358	-	27,358
Due from other funds	-	495,164	495,164
Restricted Assets:			
Cash and cash equivalents	-	3,104,883	3,104,883
Capital Assets not being depreciated:			
Land	756,288	43,925	800,213
Capital assets net of accumulated depreciation:			
Buildings	7,000,389	89,265	7,089,654
Automotive and equipment	1,186,212	45,296	1,231,508
Infrastructure	4,660,849	48,488,552	53,149,401
<b>TOTAL ASSETS</b>	<b><u>\$ 20,455,609</u></b>	<b><u>\$ 56,701,407</u></b>	<b><u>\$ 77,157,016</u></b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 1,266,292	\$ 522,753	\$ 1,789,045
Interest payable on long term debt	22,531	231,324	253,855
Liabilities payable from restricted assets	-	518,277	518,277
Due to other funds	45,951	449,213	495,164
Accrued pension liability payable	3,038,521	-	3,038,521
Noncurrent liabilities:			
Due within one year	612,205	4,112,163	4,724,368
Due in more than one year	3,255,454	32,060,349	35,315,803
<b>Total Liabilities</b>	<b><u>8,240,954</u></b>	<b><u>37,894,079</u></b>	<b><u>46,135,033</u></b>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related debt	10,186,275	12,537,061	22,723,336
Restricted for:			
Capital improvements	669,518	-	669,518
Debt service	286,171	2,586,606	2,872,777
Other purposes	427,693	-	427,693
Unrestricted	644,998	3,683,661	4,328,659
<b>Total Net Assets</b>	<b><u>12,214,655</u></b>	<b><u>18,807,328</u></b>	<b><u>31,021,983</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 20,455,609</u></b>	<b><u>\$ 56,701,407</u></b>	<b><u>\$ 77,157,016</u></b>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
Statement of Activities  
September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues		Total
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,711,025	\$ 77,150	\$ 4,600	\$ -	\$ (1,629,275)	\$ -	\$ (1,629,275)
Public safety	6,245,457	-	299,444	20,138	(5,925,875)	-	(5,925,875)
Public works	3,116,837	73,800	420,720	-	(2,622,317)	-	(2,622,317)
Health and welfare	46,839	-	-	-	(46,839)	-	(46,839)
Culture and recreation	863,662	-	2,848	-	(860,814)	-	(860,814)
Community relations & tourism	(303)	-	-	-	303	-	303
Disability and relief funding	293,287	-	-	-	(293,287)	-	(293,287)
Other services	16,474	-	-	-	(16,474)	-	(16,474)
Interest and other expenses on long-term debt	139,031	-	-	-	(139,031)	-	(139,031)
<b>Total governmental activities</b>	<b>12,432,309</b>	<b>150,950</b>	<b>727,612</b>	<b>20,138</b>	<b>(11,533,609)</b>	<b>-</b>	<b>(11,533,609)</b>
Business-type activities:							
Water/Sewer	4,666,799	4,877,111	-	-	-	210,312	210,312
Sanitation	842,942	942,135	-	-	-	99,193	99,193
<b>Total Business-type activities</b>	<b>5,509,741</b>	<b>5,819,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>309,505</b>	<b>309,505</b>
<b>Total</b>	<b>\$ 17,942,050</b>	<b>\$ 5,970,196</b>	<b>\$ 727,612</b>	<b>\$ 20,138</b>	<b>\$ (11,533,609)</b>	<b>\$ 309,505</b>	<b>\$ (11,224,104)</b>
General Revenues:							
Property taxes					\$ 4,229,399	\$ -	\$ 4,229,399
Sales taxes					5,492,892	-	5,492,892
Franchise taxes					483,903	-	483,903
Alcoholic beverage taxes					23,850	-	23,850
License and permits					95,179	-	95,179
Fines and forfeitures					410,223	-	410,223
Miscellaneous					546,715	2,599,402	3,146,117
Grants and contributions not restricted to specific programs					288,037	-	288,037
Unrestricted investment earnings					34,656	35,392	70,048
Transfer in (out)					-	-	-
<b>Total general revenues, special items, and transfers</b>					<b>11,604,854</b>	<b>2,634,794</b>	<b>14,239,648</b>
Change in net assets					71,245	2,944,299	3,015,544
Net Assets - Beginning					12,155,064	15,863,029	28,018,093
Prior period adjustments					(11,654)	-	(11,654)
Net Assets - Restated					12,143,410	15,863,029	28,006,439
Net Assets - Ending					<b>\$ 12,214,655</b>	<b>\$ 18,807,328</b>	<b>\$ 31,021,983</b>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
Balance Sheet  
Governmental Funds  
September 30, 2012

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Stormwater Construction Fund		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,283,327	\$ 186,187	\$ 1,711,809	\$ 6,181,323
Tax receivable	24,085	-	32,559	56,644
Accounts receivable	416,546	-	128,070	544,616
Intergovernmental receivable	-	37,290	4,639	41,929
Due from other funds	1,474,631	173,212	202,843	1,850,686
<b>TOTAL ASSETS</b>	<b><u>\$ 6,198,589</u></b>	<b><u>\$ 396,689</u></b>	<b><u>\$ 2,079,920</u></b>	<b><u>\$ 8,675,198</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts payable, general	\$ 1,177,784	\$ -	\$ 88,786	\$ 1,266,570
Due to other funds	974,619	567,501	354,515	1,896,635
<b>Total Liabilities</b>	<b><u>2,152,403</u></b>	<b><u>567,501</u></b>	<b><u>443,301</u></b>	<b><u>3,163,205</u></b>
<b>Fund Balance:</b>				
Committed	-	-	1,005,642	1,005,642
Restricted	-	(170,812)	630,977	460,165
Unassigned	4,046,186	-	-	4,046,186
<b>Total Fund Balances</b>	<b><u>4,046,186</u></b>	<b><u>(170,812)</u></b>	<b><u>1,636,619</u></b>	<b><u>5,511,993</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 6,198,589</u></b>	<b><u>\$ 396,689</u></b>	<b><u>\$ 2,079,920</u></b>	<b><u>\$ 8,675,198</u></b>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
 Reconciliation Balance Sheet - Governmental Funds  
 Statement of Net Assets  
 September 30, 2012

Total Fund Balances - Governmental Funds	\$	5,522,116
Prior period adjustment		(11,654)

Amounts reported for net assets in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets	24,092,383	
Less Accumulated Depreciation	<u>10,488,646</u>	
		13,603,737

Liabilities not due and payable in the current period are not reported in the funds, as follows:

Long-term liabilities	(3,867,659)	
Accrued interest on debt	(22,531)	
Net deferred charges - debt issuance costs	27,358	
Net pension liability	(3,038,521)	
Other adjustments	<u>1,809</u>	
		<u>(6,899,544)</u>

Total Net Assets	\$	<u><u>12,214,655</u></u>
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The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2012

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Stormwater Construction Fund	Nonmajor Governmental Funds	
<b>REVENUES:</b>				
General property taxes	\$ 3,034,342	-	1,025,357	\$ 4,059,699
Privilege licenses and permits	87,377	-	-	87,377
Intergovernmental revenues	5,555,250	-	817,701	6,372,951
Local government revenues	425,829	-	1,000	426,829
Franchise taxes	464,580	-	-	464,580
Charges for services	19,802	-	73,800	93,602
Court fines and report fees	328,491	-	-	328,491
Rent revenue	7,710	-	-	7,710
Interest income	34,274	-	382	34,656
Miscellaneous	557,214	-	70,490	627,704
<b>Total Revenues</b>	<u>10,514,869</u>	<u>-</u>	<u>1,988,730</u>	<u>12,503,599</u>
<b>EXPENDITURES:</b>				
General government	1,671,669	-	-	1,671,669
Public safety	5,398,189	-	242,307	5,640,496
Public works	2,263,309	-	529,618	2,792,927
Culture and recreations	521,516	-	135,814	657,330
Economic development	-	-	4,848	4,848
Disability and relief funding	-	-	293,287	293,287
Debt services:				
Principal	-	-	360,190	360,190
Interest and service charges	-	-	76,295	76,295
Capital outlay:				
General government	4,097	-	-	4,097
Public safety	79,159	-	111,107	190,266
Public works	25,633	-	-	25,633
Culture and recreation	2,063	-	186,588	188,651
<b>TOTAL EXPENDITURES</b>	<u>9,965,635</u>	<u>-</u>	<u>1,940,054</u>	<u>11,905,689</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>549,234</u>	<u>-</u>	<u>48,676</u>	<u>597,910</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of debt	-	-	400,000	400,000
Operating transfers in	-	-	49,981	49,981
Operating transfers out	(49,981)	-	-	(49,981)
<b>Total Other Financing Sources (Uses)</b>	<u>(49,981)</u>	<u>-</u>	<u>449,981</u>	<u>400,000</u>
<b>Net Change in Fund Balances</b>	499,253	-	498,657	997,910
<b>FUND BALANCE, OCT. 1</b>	<u>3,546,933</u>	<u>(170,812)</u>	<u>1,148,085</u>	<u>4,524,206</u>
<b>FUND BALANCE, SEPT. 30</b>	<u>\$ 4,046,186</u>	<u>(170,812)</u>	<u>1,646,742</u>	<u>\$ 5,522,116</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
 Reconciliation of the Statement of Revenues  
 Expenditures, and Changes in Net Assets Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended September 30, 2012

	<b>AMOUNTS</b>
Net change in fund balances	\$ 997,910
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 Assets.	380,254
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.	(749,158)
Change in net pension expense	(430,458)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	292,420
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences increase	85,553
Accrued interest on debt decrease	2,634
Other	(507,910)
Change in net assets of governmental activities	\$ 71,245

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 2,774,632	\$ 2,774,632	\$ 2,873,373	\$ 98,741
Licenses and permits	65,250	65,250	87,377	22,127
Inter-Government Revenues:				
State grants	-	-	6,627	6,627
State shared revenues	5,356,000	5,356,000	5,552,402	196,402
Grand Gulf in lieu of taxes	162,000	162,000	160,968	(1,032)
Local government revenues	850,000	850,000	886,630	36,630
Charges for services	500	500	19,802	19,302
Recreation fees	-	-	-	-
Court fines and forfeits	425,000	425,000	328,491	(96,509)
Rents	8,400	8,400	7,710	(690)
Interest	75,000	75,000	34,275	(40,725)
Miscellaneous income	392,000	395,000	557,214	162,214
<b>TOTAL REVENUES</b>	<u>10,108,782</u>	<u>10,111,782</u>	<u>10,514,869</u>	<u>403,087</u>
<b>EXPENDITURES:</b>				
General Government				
Personal services	929,315	1,044,823	993,905	50,918
Supplies	26,750	31,950	27,411	4,539
Other services and charges	345,300	437,769	594,688	(156,919)
Capital outlay	50,000	50,000	4,097	45,903
Funding to outside agencies	-	123,255	55,665	67,590
Total general government	<u>1,351,365</u>	<u>1,687,797</u>	<u>1,675,766</u>	<u>12,031</u>
Public Safety				
Personal services	4,779,949	4,811,441	4,894,944	(83,503)
Supplies	87,800	84,600	88,484	(3,884)
Other services and charges	366,375	358,850	414,761	(55,911)
Capital outlay	-	76,850	79,159	(2,309)
Total Public Safety	<u>5,234,124</u>	<u>5,331,741</u>	<u>5,477,348</u>	<u>(145,607)</u>
Public Works				
Personal service	1,303,038	1,303,038	1,276,346	26,692
Supplies	427,050	427,050	420,060	6,990
Other services and charges	695,770	695,770	566,903	128,867
Capital outlay	-	120,000	25,633	94,367
Total Public Works	<u>2,425,858</u>	<u>2,545,858</u>	<u>2,288,942</u>	<u>256,916</u>
Recreation and Parks				
Personal services	380,095	392,095	389,168	2,927
Supplies	51,700	55,500	50,586	4,914
Other services and charges	98,800	88,800	81,762	7,038
Capital outlay	-	3,000	2,063	937
Total Culture and Recreation	<u>530,595</u>	<u>539,395</u>	<u>523,579</u>	<u>15,816</u>
Community Relations and Tourism				
Contractual charges and services	-	105,000	-	105,000
Total Expenditures	<u>-</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total Expenditures	<u>9,541,942</u>	<u>10,209,791</u>	<u>9,965,635</u>	<u>244,156</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>566,840</u>	<u>(98,009)</u>	<u>549,234</u>	<u>647,243</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(49,981)	(49,981)	-
Total Other Financing Sources	<u>-</u>	<u>(49,981)</u>	<u>(49,981)</u>	<u>-</u>
Net change in fund balance	566,840	(147,990)	499,253	647,243
Fund Balance at beginning of year	3,546,933	3,546,933	3,546,933	-
Fund Balance at end of year	<u>\$ 4,113,773</u>	<u>\$ 3,398,943</u>	<u>\$ 4,046,186</u>	<u>\$ 647,243</u>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
Statement of Net Assets  
Proprietary Fund  
For the Year Ended September 30, 2012

	<u>Water/Sewer Authority</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash in treasury accounts	\$ 3,755,069	\$ 29,072	\$ 3,784,141
Accounts receivable, net	532,516	117,664	650,180
Due from other funds	<u>495,164</u>	<u>-</u>	<u>495,164</u>
<b>Total Current Assets</b>	<u>4,782,749</u>	<u>146,736</u>	<u>4,929,485</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents			
Customer deposits	518,277	-	518,277
Revenue bonds	<u>2,586,606</u>	<u>-</u>	<u>2,586,606</u>
<b>Total restricted assets</b>	<u>3,104,883</u>	<u>-</u>	<u>3,104,883</u>
<b>Property, Plant and Equipment, at Cost</b>			
Land	43,925	-	43,925
Buildings	410,629	-	410,629
Water/Sewer system	59,879,693	-	59,879,693
Automotive and equipment	1,222,294	-	1,222,294
Less: accumulated depreciation	<u>(12,889,502)</u>	<u>-</u>	<u>(12,889,502)</u>
<b>Total capital assets (net of accumulated depreciation)</b>	<u>48,667,039</u>	<u>-</u>	<u>48,667,039</u>
<b>Total noncurrent assets</b>	<u>48,667,039</u>	<u>-</u>	<u>48,667,039</u>
<b>Total Assets</b>	<u>\$ 56,554,671</u>	<u>\$ 146,736</u>	<u>\$ 56,701,407</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 522,753	\$ -	\$ 522,753
Interest payable	231,324	-	231,324
Compensated absences	21,167	-	21,167
Due to other funds	371,581	77,632	449,213
Notes payable	2,500,000	-	2,500,000
State Department of Environmental Quality Loans	<u>1,590,996</u>	<u>-</u>	<u>1,590,996</u>
<b>Total current liabilities</b>	<u>5,237,821</u>	<u>77,632</u>	<u>5,315,453</u>
<b>Noncurrent liabilities:</b>			
Customer deposits payable	518,277	-	518,277
Compensated absences	21,367	-	21,367
State Department of Environmental Quality Loans	<u>32,038,982</u>	<u>-</u>	<u>32,038,982</u>
<b>Total noncurrent liabilities payable</b>	<u>32,578,626</u>	<u>-</u>	<u>32,578,626</u>
<b>Total Liabilities</b>	<u>37,816,447</u>	<u>77,632</u>	<u>37,894,079</u>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	12,537,061	-	12,537,061
Restricted for debt service	2,586,606	-	2,586,606
Unrestricted	<u>3,614,557</u>	<u>69,104</u>	<u>3,683,661</u>
<b>Total Net Assets</b>	<u>18,738,224</u>	<u>69,104</u>	<u>18,807,328</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 56,554,671</u>	<u>\$ 146,736</u>	<u>\$ 56,701,407</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2012

	<u>Water/Sewer Authority</u>	<u>Sanitation Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 4,403,189	\$ 942,135	\$ 5,345,324
Other revenues	<u>473,922</u>	<u>-</u>	<u>473,922</u>
Total Operating Revenues	<u>4,877,111</u>	<u>942,135</u>	<u>5,819,246</u>
Operating Expenses:			
Personal Services	610,142	-	610,142
Operating supplies and expenses	265,940	-	265,940
Contract services and other charges	1,362,075	842,942	2,205,017
Depreciation	<u>1,582,179</u>	<u>-</u>	<u>1,582,179</u>
Total operating expenses	<u>3,820,336</u>	<u>842,942</u>	<u>4,663,278</u>
Operating income (loss)	<u>1,056,775</u>	<u>99,193</u>	<u>1,155,968</u>
Nonoperating revenues (expenses);			
Investment earnings	35,392	-	35,392
Interest and service charges on long-term debt	(846,463)	-	(846,463)
Seimens debt settlement forgiveness	<u>2,599,402</u>	<u>-</u>	<u>2,599,402</u>
Total nonoperating revenues (expenses)	<u>1,788,331</u>	<u>-</u>	<u>1,788,331</u>
Net Income Before Operating Transfers	2,845,106	99,193	2,944,299
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>2,845,106</u>	<u>99,193</u>	<u>2,944,299</u>
Net assets - beginning	<u>15,893,118</u>	<u>(30,089)</u>	<u>15,863,029</u>
Total net assets - ending	<u>\$ 18,738,224</u>	<u>\$ 69,104</u>	<u>\$ 18,807,328</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended September 30, 2012

	<u>Water and Sewer Authority</u>	<u>Sanitation Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,813,418	\$ 929,664	\$ 5,743,082
Payments to suppliers	(1,877,190)	(916,569)	(2,793,759)
Payments to employees	(614,641)	-	(614,641)
Net cash provided by (used for) operating activities	<u>2,321,587</u>	<u>13,095</u>	<u>2,334,682</u>
Cash flows from Noncapital financing activities:			
Transfers from other funds	-	-	-
Net cash provided (used) by noncapital financing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Principal paid on capital debt	(1,562,123)	-	(1,562,123)
Reduction in Seimens note payable	(2,058,913)	-	(2,058,913)
Proceeds from settlement of debt	2,058,913	-	2,058,913
Interest paid on capital debt	(846,463)	-	(846,463)
Net cash provided (used) by capital and related financing activities	<u>(2,408,586)</u>	<u>-</u>	<u>(2,408,586)</u>
Cash flows provided by (used for) investing activities:			
Interest received	35,392	-	35,392
Other investing activities	540,211	-	540,211
Net cash provided by investing activities	<u>575,603</u>	<u>-</u>	<u>575,603</u>
Net increase (decrease) in cash and cash equivalents	488,604	13,095	501,699
Cash and cash equivalents at beginning of year	<u>6,371,298</u>	<u>15,977</u>	<u>6,387,275</u>
Cash and cash equivalents at end of year	<u>\$ 6,859,902</u>	<u>\$ 29,072</u>	<u>\$ 6,888,974</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (Loss)	<u>\$ 1,056,775</u>	<u>\$ 99,193</u>	<u>\$ 1,155,968</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,582,179	-	1,582,179
(Increase) decrease			
Accounts receivable, net	(63,982)	(8,544)	(72,526)
Due from other funds	8,848	-	8,848
Increase (decrease)			
Accounts payable	(57,042)	(77,554)	(134,596)
Interest payable	(318,497)	-	(318,497)
Customer deposits	72,912	-	72,912
Due to other funds	45,349	-	45,349
Compensated absences	(4,499)	-	(4,499)
Sales tax payable	(456)	-	(456)
	<u>1,264,812</u>	<u>(86,098)</u>	<u>1,178,714</u>
Net cash provided by operating activities	<u>\$ 2,321,587</u>	<u>\$ 13,095</u>	<u>\$ 2,334,682</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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.

JOINTLY GOVERNED ORGANIZATIONS

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

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

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 reported using the economic 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 government 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.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Storm Water Construction Fund - This fund accounts for federal funds received from the U. S. Army Corps of Engineers to make improvements to the drainage system.

The government reports the following major proprietary fund:

Water and Sewer Authority Fund - This fund accounts for the activities of the Authority which include the operation of the sewage treatment plant, sewage pumping stations and collection systems, the water distribution system, and 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 - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Capital Projects Funds - Capital Project 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.

**FIDUCIARY FUNDS**

Agency Funds - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the Water and Sewer Authority are charges to customers for services. The Authority also recognizes sanitation fees as operating revenue. Operating expenses for the Authority 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. CASH AND CASH EQUIVALENT

The City's 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 consists 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 costs.

E. INVESTMENTS

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

Investments are reported at fair value.

F. RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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" are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are not offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

H. 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.

I. 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.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 primary government is depreciated using the straight line method over the following estimated useful lives:

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

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

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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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 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, 2012, accumulated unpaid vacation of \$450,196 was reported for the General Government and \$42,535 was reported for the Proprietary Fund.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. BONDS DISCOUNTS, BOND PREMIUMS AND ISSUANCE COSTS

In the governmental funds, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding using the straight line method. Bond premiums and discounts are shown as "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding using the straight line method.

M. FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions.

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

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

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

Committed - This component consist 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 as established in the City's Fund Balance Policy.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - This classification represents amounts that have not been restricted, committed or assigned to 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

The financial statements of the various funds reflect the accrual of the estimated 2012 tax levy. The property tax revenues include adjustments of prior years' estimates of taxes receivable and receipt of property taxes from years previously fully reserved.

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 revenues for financial reporting purposes.

P. EXPENDITURES

Expenditures are recognized when the related fund liability is incurred.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. USE OF ESTIMATE

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, liabilities, and disclosures. 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 15, 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.
5. Budgets for the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Trust funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end.

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. Individual amendments were not material in relation to the original appropriations. 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 now 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 entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The carrying amount of the City's deposits with financial institutions in the governmental activities, and the business-type activities funds was \$6,181,322, and \$6,889,024, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$9,965,463 and Restricted Assets - \$3,104,883. The Restricted Assets represent the cash balance in the debt service fund which is legally restricted and may not be used for purposes that support the City's programs.

*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, 2012, none of the City's bank balance of \$13,418,722 was exposed to custodial credit risk.

*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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2012, none of the City's bank balance of \$13,418,722 was exposed to custodial credit risk.

*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, 2012, the City had no investments.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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:

<u>Receivables:</u>	<u>General</u>	<u>Capital Project Stormwater</u>	<u>Water and Sewer Authority</u>	<u>Sanitation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Taxes	\$ 24,085	\$ -	\$ -	\$ -	\$ 32,559	\$ 56,644
Accounts	416,546	-	604,363	121,592	128,070	1,270,571
Intergovernmental	-	37,290	-	-	4,639	41,929
Gross receivables	<u>440,631</u>	<u>37,290</u>	<u>604,363</u>	<u>121,592</u>	<u>165,268</u>	<u>1,369,144</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(84,987)</u>	<u>(3,927)</u>	<u>-</u>	<u>(88,914)</u>
Net Total Receivables	<u>\$ 440,631</u>	<u>\$ 37,290</u>	<u>\$ 519,376</u>	<u>\$ 117,665</u>	<u>\$ 165,268</u>	<u>\$ 1,280,230</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water/sewer authority	\$ 325,165
	Stormwater Construction	567,501
	Non Major Funds	454,009
Stomwater Construction	Major Funds	173,212
Non-Major	General Fund	54,382
Water/Sewer Authority	General Fund	503,809
	Non Major Funds	<u>203</u>
Total		<u>\$ 2,078,281</u>

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

<u>Transfer Out:</u>	<u>Transfer In:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	
General fund	\$ 49,981	\$ -	\$ 49,981
Capital project fund	-	<u>49,981</u>	<u>49,981</u>
Total	<u>\$ 49,981</u>	<u>\$ 49,981</u>	<u>\$ 99,962</u>

Operating transfers arise primarily from the Board of Selectman moving money to the proper fund for expenditures.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets reported for the General Government:

	Balance 10/01/2011	Addition	Retirements	Adjustments	Balance 9/30/2012
Non-depreciable capital assets:					
Land	\$ 756,288	\$ -	\$ -	\$ -	\$ 756,288
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>756,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,288</u>
Depreciable capital assets:					
Buildings	10,458,159	-	-	-	10,458,159
Improvements other than building	-	147,581	-	-	147,581
Furniture and equipment	2,625,593	8,780	-	-	2,634,373
Mobile equipment	3,251,410	130,295	-	-	3,381,705
Infrastructure	6,714,279	-	-	-	6,714,279
Total depreciable capital assets	<u>23,049,441</u>	<u>286,656</u>	<u>-</u>	<u>-</u>	<u>23,336,097</u>
Less accumulated depreciation:					
Buildings	3,308,235	149,534	-	-	3,457,769
Improvements other than buildings	-	7,379	-	-	7,379
Furniture and equipment	1,792,298	129,790	-	-	1,922,088
Mobile equipment	2,921,239	126,741	-	-	3,047,980
Infrastructure	1,717,716	335,714	-	-	2,053,430
Total accumulated depreciation	<u>9,739,488</u>	<u>749,158</u>	<u>-</u>	<u>-</u>	<u>10,488,646</u>
Total depreciable capital assets, net	<u>13,309,953</u>	<u>(462,502)</u>	<u>-</u>	<u>-</u>	<u>12,847,451</u>
Governmental activities capital assets, net	<u>\$ 14,066,241</u>	<u>\$ (462,502)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,603,739</u>

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

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets reported for the Proprietary Fund:

	Balance 10/01/2011	Addition	Retirements	Adjustments	Balance 9/30/2012
Non-depreciable capital assets:					
Land	\$ 43,925	\$ -	\$ -	\$ -	\$ 43,925
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>43,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,925</u>
Depreciable capital assets:					
Buildings	410,629	-	-	-	410,629
Equipment	666,191	-	-	-	666,191
Mobile equipment	556,102	-	-	-	556,102
Infrastructure	59,879,694	-	-	-	59,879,694
Total depreciable capital assets	<u>61,512,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,512,616</u>
Less accumulated depreciation:					
Buildings	321,365	223	-	-	321,588
Equipment	622,566	15,511	-	-	638,077
Mobile equipment	531,469	7,452	-	-	538,921
Infrastructure	9,832,146	1,558,993	-	-	11,391,139
Total accumulated depreciation	<u>11,307,546</u>	<u>1,582,179</u>	<u>-</u>	<u>-</u>	<u>12,889,725</u>
Total depreciable capital assets, net	<u>50,205,070</u>	<u>(1,582,179)</u>	<u>-</u>	<u>-</u>	<u>48,622,891</u>
Business- type activities capital assets, net	<u>\$ 50,248,995</u>	<u>\$ (1,582,179)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,666,816</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.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 37,601
Public safety	219,996
Public works	264,685
Health and welfare	46,839
Culture and recreation	<u>180,037</u>
Total depreciation expense - governmental activities	\$ <u>749,158</u>
Business-type activities:	
Water and Sewer	\$ <u>1,582,179</u>
Total depreciation expense - business-type activities	\$ <u>1,582,179</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 7 - LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

GOVERNMENTAL ACTIVITIES

During the year ended September 30, 2012, the following changes occurred in liabilities reported for the General Government:

	Balance <u>Oct. 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Sept. 30, 2012</u>	Amount due <u>Within one year</u>
Compensated absences	\$ 535,749	\$ 139,545	\$ 225,098	\$ 450,196	\$ 225,098
General obligation bonds	3,235,000	-	245,000	2,990,000	175,000
Note payable	27,463	-	-	27,463	13,364
Tax anticipation note	-	400,000	-	400,000	198,743
Capital lease obligation	<u>47,420</u>	<u>-</u>	<u>47,420</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,845,632</u>	<u>\$ 539,545</u>	<u>\$ 517,518</u>	<u>\$ 3,867,659</u>	<u>\$ 612,205</u>

**General Obligation Bonds, Obligations Under Capital Leases, and Notes Payable**

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

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

**1. General Obligation Bonds Payable**

The outstanding General Obligation Bonds are as follows as of September 30, 2012.

On July 15, 2004, the Mayor and Board of Selectmen authorized the issuance of \$2,000,000 in general obligation bonds with interest rates of 4.0% to 5.25% maturing in fiscal year 2024. Proceeds from these bonds were used for capital improvements. This debt will be retired from the City's General Obligation Bond Fund.	\$ 1,570,000
On January 10, 2006, the Mayor and Board of Selectmen authorized the issuance of \$2,000,000 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.	<u>1,420,000</u>
Total General Obligation Bonds	<u>\$ 2,990,000</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 7- LONG-TERM DEBT(Continued)

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

Fiscal year ending September 30	Principal	Interest	Total
2013	\$ 175,000	\$ 128,935	\$ 303,935
2014	180,000	119,746	299,746
2015	190,000	110,296	300,296
2016	200,000	101,571	301,571
2017	210,000	92,279	302,279
2018-2022	1,195,000	324,105	1,519,105
2023-2026	840,000	74,195	914,195
Total	<u>\$ 2,990,000</u>	<u>\$ 951,127</u>	<u>\$ 3,941,127</u>

**2. Notes Payable**

The outstanding Notes Payable are as follows as of September 30, 2012.

	Amount Outstanding
On August 08, 2008 the City entered into a sales contract agreement in the amount of \$- with an interest rate of 4.607% maturing October 01, 2011. A down payment of \$25,000 was made from the water/sewer fund upon the execution of the agreement. The agreement was made to purchase new accounting software. The cost of the software is shared equally (50-50) between the City's general fund and water/sewer fund. This debt will be retired from the general fund.	\$ 27,463
On September 04, 2012 the City executed a promissory tax anticipation noted agreement with Pike National Bank in the amount of \$400,000 with an interest rate of 1.140% maturing September 30, 2014. This debt will be retired from the general fund.	<u>400,000</u>
	<u>\$ 427,463</u>

Annual debt service requirements to maturity for the note for the General Government are as follows:

Fiscal year ending September 30	Principal	Interest	Total
2013	\$ 27,357	\$ 1,443	\$ 28,800
2014	106	5	111
Total	<u>\$ 27,463</u>	<u>\$ 1,448</u>	<u>\$ 28,911</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

**3. Note Payable (Continued)**

Annual debt service requirements to maturity for the note for the General Government at September 30, 2012, were as follows:

	Fiscal year ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2013	\$ 198,743	\$ 3,773	\$ 202,516
	2014	<u>201,257</u>	<u>1,259</u>	<u>202,516</u>
Total		<u>\$ 400,000</u>	<u>\$ 5,032</u>	<u>\$ 405,032</u>

B. BUSINESS-TYPE ACTIVITIES

During the year ended September 30, 2012, the following changes occurred in liabilities reported for the Proprietary Fund:

	Balance <u>Oct. 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Sept. 30, 2012</u>	Amount due <u>Within one year</u>
Compensated absences	\$ 47,034	\$ 21,268	\$ 25,767	\$ 42,535	\$ 21,167
Note payable	4,558,913	-	2,058,913	2,500,000	2,500,000
Water pollution revolving loan (DEQ)	<u>35,192,101</u>	<u>-</u>	<u>1,562,123</u>	<u>33,629,978</u>	<u>1,590,996</u>
Total	<u>\$39,798,048</u>	<u>\$ 21,268</u>	<u>\$ 3,646,803</u>	<u>\$ 36,172,513</u>	<u>\$ 4,112,163</u>

The following is outstanding debt related to Business-Type Activities as of September 30, 2012.

**1. Water Pollution Control Revolving Loan**

The City has obtained financing through the Mississippi Commission on Environmental Quality, Water Pollution Control State Revolving Fund Program for the construction of a new water treatment plant project. The City will be charged \$156,270 for administrative services of the loans. These costs will be reflected as "other asset" and will be amortized over the lives of the loan upon completion of the construction phase of the project.

The City has two (2) loans under the State Water Pollution Control Revolving Fund. All payments will be withheld monthly from sales tax remittances of the City. The proceeds of these loan will be used for the construction at the East/West Lagoon for a pump station and force main and a new wastewater treatment plant.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

<b>a. East/West Lagoon Pump Station and Force Main</b>	<u>Loan Number</u>	<u>Outstanding Balance at Sept. 30, 2011</u>
<p>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 proprietary fund.</p>	<p>Loan # SRFC280909-01</p>	<p>\$ 2,078,120</p>
<b>b. Wastewater Treatment Plant</b>		
<p>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 proprietary fund.</p>	<p>Loan # SRFC280909-02</p>	<p style="border-bottom: 1px solid black;">31,551,858</p> <p style="border-bottom: 3px double black;">\$ 33,629,978</p>

Annual debt service requirements to maturity for water pollution control revolving loans SRF-C280909-01 for the Proprietary Fund are as follows:

<u>Fiscal year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	102,215	55,866	158,081
2014	105,061	53,020	158,081
2015	107,987	50,094	158,081
2016	110,995	47,086	158,081
2017	114,086	43,995	158,081
2018 - 2022	620,897	169,509	790,406
2023 - 2027	711,156	79,250	790,406
2028 - 2029	205,723	11,979	217,702
	\$ 2,078,120	510,799	\$ 2,588,919

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for water pollution control revolving loans SRF-C280909-02 for the Proprietary Fund are as follows:

Fiscal year ending September 30	Principal	Interest	Total
2013	1,488,481	540,257	2,028,738
2014	1,514,740	513,998	2,028,738
2015	1,541,461	487,277	2,028,738
2016	1,568,654	460,084	2,028,738
2017	1,596,327	432,411	2,028,738
2018 - 2022	8,414,116	1,729,574	10,143,690
2023 - 2027	9,182,936	960,754	10,143,690
2028 - 2030	<u>6,245,143</u>	<u>179,192</u>	<u>6,424,335</u>
	<u>\$ 31,551,858</u>	<u>5,303,547</u>	<u>\$ 36,855,405</u>

**2. Note Payable - Short-Term**

The outstanding note payable is as follows as of September 30, 2012

	Amount <u>Outstanding</u>
On December 11 2012, the City entered into a settlement agreement with Siemens Financial Services in order to settlement an original debt of \$4,558.913 for a master lease-purchase agreement with an original maturing date of January 2021. The settlement agreement reduced the outstanding debt to \$2,500,000 to be paid in one (1) lump sum payment upon the complete execution of the settlement agreement.lease-purchase agreement. This debt will be retired from the water and sewer authority proprietary fund.	<u>\$ 2,500,000</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

COMPENSATED ABSENCES

In addition to the above mentioned debts the City of McComb, Mississippi has recorded a debt of \$450,196 for the general government and \$42,535 for the proprietary fund 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 Proprietary Fund, respectively, at some point in the future.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

**1. Public Employees' Retirement System**

*A. Plan Description and Provisions*

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

*B. Plan Funding Policy*

PERS members are required to contribute 9.00% of their annual covered salary and the City of McComb, Mississippi is required to contribute at an actuarially determined rate. This rate was 12.00% of annual covered payroll until December 31, 2011. Effective January 1, 2012, the employer's contribution rate remained at 12.93%. This change was made during the municipal fiscal year 2012 budget year. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of McComb, Mississippi contributions to PERS for the years ended September 30, 2012, 2011, and 2010 were \$740,319, \$674,883, and \$676,473, respectively, equal to the required contributions for each year.

*C. Trend Information*

Ten year historical information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS' June 30, 2012, comprehensive annual financial report.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

**2. Mississippi Municipal Retirement System**

*A. Plan Description and Provisions*

The City of McComb, Mississippi also contributes to the Mississippi Municipal Retirement System of Mississippi ("MMRS"), a cost sharing, multi-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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

*B. Plan Funding Policy*

All MMRS members are retirees and the current rate is a 3.06 mills tax levy. The contribution requirements of MMRS members are established and may be amended only by the State of Mississippi Legislature. The City of McComb, Mississippi contributions to MMRS for the years ended September 30, 2012, 2011 and 2010 were \$322,127, \$311,911, and \$269,043, respectively, equal to the required contributions for each year.

*C. Basis of Accounting*

MMRS use 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.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

*D. Funding Status and Funding Progress*

The actuarial accrued liability is a measure intended to (a) help the users assess the plan's funding status on a going-concern basis, and (b) assess progress being made in accumulating sufficient assets to pay benefits when due. For the year ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future services was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

*E. Annual Pension Cost*

The City's annual pension cost and net pension asset for the current year calculated pursuant to GASB 27 is as follows:

Annual required contribution (ARC)	\$ 225,756
Interest cost	20,779
Adjustment to required contribution	<u>(6,024)</u>
Total annual pension cost	240,511
Less: contribution made	<u>(312,477)</u>
Increase (decrease) in net pension obligation	\$ <u><u>(71,966)</u></u>
Percentage of annual pension cost contributed	<u>138.4 %</u>
Net pension obligation at year end	\$ <u><u>267,023</u></u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2012. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets at 8% per year compounded annually, (b) projected salary increases of 4.5% - 6.00% per year compounded annually, attributable to inflation, and (c) additional projected salary increase of 3.5% per year compounded annually, attributable to seniority/merit. At September 30, 2012, the unfunded actuarial accrued liability was determined as follows:

<u>Actuarial Accrued Liability</u>	<u>In Thousands of Dollars</u>
Retirees and beneficiaries currently receiving benefits	\$ 3,822
Active members	-
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	<u>3,822</u>
Actuarial Value of Assets	<u>1,050</u>
Unfunded Actuarial Accrued Liability	<u><u>\$ 2,772</u></u>

During the year ended September 30, 2012, the plan experienced a net change of \$(443) thousand in the actuarial accrued liability.

NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL

The City adopted GASB Statement 54 during the year ended September 30, 2012 as such, fund balance of the governmental funds are classified by specific purpose as follows:

<u>Fund Balances:</u>	<u>General Fund</u>	<u>Stormwater Construction Funds</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Committed for:				
MESC fund	\$ -	-	207	\$ 207
Library support	-	-	10,600	10,600
Fire and Police D & R	-	-	46,188	46,188
Animal Shelter	-	-	58	58
Cemetery fund	-	-	190,461	190,461
Other nonmajor funds special revenue funds	-	-	5,723	5,723
Hotel/Motel Sports Project	-	-	466,234	466,234
Debt service	-	-	286,171	286,171
	<u>-</u>	<u>-</u>	<u>1,005,642</u>	<u>1,005,642</u>
Restricted for:				
Public safety	-	-	254,027	254,027
Public works	-	(170,812)	268,836	98,024
Parks and recreations	-	-	108,114	108,114
	<u>-</u>	<u>(170,812)</u>	<u>630,977</u>	<u>460,165</u>
Unassigned:				
Other purposes	4,046,186	-	-	4,046,186
Total Fund Balances	<u>\$ 4,046,186</u>	<u>(170,812)</u>	<u>1,636,619</u>	<u>\$ 5,511,993</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 10 - OTHER INFORMATION

RISK MANAGEMENT

The government is exposed to various risk 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. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**1. Contingent Liabilities:**

A. Litigation

As of September 30, 2012, the City has been named in several law suits. 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 - PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made to beginning net assets:

	Governmental Activity
Net asset beginning of year	\$ 12,155,064
To adjust beginning net asset for under statement of prior year unfunded pension liability.	<u>(11,654)</u>
Net asset balance as restated	<u>\$ 12,143,410</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year 2011 the City implemented the following GASB pronouncements:

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is effective for fiscal periods beginning after June 15, 2010. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental type definitions.

In June 2011, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2011. In conjunction with the 2011 fiscal year audit, a review was made relating to the requirements of this statement. As a result of this review, this statement had no significant impact on the City's financial statements.

The City will adopt the following new accounting pronouncements in future years:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is intended to improve financial reporting by establishing recognition, measurement and disclosure requirements for service concession arrangements (SCA). The requirements of this Statement are effective for financial statements whose periods begin after December 15, 2011.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The requirements of Statements No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*, are amended to better meet user needs and to address reporting entity issues relating to component units. This Statement modifies current requirements for assessing potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. Application is effective for financial statements whose periods begin after June 15, 2012.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain pronouncements issued on or before November 30, 1989. Requirements of this Statement are effective for financial statements whose periods begin after December 15, 2011.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The intent of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This Statement is effective for financial statements whose periods begin after December 15, 2011.

CITY OF McCOMB, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2012

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement amends Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. It is intended to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider is replaced. This Statement is effective for financial statements whose periods begin after June 15, 2011.

The impact of these pronouncements on the City's financial statements has not been determined

NOTE 13 - SUBSEQUENT EVENTS

During December 2012, the City executed a settlement agreement with Seimens Financial Services for a master lease-purchase agreement entered into in January 2010 in the amount of \$4,558,913 with an interest rate of 4.42%, maturing January 2021. The settlement agreement reduced the outstanding debt to \$2,500,000 to be paid in one (1) lump sum payment upon the complete execution of the settlement agreement. This settlement agreement resulted from a dispute over certain capital equipment for the City's utility fund.

Subsequent events have been evaluated through February 8, 2013, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF McCOMB, MISSISSIPPI  
 Required Supplementary Information  
 Employees' Retirement Systems  
 Schedule of Funding Progress  
 September 30, 2012

**Public Safety Employees Retirement System**

(Dollar Amounts Expressed in Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
09/30/07	\$ 1,480	\$ 3,670	40.3%	\$ 2,190	-	N/A
09/30/08	1,449	3,909	37.1%	2,460	-	N/A
09/30/09	1,306	3,998	32.7%	2,692	-	N/A
09/30/10	1,177	3,960	29.7	2,783	-	N/A
09/30/11	1,135	3,517	32.3	2,382	-	N/A
09/30/12	1,050	3,822	27.5	2,772	-	N/A

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS -NONMAJOR GOVERNMENTAL FUNDS**

CITY OF McCOMB, MISSISSIPPI  
Nonmajor Governmental Funds  
September 30, 2012

***SPECIAL REVENUES FUNDS***

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures 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.

**Fire Protection Fund** - This fund is used to account for state fire insurance premium refunds which are legally restricted for use in fire protection.

**MESC Fund** - This fund is used to account for employees unemployment insurance.

**Edward Byrnes JAG Grant** - This fund is used to account for federal grant funds received from the U. S. Department of Justice, Office of Justice Programs.

**Federal Highway Resurfing ARRA Grant** - This fund is used to account for expenditures related to the City's street resurfing projects.

**Library Support Fund** - This fund is used to account for property taxes levied for Library support.

**Crime Stoppers and Occupant Protection Fund** - This fund is used to account for law enforcement grants activities.

**Parks and Recreation Fund** - This fund is used to account for donations that are specifically restricted for use in recreation in the City.

**Police Forfeiture and Seizure Fund** - This fund is used to account for cash forfeitures and is legally restricted in use for public safety purposes.

**Fire and Police Disability and Relief Fund** - This fund is used to account for taxes levied for special police and fire retirement. This fund is legally restricted to be used only to make contributions as mandated by the State of Mississippi Public Employees Retirement System.

**Animal Shelter Fund** - This fund is used to account for contributions received by the City which are restricted in their use to the animal shelter.

**Pearl River Basin Grant** - This fund is used to account for pass through recreational funds received from Pike County Board of Supervisors, received from the Pearl River Basin Development District.

**Police Donation Fund** - This fund is used to account for contributions made to the police department.

**Urban Youth Corp Grant** - This fund is used to account for Youth Corp. grant funds.

**USDA Facility Grant** - This fund is used to account for street improvements.

**Miracle League Fund** - This fund is used to account for public donated funds to construct a baseball field for disabled individuals.

CITY OF McCOMB, MISSISSIPPI  
Nonmajor Governmental Funds  
September 30, 2012

**Regional Response Team Grant Fund** - This fund is used to account for Domestic Preparedness grant funds used to train personnel and operate the Regional Response Team.

**Cemetery Fund** - This fund is used to account for proceeds received from the sale of cemetery plots and the upkeep of the cemetery.

**Community Relations and Tourism Fund** - This fund is used to account for sales tax revenues received from the operation of local hotels and motels to promote economic and community development.

**Brownfield Assessment and Cleanup Cooperative Grant** - This fund is used to account for the costs of conducting environmental assessments and remediations under the Environmental Protection Agency (EPA) Program.

**Economic Study - Rick Duke Fund** - This fund is used to account for the cost associated with an economic study.

**DUI Enforcement Grant** - This fund is used to account for grant expenditures associated with the cost of law enforcement of DUI laws in the state of Mississippi.

***DEBT SERVICE FUNDS***

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt services funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

**City General Obligation Bond Fund** - This fund is used to account for repayment of general obligation bonds of the City.

***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.

**Stormwater Construction Fund** - This fund is used to account for the funds used for the construction of a stormwater system.

**STP- Pearl River Light Fund** - This fund is used to account for expenditures related to providing lighting for the Pearl River Basin area.

**National Resource Conservation Service Watershed Protection Project** - This fund is used to account for grant expenditures related to secure easements.

**Hotel/Motel Tax Fund** - This fund is used to account for the construction of baseball field number 2 and 3 for the Sports Complex.

**Fire Station Project** - This fund is used to account for rehabilitation cost for the fire station.

CITY OF MCCOMB, MISSISSIPPI  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 September 30, 2012

	Fire Protection	MESC Fund	JAG Grant	Federal Highway Resurfing Grant ARRA	Library Support	Crime Stoppers & Occupant Protection	Parks and Recreation Fund	Police Forfeiture and Seizure Fund	Fire & Police D & R	Animal Shelter	Pearl River Basin Grant	Police Donation Fund	Urban Youth Corp Grant	USDA Facility Grant	Miracle League Fund	Regional Response Team Fund	Cemetery Fund	Other Nonmajor Funds	Total Special Revenue Funds	
Cash in treasury acct.	\$ 184,509	\$ 35,678	\$ 640	\$ 15,836	\$ 11,119	\$ 7,584	\$ 109,087	\$ 3,400	\$ 72,988	\$ 1,050	\$ 57,814	\$ 1,556	\$ 9,917	\$ 6,956	\$ 6,715	\$ 65,020	\$ 190,461	\$ (1,800)	\$ 778,540	
Taxes receivable	-	-	-	-	519	-	-	-	2,373	-	-	-	32,127	-	-	59,104	-	4,846	7,738	
Accounts receivable	-	-	-	-	-	1,492	-	-	-	-	-	35,347	-	-	-	-	-	-	128,070	
Due from other funds	-	-	-	-	-	-	421	-	-	-	-	-	42,044	-	-	124,124	-	10,212	10,633	
Total assets	\$ 184,509	\$ 35,678	\$ 640	\$ 15,836	\$ 11,638	\$ 9,076	\$ 109,508	\$ 3,400	\$ 75,371	\$ 1,050	\$ 57,814	\$ 36,903	\$ 42,044	\$ 6,956	\$ 6,715	\$ 124,124	\$ 190,461	\$ 13,258	\$ 924,981	
Accounts payable and accrued liabilities	\$ 1,499	\$ 35,471	\$ 8	\$ -	\$ 495	\$ -	\$ 1,294	\$ -	\$ 11,289	\$ 968	\$ -	\$ 540	\$ -	\$ -	\$ -	\$ 2,418	\$ -	\$ (260)	\$ 53,732	
Due to other funds	-	-	-	-	543	7,172	100	-	17,884	24	-	34,807	32,127	6,933	-	82,934	-	7,795	190,319	
Total Liabilities	\$ 1,499	\$ 35,471	\$ 8	\$ -	\$ 1,038	\$ 7,172	\$ 1,394	\$ -	\$ 29,183	\$ 992	\$ -	\$ 35,347	\$ 32,127	\$ 6,933	\$ -	\$ 85,352	\$ -	\$ 7,535	\$ 244,051	
Fund balance	\$ 185,010	\$ 207	\$ 632	\$ 15,836	\$ 10,600	\$ 1,904	\$ 108,114	\$ 3,400	\$ 46,188	\$ 58	\$ 57,814	\$ 1,556	\$ 9,917	\$ 23	\$ 6,715	\$ 38,772	\$ 190,461	\$ 5,723	\$ 253,237	
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	427,693
Restricted	\$ 185,010	\$ 207	\$ 632	\$ 15,836	\$ 10,600	\$ 1,904	\$ 108,114	\$ 3,400	\$ 46,188	\$ 58	\$ 57,814	\$ 1,556	\$ 9,917	\$ 23	\$ 6,715	\$ 38,772	\$ 190,461	\$ 5,723	\$ 680,930	
Total fund balances	\$ 184,509	\$ 35,678	\$ 640	\$ 15,836	\$ 11,638	\$ 9,076	\$ 109,508	\$ 3,400	\$ 75,371	\$ 1,050	\$ 57,814	\$ 36,903	\$ 42,044	\$ 6,956	\$ 6,715	\$ 124,124	\$ 190,461	\$ 13,258	\$ 924,981	
Total liabilities and fund balance																				

CITY OF MCCOMB, MISSISSIPPI  
 Combining Balance Sheet (Continued)  
 Nonmajor Governmental Funds  
 September 30, 2012

	Debt Service Fund	Capital Project Funds							Total Capital Project Funds	Total Nonmajor Governmental Funds
		Total all Special Revenue Funds	City General Obligation Bond Fund	STP - Pearl River Light	Hotel Tax Sports Complex Project	NRCS Watershed Protection Project	Fire Station Project	Total Capital Project Funds		
Cash in treasury accounts	\$ 778,540	\$ 283,001	\$ 154,658	\$ 446,829	\$ -	\$ 48,781	\$ 650,268	\$ 1,711,809		
Intergovernmental receivable	-	-	4,639	-	-	-	4,639	4,639		
Taxes receivable	7,738	3,170	-	21,651	-	-	21,651	32,559		
Accounts receivable	128,070	-	-	-	-	-	-	128,070		
Note receivable	-	-	-	-	-	-	-	-		
Due from other funds	10,633	148,460	-	-	-	-	43,750	202,843		
<b>Total assets</b>	<b>\$ 924,981</b>	<b>\$ 434,631</b>	<b>\$ 159,297</b>	<b>\$ 468,480</b>	<b>\$ 43,750</b>	<b>\$ 48,781</b>	<b>\$ 720,308</b>	<b>\$ 2,079,920</b>		
Accounts payable and accrued liab.	\$ 53,732	\$ -	\$ 32,808	\$ 2,246	\$ -	\$ -	\$ 35,054	\$ 88,786		
Due to other funds	190,319	148,460	-	-	15,736	-	15,736	354,515		
<b>Total Liabilities</b>	<b>244,051</b>	<b>148,460</b>	<b>32,808</b>	<b>2,246</b>	<b>15,736</b>	<b>-</b>	<b>50,790</b>	<b>443,301</b>		
Fund balance	253,237	286,171	-	466,234	-	-	466,234	1,005,642		
Committed	427,693	-	126,489	-	28,014	48,781	203,284	630,977		
Restricted	680,930	286,171	126,489	466,234	28,014	48,781	669,518	1,636,619		
<b>Total fund balances</b>	<b>\$ 924,981</b>	<b>\$ 434,631</b>	<b>\$ 159,297</b>	<b>\$ 468,480</b>	<b>\$ 43,750</b>	<b>\$ 48,781</b>	<b>\$ 720,308</b>	<b>\$ 2,079,920</b>		
<b>Total liabilities and fund balance</b>										

**CITY OF MCCOMB, MISSISSIPPI**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**September 30, 2012**

	Special Revenue													Total Special Revenue Funds					
	Fire Protection	MESC Fund	JAG Grant	Federal Highway Resurficing Grant-ARRA	Library Support	Crime Stoppers & Occupant Protection	Parks and Recreation Fund	Police Fertilize and Seaweed Fund	Fires & Police D & R	Animal Shelter	Pearl River Basin Grant	Police Donation Fund	Urban Youth Corp Grant		USDA Facility Grant	Miracle League Fund	Regional Response Unit Fund	Cemetery Fund	Other Nonmajor Funds
<b>Revenues:</b>																			
Property taxes	\$ 66,653				\$ 68,648	\$ 3,832			\$ 313,816				\$ 32,127			\$ 235,833	\$ 550		\$ 382,464
State shared revenues			5,630		3,724				17,023			31,195						4,848	384,500
Federal shared revenues																			36,925
Local government revenues										1,000									1,000
Cemetery fees																	73,800		73,800
Fines and forfeits																			
Interest income	348	13						21				1,000							382
Contributions																			70,490
Other																			
<b>Total Revenues</b>	<b>67,001</b>	<b>13</b>	<b>5,630</b>		<b>72,372</b>	<b>3,832</b>		<b>21</b>	<b>330,839</b>	<b>1,050</b>		<b>32,195</b>	<b>32,127</b>			<b>235,833</b>	<b>74,350</b>	<b>4,848</b>	<b>929,551</b>
<b>Expenditures:</b>																			
Current:																			
Public safety	22,362		5,200			5,547				968		31,195	32,127			125,308	14,400		241,107
Public works																			135,814
Culture and recreation					66,828				51,761						17,225				293,287
Disability and relief funding																			4,848
Economic development																			
Debt Services:																			
Principal	47,420																		47,420
Interest	1,589																		1,589
Capital Outlays:																			
Public safety	4,078															107,029			111,107
Culture & recreation																			31,004
Cemetery			5,200		66,828	5,547				968		31,195	32,127		17,225	235,337	10,123		10,123
<b>Total Expenditures</b>	<b>75,449</b>		<b>5,200</b>		<b>66,828</b>	<b>5,547</b>			<b>82,765</b>	<b>968</b>		<b>31,195</b>	<b>32,127</b>		<b>17,225</b>	<b>235,337</b>	<b>24,523</b>	<b>4,848</b>	<b>876,299</b>
Excess (deficiency) of revenues over expenditures	(8,448)	13	430		5,544	(1,715)		21	(13,325)	82		1,000			(17,225)	(504)	49,827		53,252
Other financing sources (Uses):																			
Transfers in																			
Total other financing sources (uses)																			
Excess (deficiency) of revenues over expenditures and other sources (uses)	(8,448)	13	430		5,544	(1,715)		21	(13,325)	82		1,000			(17,225)	(504)	49,827		53,252
Fund balances, beginning of Year	191,458	194	202		15,836	3,619		3,379	121,439	(24)		556	9,917		23,940	35,276	140,634	5,723	627,678
Fund balance, end of Year	\$ 183,010	\$ 207	\$ 632		\$ 10,600	\$ 1,904		\$ 3,400	\$ 108,114	\$ 58		\$ 1,556	\$ 9,917		\$ 6,715	\$ 38,772	\$ 180,461	\$ 5,723	\$ 660,930

CITY OF MCCOMB, MISSISSIPPI  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 September 30, 2012

	Debt Service Fund		Capital Project Funds					Total Capital Project Funds	Total Nonmajor Governmental Funds
	Total all Special Revenue Funds	City General Obligation Bond Fund	STP - Pearl River Light	Hotel/Motel Tax Sports Complex Project	NRCS Watershed Protection Project	Fire Station Project			
<b>Revenues:</b>									
Property taxes	\$ 382,464	\$ 420,750	\$ -	\$ 222,143	\$ -	\$ -	\$ 222,143	\$ 1,025,357	
State shared revenues	364,590	22,729	393,557	-	-	-	393,557	780,876	
Federal shared revenues	36,825	-	-	-	-	-	-	36,825	
Local government revenues	1,000	-	-	-	-	-	-	1,000	
Cemetery fees	73,800	-	-	-	-	-	-	73,800	
Fines and forfeits	-	-	-	-	-	-	-	-	
Interest income	382	-	-	-	-	-	-	382	
Contributions	70,490	-	-	-	-	-	-	70,490	
Other	-	-	-	-	-	-	-	-	
<b>Total Revenues</b>	<b>929,551</b>	<b>443,479</b>	<b>393,557</b>	<b>222,143</b>	<b>-</b>	<b>-</b>	<b>615,700</b>	<b>1,988,730</b>	
<b>Expenditures:</b>									
<b>Current:</b>									
Public safety	241,107	-	-	-	-	1,200	1,200	242,307	
Public works	-	-	529,040	-	578	-	529,618	529,618	
Culture and recreation	135,814	-	-	-	-	-	-	135,814	
Employee benefits	293,287	-	-	-	-	-	-	293,287	
Economic development	4,848	-	-	-	-	-	-	4,848	
<b>Debt Services:</b>									
Principal	47,420	312,770	-	-	-	-	-	360,190	
Interest and fiscal charges	1,589	74,381	-	325	-	-	325	76,295	
<b>Capital Outlays:</b>									
Public safety	111,107	-	-	-	-	-	-	111,107	
Public works	-	-	-	-	-	-	-	-	
Culture and recreations	31,004	-	-	155,584	-	-	155,584	186,588	
Cemetery	10,123	-	-	-	-	-	-	10,123	
<b>Total Expenditures</b>	<b>876,299</b>	<b>387,151</b>	<b>529,040</b>	<b>155,909</b>	<b>578</b>	<b>1,200</b>	<b>686,727</b>	<b>1,950,177</b>	
Excess (deficiency) of revenues over expenditures	53,252	56,328	(135,483)	66,234	(578)	(1,200)	(71,027)	38,553	
Other financing sources (Uses):									
Proceeds- tax anticipation note	-	-	-	400,000	-	-	400,000	400,000	
Transfers in	-	-	-	-	-	49,981	49,981	49,981	
Transfers out	-	-	-	-	-	-	-	-	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>49,981</b>	<b>449,981</b>	<b>449,981</b>	
Excess (deficiency) of revenues over expenditures and other sources (uses)	53,252	56,328	(135,483)	466,234	(578)	48,781	378,954	488,534	
Fund balances, beginning of Year	627,678	229,843	261,972	-	28,592	-	290,564	1,148,085	
Fund balance, end of Year	<b>680,930</b>	<b>286,171</b>	<b>126,489</b>	<b>466,234</b>	<b>28,014</b>	<b>48,781</b>	<b>669,518</b>	<b>1,636,619</b>	

CITY OF McCOMB, MISSISSIPPI  
 Fire Protection Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

REVENUES	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
State shared revenues	\$ 65,620	\$ 65,620	\$ 66,653	\$ 1,033
Interest income	-	-	348	(348)
Total revenues	<u>65,620</u>	<u>65,620</u>	<u>67,001</u>	<u>685</u>
EXPENDITURES				
Current:				
Public Safety	8,200	28,200	22,362	5,838
Debt Service:				
Principal payment on debt	44,395	46,895	47,420	(525)
Interest and fiscal charges	4,613	7,113	1,589	5,524
Capital outlays	<u>8,200</u>	<u>8,200</u>	<u>28,268</u>	<u>(20,068)</u>
Total expenditures	<u>65,408</u>	<u>90,408</u>	<u>99,639</u>	<u>(9,231)</u>
Excess (deficiency) of revenues over expenditures	<u>212</u>	<u>(24,788)</u>	<u>(32,638)</u>	<u>(8,546)</u>
Net change in fund balances	212	(24,788)	(32,638)	(8,546)
Fund balance October 1, 2011	<u>191,458</u>	<u>191,458</u>	<u>191,458</u>	<u>-</u>
Fund balance September 30, 2012	<u>\$ 191,670</u>	<u>\$ 166,670</u>	<u>\$ 158,820</u>	<u>\$ (8,546)</u>

CITY OF McCOMB, MISSISSIPPI  
MESC Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other income	\$ -	\$ -	\$ 4	\$ 4
Total revenues	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
EXPENDITURES				
Current:				
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Net change in fund balances	-	-	4	4
Fund balance, October 1, 2011	<u>194</u>	<u>194</u>	<u>194</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 194</u>	<u>\$ 194</u>	<u>\$ 198</u>	<u>\$ 4</u>

CITY OF McCOMB, MISSISSIPPI  
Edward Brynes JAG Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grant Funds	\$ -	\$ 11,260	\$ 5,630	\$ (5,630)
Total revenues	<u>-</u>	<u>11,260</u>	<u>5,630</u>	<u>(5,630)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	11,980	5,200	6,780
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>11,980</u>	<u>5,200</u>	<u>6,780</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(720)</u>	<u>430</u>	<u>1,150</u>
Net change in fund balances	-	(720)	430	1,150
Fund balance, October 1, 2011	<u>202</u>	<u>202</u>	<u>202</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 202</u>	<u>\$ (518)</u>	<u>\$ 632</u>	<u>\$ 1,150</u>

CITY OF McCOMB, MISSISSIPPI  
 Federal Highway Resurfing Grant ARRA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State shared revenue	\$ -	\$ -	\$ -	\$ -
Local matching funds	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	-	-
Capital outlays				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, October 1, 2011	<u>15,836</u>	<u>15,836</u>	<u>15,836</u>	<u>-</u>
Fund balances, September 30, 2012	<u>\$ 15,836</u>	<u>\$ 15,836</u>	<u>\$ 15,836</u>	<u>\$ -</u>

CITY OF McCOMB, MISSISSIPPI  
 Library Support Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 63,728	\$ 67,728	\$ 68,648	\$ 920
State grants	-	-	3,724	3,724
Total revenues	<u>63,728</u>	<u>67,728</u>	<u>72,372</u>	<u>4,644</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>63,728</u>	<u>68,728</u>	<u>66,828</u>	<u>1,900</u>
Total expenditures	<u>63,728</u>	<u>68,728</u>	<u>66,828</u>	<u>1,900</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,000)</u>	<u>5,544</u>	<u>6,544</u>
Net change in fund balances	-	(1,000)	5,544	6,544
Fund balance, October 1, 2011	<u>5,056</u>	<u>5,056</u>	<u>5,056</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 5,056</u>	<u>\$ 4,056</u>	<u>\$ 10,600</u>	<u>\$ 6,544</u>

CITY OF McCOMB, MISSISSIPPI  
 Crime Stoppers and Occupant Protection Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grant revenues	\$ -	\$ 5,000	\$ 3,832	\$ (1,168)
Contributions	-	-	-	-
Total revenues	<u>-</u>	<u>5,000</u>	<u>3,832</u>	<u>(1,168)</u>
EXPENDITURES				
Current:				
Public safety	-	9,121	5,547	3,574
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>9,121</u>	<u>5,547</u>	<u>3,574</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(4,121)</u>	<u>(1,715)</u>	<u>2,406</u>
Net change in fund balances	-	(4,121)	(1,715)	2,406
Fund balance, October 1, 2011	<u>3,619</u>	<u>3,619</u>	<u>3,619</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 3,619</u>	<u>\$ (502)</u>	<u>\$ 1,904</u>	<u>\$ 2,406</u>

CITY OF McCOMB, MISSISSIPPI  
DUI Enforcement Grant Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grant revenues	\$ -	\$ 37,554	\$ 31,195	\$ (6,359)
Contributions	-	-	-	-
Total revenues	<u>-</u>	<u>37,554</u>	<u>31,195</u>	<u>(6,359)</u>
EXPENDITURES				
Current:				
Public safety	-	37,554	31,195	6,359
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>37,554</u>	<u>31,195</u>	<u>6,359</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, October 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF McCOMB, MISSISSIPPI  
Parks and Recreation Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Recreation fees	\$ 48,500	\$ 48,500	\$ 69,440	\$ 20,940
Other	-	-	666	666
Total revenues	<u>48,500</u>	<u>48,500</u>	<u>70,106</u>	<u>21,606</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>48,500</u>	<u>98,500</u>	<u>82,767</u>	<u>15,733</u>
Total expenditures	<u>48,500</u>	<u>98,500</u>	<u>113,771</u>	<u>(15,271)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(50,000)</u>	<u>(43,665)</u>	<u>6,335</u>
Net change in fund balances	-	(50,000)	(43,665)	6,335
Fund balance, October 1, 2011	<u>121,439</u>	<u>121,439</u>	<u>121,439</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 121,439</u>	<u>\$ 71,439</u>	<u>\$ 77,774</u>	<u>\$ 6,335</u>

CITY OF McCOMB, MISSISSIPPI  
 Police Forfeiture and Seizure Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeits	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	56	56
Total revenues	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Capital Outlay				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
Net change in fund balances	-	-	56	56
Fund balance, October 1, 2011	<u>3,379</u>	<u>3,379</u>	<u>3,379</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 3,379</u>	<u>\$ 3,379</u>	<u>\$ 3,435</u>	<u>\$ 56</u>

CITY OF McCOMB, MISSISSIPPI  
 Fire and Police Disability and Relief Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

REVENUES	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 306,723	\$ 306,723	\$ 313,816	\$ 7,093
State shared revenues	-	-	34,046	34,046
Total revenues	<u>306,723</u>	<u>306,723</u>	<u>347,862</u>	<u>41,139</u>
EXPENDITURES				
Current:				
Contributions to State PERS	<u>306,723</u>	<u>316,723</u>	<u>293,287</u>	<u>23,436</u>
Total expenditures	<u>306,723</u>	<u>316,723</u>	<u>293,287</u>	<u>23,436</u>
Excess (deficiency) of revenues over expenditures	-	(10,000)	54,575	64,575
Net change in fund balances	-	(10,000)	54,575	64,575
Fund balance, October 1, 2011	<u>8,636</u>	<u>8,636</u>	<u>8,636</u>	-
Fund balance, September 30, 2012	<u>\$ 8,636</u>	<u>\$ (1,364)</u>	<u>\$ 63,211</u>	<u>\$ 64,575</u>

CITY OF McCOMB, MISSISSIPPI  
Brownfield Assessment Grant  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

REVENUES	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
State shared revenues	\$ -	\$ 400,000	\$ 4,847	\$ (395,153)
State shared revenues	-	-	34,046	34,046
Total revenues	<u>-</u>	<u>400,000</u>	<u>38,893</u>	<u>(361,107)</u>
EXPENDITURES				
Current:				
Public works	-	400,000	1,247	398,753
Total expenditures	<u>-</u>	<u>400,000</u>	<u>1,247</u>	<u>398,753</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>37,646</u>	<u>37,646</u>
Net change in fund balances	-	-	37,646	37,646
Fund balance, October 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,646</u>	<u>\$ 37,646</u>

CITY OF McCOMB, MISSISSIPPI  
Economic Study - Rick Duke  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grant revenues	\$ -	\$ 17,500	\$ 4,847	\$ (12,653)
State shared revenues	-	-	34,046	34,046
Total revenues	<u>-</u>	<u>17,500</u>	<u>38,893</u>	<u>21,393</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	17,500	3,600	13,900
Total expenditures	<u>-</u>	<u>17,500</u>	<u>3,600</u>	<u>13,900</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>35,293</u>	<u>35,293</u>
Net change in fund balances	-	-	35,293	35,293
Fund balance, October 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,293</u>	<u>\$ 35,293</u>

CITY OF McCOMB, MISSISSIPPI  
Animal Shelter Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Contributions	\$ -	\$ 2,000	\$ 100	\$ (1,900)
Total revenues	<u>-</u>	<u>2,000</u>	<u>100</u>	<u>(1,900)</u>
EXPENDITURES				
Current:				
Public safety	<u>-</u>	<u>2,000</u>	<u>968</u>	<u>1,032</u>
Total expenditures	<u>-</u>	<u>2,000</u>	<u>968</u>	<u>1,032</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(868)</u>	<u>(868)</u>
Net change in fund balances	-	-	(868)	(868)
Fund balance, October 1, 2011	<u>(24)</u>	<u>(24)</u>	<u>(24)</u>	<u>-</u>
Fund balance, September 30, 2012	<u><u>\$(24)</u></u>	<u><u>\$(24)</u></u>	<u><u>\$(892)</u></u>	<u><u>\$(868)</u></u>

CITY OF McCOMB, MISSISSIPPI  
Regional Response Team Fund (RRTF)  
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budget Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ 91,174	\$ 386,581	\$ 235,833	\$ (150,748)
TOTAL REVENUES	<u>91,174</u>	<u>386,581</u>	<u>235,833</u>	<u>(150,748)</u>
EXPENDITURES:				
Current:				
Public Safety				
Police protection	91,174	253,024	129,308	123,716
Capital outlay	<u>-</u>	<u>133,557</u>	<u>107,029</u>	<u>26,528</u>
Total Expenditures	<u>91,174</u>	<u>386,581</u>	<u>236,337</u>	<u>150,244</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(504)</u>	<u>(504)</u>
Net change in fund balance	-	-	(504)	(504)
Fund balance, October 1, 2011	<u>39,276</u>	<u>39,276</u>	<u>39,276</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 39,276</u>	<u>\$ 39,276</u>	<u>\$ 38,772</u>	<u>\$ (504)</u>

CITY OF McCOMB, MISSISSIPPI  
 Pearl River Basin Grant Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Capital outlay:				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, October 1, 2011	<u>57,814</u>	<u>57,814</u>	<u>57,814</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 57,814</u>	<u>\$ 57,814</u>	<u>\$ 57,814</u>	<u>\$ -</u>

CITY OF McCOMB, MISSISSIPPI  
 Police Donations Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

REVENUES	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Contribution	\$ -	\$ -	\$ 1,000	\$ 1,000
Federal shared revenues	-	-	31,195	31,195
Total revenues	<u>-</u>	<u>-</u>	<u>32,195</u>	<u>32,195</u>
EXPENDITURES				
Current:				
Public safety	-	-	31,195	(31,195)
Capital outlay	50,000	50,000	-	50,000
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>31,195</u>	<u>18,805</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>1,000</u>	<u>51,000</u>
Net change in fund balances	(50,000)	(50,000)	1,000	51,000
Fund balance, October 1, 2011	<u>556</u>	<u>556</u>	<u>556</u>	<u>-</u>
Fund balance, September 30, 2012	<u><u>\$ (49,444)</u></u>	<u><u>\$ (49,444)</u></u>	<u><u>\$ 1,556</u></u>	<u><u>\$ 51,000</u></u>

CITY OF McCOMB, MISSISSIPPI  
 USDA Facility Grant Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal shared revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, October 1, 2011	<u>23</u>	<u>23</u>	<u>23</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ -</u>

CITY OF McCOMB, MISSISSIPPI  
Urban Youth Corps EECBG Grant Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State shared revenues	\$ -	\$ 32,127	\$ 32,127	\$ -
Total revenues	<u>-</u>	<u>32,127</u>	<u>32,127</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	-	32,127	32,127	-
Total expenditures	<u>-</u>	<u>32,127</u>	<u>32,127</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, October 1, 2011	<u>9,917</u>	<u>9,917</u>	<u>9,917</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 9,917</u>	<u>\$ 9,917</u>	<u>\$ 9,917</u>	<u>\$ -</u>

CITY OF McCOMB, MISSISSIPPI  
 Cemetery Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Cemetery fees	\$ 75,000	75,000	\$ 92,400	\$ 17,400
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>92,400</u>	<u>17,400</u>
<b>EXPENDITURES</b>				
Current:				
Public works	12,000	17,000	14,400	2,600
Capital outlay:				
Cemetery	<u>13,000</u>	<u>13,000</u>	<u>3,525</u>	<u>9,475</u>
Total expenditures	<u>25,000</u>	<u>30,000</u>	<u>17,925</u>	<u>12,075</u>
Excess (deficiency) of revenues over expenditures	<u>50,000</u>	<u>45,000</u>	<u>74,475</u>	<u>29,475</u>
Net change in fund balances	50,000	45,000	74,475	29,475
Fund balance, October 1, 2011	<u>140,634</u>	<u>140,634</u>	<u>140,634</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 190,634</u>	<u>\$ 185,634</u>	<u>\$ 215,109</u>	<u>\$ 29,475</u>

CITY OF McCOMB, MISSISSIPPI  
 Miracle League Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
Culture and recreation				
Other services and charges	-	23,940	17,225	6,715
Total expenditures	-	23,940	17,225	6,715
Excess (deficiency) of revenues over expenditures	-	(23,940)	(17,225)	6,715
Net change in fund balances	-	(23,940)	(17,225)	6,715
Fund balance, October 1, 2011	23,940	23,940	23,940	-
Fund balance, September 30, 2012	<u>\$ 23,940</u>	<u>\$ -</u>	<u>\$ 6,715</u>	<u>\$ 6,715</u>

CITY OF McCOMB, MISSISSIPPI  
City General Obligation Bond Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

REVENUES	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Taxes	\$ 409,545	\$ 409,545	\$ 420,750	\$ 11,205
State shared revenues	-	-	22,729	22,729
Total revenues	<u>409,545</u>	<u>409,545</u>	<u>443,479</u>	<u>33,934</u>
 EXPENDITURES				
Current:				
Debt service:				
Principal	245,000	280,000	312,770	(32,770)
Interest and fiscal charges	<u>138,137</u>	<u>143,137</u>	<u>74,381</u>	<u>68,756</u>
Total expenditures	<u>383,137</u>	<u>423,137</u>	<u>387,151</u>	<u>35,986</u>
Excess (deficiency) of revenues over expenditures	<u>26,408</u>	<u>(13,592)</u>	<u>56,328</u>	<u>69,920</u>
Net change in fund balances	26,408	(13,592)	56,328	69,920
Fund balance, October 1, 2011	<u>229,843</u>	<u>229,843</u>	<u>229,843</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ 256,251</u>	<u>\$ 216,251</u>	<u>\$ 286,171</u>	<u>\$ 69,920</u>

CITY OF McCOMB, MISSISSIPPI  
 STP - Pearl River Light Project  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ 491,040	\$ 393,557	\$ (97,483)
EXPENDITURES				
Current:				
Public works	307,593	613,800	529,040	84,760
Interest	-	-	-	-
Total expenditures	<u>307,593</u>	<u>613,800</u>	<u>529,040</u>	<u>84,760</u>
Excess (deficiency) of revenues over expenditures	<u>(307,593)</u>	<u>(122,760)</u>	<u>(135,483)</u>	<u>(12,723)</u>
Net change in fund balances	(307,593)	(122,760)	(135,483)	(12,723)
Fund balance, October 1, 2011	<u>261,972</u>	<u>261,972</u>	<u>261,972</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ (45,621)</u>	<u>\$ 139,212</u>	<u>\$ 126,489</u>	<u>\$ (12,723)</u>

CITY OF McCOMB, MISSISSIPPI  
 Fire Station Project  
 Statement of Revenues, Expenditures, and Changes in Net Assets  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal shared revenue	\$ -	199,924	-	\$ (199,924)
TOTAL REVENUES	<u>-</u>	<u>199,924</u>	<u>-</u>	<u>(199,924)</u>
EXPENDITURES				
Public safety	-	47,720	1,200	46,520
Capital outlays	<u>-</u>	<u>202,185</u>	<u>-</u>	<u>202,185</u>
Total expenditures	<u>-</u>	<u>249,905</u>	<u>1,200</u>	<u>248,705</u>
Excess (deficiency) of revenues over Expenditures	<u>-</u>	<u>(49,981)</u>	<u>(1,200)</u>	<u>48,781</u>
Other Financing Sources (uses):				
Operating transfers in	<u>-</u>	<u>49,981</u>	<u>49,981</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>49,981</u>	<u>49,981</u>	<u>-</u>
Net change in fund balance	-	-	48,781	48,781
Fund balance, October 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,781</u>	<u>\$ 48,781</u>

CITY OF McCOMB, MISSISSIPPI  
 USDA National Resource Conservation Services  
 Emergency Watershed Protection Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State shared revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Other services and charges	31,261	31,261	578	30,683
Capital outlay:				
Highways and streets	-	-	-	-
Total expenditures	<u>31,261</u>	<u>31,261</u>	<u>578</u>	<u>30,683</u>
Excess (deficiency) of revenues over expenditures	<u>(31,261)</u>	<u>(31,261)</u>	<u>(578)</u>	<u>30,683</u>
Net change in fund balances	(31,261)	(31,261)	(578)	30,683
Fund balance, October 1, 2011	<u>28,592</u>	<u>28,592</u>	<u>28,592</u>	<u>-</u>
Fund balance, September 30, 2012	<u><u>\$ (2,669)</u></u>	<u><u>\$ (2,669)</u></u>	<u><u>\$ 28,014</u></u>	<u><u>\$ 30,683</u></u>

CITY OF McCOMB, MISSISSIPPI  
Hotel/Motel Sports Complex Project  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ -	\$ 150,000	\$ 222,143	\$ 72,143
Total revenues	<u>-</u>	<u>150,000</u>	<u>222,143</u>	<u>72,143</u>
EXPENDITURES				
Current:				
Culture and recreation	-	149,000	-	149,000
Interest and fiscal charges	-	1,000	325	675
Capital outlay:				
Sports Complex ball field	-	400,000	155,584	244,416
Total expenditures	<u>-</u>	<u>550,000</u>	<u>155,909</u>	<u>394,091</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(400,000)</u>	<u>66,234</u>	<u>466,234</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	400,000	400,000	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and use:	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>466,234</u>	<u>466,234</u>
Fund balance, October 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,234</u>	<u>\$ 466,234</u>

**CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF McCOMB, MISSISSIPPI  
 Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 Year Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Governmental Funds capital assets:		
Land	\$ 756,288	\$ 756,288
Infrastructure	6,714,279	6,714,279
Buildings	10,458,159	10,458,159
Improvements other than buildings	147,581	-
Machinery and equipment	2,634,373	2,625,593
Mobile equipment	3,381,705	3,251,410
Total governmental funds capital assets	<u>\$ 24,092,385</u>	<u>\$ 23,805,729</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 8,804,516	\$ 8,754,222
Special revenue funds	6,841,825	6,605,463
Capital projects funds	8,446,044	8,446,044
Total governmental funds capital assets	<u>\$ 24,092,385</u>	<u>\$ 23,805,729</u>

***SINGLE AUDIT SECTION***

CITY OF McCOMB, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Federal Grantor Pass-through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Federal Expenditures</u>
<b>National Highway Transportation Safety Administration:</b> (Mississippi Department of Public Safety - Pass Through)			
Highway Planning and Construction Grant	20.205	STP-0310-00 (015)LPA 106011/70100	\$ <u>393,557</u>
DUI Enforcement Grant	20.601	12-TA-300-1	<u>31,195</u>
Occupant Protection Grant	20.602	12-OP-300-1	<u>3,833</u>
<b>Total National Highway Transportation Safety Administration</b>			<u>428,585</u>
<b>U. S. Environmental Protection Agency:</b> (Pass Through Resource Conservation and Recovery Act Division)			
Brownfield Assessment and Cleanup Cooperative Agreement	66.818	BF-95498812	<u>1,247</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>1,247</u>
<b>U.S. Department of Homeland Security:</b> Pass Through Mississippi Department of Emergency Management			
Disaster Assistance Grant	97.036	FEMA-1794-DR-MS	<u>41,780</u>
Pass Through Mississippi Department of Public Safety Homeland Security Cluster:			
State Homeland Security Grant Program	97.067	E9HS243T	31,715
State Homeland Security Grant Program	97.067	R9HS243T	15,128
State Homeland Security Grant Program	97.067	119HS243T	911
State Homeland Security Grant Program	97.067	09HS243T	2,656
State Homeland Security Grant Program	97.067	M9HS243T	7,000
State Homeland Security Grant Program	97.067	P8HS243T	80,000
State Homeland Security Grant Program	97.067	10ICS243T	<u>20,138</u>
Total Homeland Security Cluster			<u>157,548</u>
<b>Total U.S. Department of Homeland Security</b>			<u>199,328</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 629,160</u>

CITY OF McCOMB, MISSISSIPPI  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of McComb and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.



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*

The Honorable Mayor Whitney Rawlings and  
Honorable Members of the Board of Selectmen  
City of McComb, Mississippi

We have audited 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, 2012, which collectively comprise the City of McComb, Mississippi's basic financial statements and have issued our report thereon dated February 8, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of McComb, Mississippi, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of McComb, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of McComb, Mississippi's, internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McComb, Mississippi's, financial statements are free of 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*.

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

*Banks, Finley, White & Co.*

Ridgeland, Mississippi  
February 8, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor Whitney Rawlings and  
Honorable Members of the Board of Selectmen  
City of McComb, Mississippi

Compliance

We have audited City of McComb, Mississippi's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and a material effect on each of the City of McComb, Mississippi major federal programs for the year ended September 30, 2012. City of McComb, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of McComb, Mississippi's management. Our responsibility is to express an opinion on City of McComb, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of McComb, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of McComb, Mississippi's compliance with those requirements.

In our opinion, the City of McComb, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

## Internal Control Over Compliance

Management of City of McComb, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of McComb, Mississippi internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of McComb, Mississippi's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Mayor, 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.

*Bank, Finley, White & Co.*

Ridgeland, Mississippi  
February 8, 2013

CITY OF McCOMB, MISSISSIPPI  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2012

**Findings**

**Finding 2011-1 Grant Expenditure Posting**

Although the City provided a separate accounting of all grants in the Special Revenue Fund for the Homeland Security Cluster grant revenue and expenditures, we found that some expenditures for those grants were recorded in the General Fund.

**Current Status - Corrected.**

CITY OF McCOMB, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements.                              | Unqualified |
| 2. | Material noncompliance related to the financial statements.                               | None        |
| 3. | Internal control over financial reporting:  |             |
|    | a. Material weaknesses identified?  | None        |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | None        |

Federal Awards:

- |    |   |             |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:                 | Unqualified |
| 5. | Internal control over major programs:   |             |
|    | a. Material weaknesses identified?  | None        |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | None        |
| 6. | Any audit findings reported as required by Section __.510(a ) of Circular A-133?          | No          |
| 7. | Federal programs identified as major programs:  |             |

<u>Program</u>	<u>CFDA #</u>
National Highway Transportation Safety Administration	
<i>Highway Planning and Construction</i>	20.205

- |    |  |           |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. | Auditee did not qualify as a low-risk auditee.                               |           |

CITY OF McCOMB, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

Section 2 - Finding Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE

**STATE LEGAL COMPLIANCE SECTION**



**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

To the Honorable Mayor Whitney Rawlings, and  
Honorable Members of the Board of Selectmen  
City of McComb, Mississippi

We have audited the financial statements of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the City of McComb, Mississippi, Mississippi (the City) as of and for the year ended September 30, 2012, which collectively comprise the City of McComb, Mississippi's basic financial statements and have issued our report thereon dated February 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

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

*Banks, Finley, White & Co.*

Ridgeland, Mississippi  
February 8, 2013

CITY OF McCOMB, MISSISSIPPI  
 Schedule of Surety Bonds for Municipal Officials  
 September 30, 2012

<u>Bond Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
Whitney Rawlings	Mayor	Ohio Casualty	\$ 50,000
Tommy McKenzie	Selectman	Ohio Casualty	50,000
Ted Tullos	Selectman	Ohio Casualty	50,000
Michael Cameron	Selectman	Ohio Casualty	50,000
Melvin "Joe" Johnson	Selectman	Ohio Casualty	50,000
Tammy F. Witherspoon	Selectwoman	Travelers	50,000
Andranette R. Jordan	Selectwoman	Travelers	50,000
Quordiniah Lockley	City Administrator	Ohio Casualty	50,000
Janice Dillon	Comptroller Finance Division	Western Surety	50,000
Gregory Martin	Chief of Police	Ohio Casualty	50,000
Jeannette Butler	City Clerk	Western Surety	50,000
Stephanie Forrest	Deputy Clerk	Western Surety	50,000
Sherry Spears	Deputy Clerk	Ohio Casualty	50,000

CITY OF McCOMB, MISSISSIPPI  
Statement of Legal Debt Limit  
September 30, 2012

Authorized Debt Limit Percent Rule

Authorized Debt Limit Percent	<u>10%</u>	<u>15%</u>
2012 Tax Roll Estimation	\$ 94,252,103	\$ 94,252,103
Less: Homestead Exemption	<u>(196,401)</u>	<u>(196,401)</u>
Net 2012 Estimation Tax Roll	<u>\$ 94,055,702</u>	<u>\$ 94,055,702</u>
 Assessed Valuation under respective debt limit	 <u>\$ 9,405,570</u>	 <u>\$ 14,108,355</u>
Less: All Bonded Indebtness	2,990,000	2,990,000
 Deduct: Authorized Exemptions		
Water/Sewer Revenue Bonds	<u>-</u>	<u>-</u>
Present debt subject to limitation	<u>2,990,000</u>	<u>2,990,000</u>
 Margin for further debt under respective debt limits	 <u>\$ 6,415,570</u>	 <u>\$ 11,118,355</u>

Section 21-31-301 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and then ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

CITY OF McCOMB, MISSISSIPPI  
Schedule of Bonds and Notes Payable  
September 30, 2012

	Interest Rates	Issue Date	Final Maturity Date	Authorized	Issued	Bond & Notes Retired	Outstanding
<b>General Government:</b>							
<b>GENERAL OBLIGATION BONDS:</b>							
Refunding bonds 2003	1.0% to 3.3%	7/1/2003	Serially to 2012 Not callable	\$ 2,280,000	\$ 2,280,000	\$ 80,000	\$ -
Capital improvement	4.0% to 5.25%	7/15/2006	Serially to 2007 Not callable	2,000,000	2,000,000	85,000	1,570,000
Capital improvement	4.0% to 5.25%	3/01/2004	Serially to 2026 Not callable	2,000,000	2,000,000	80,000	1,420,000
Total General Obligation Bonds				<u>6,280,000</u>	<u>6,280,000</u>	<u>245,000</u>	<u>2,990,000</u>
<b>NOTE PAYABLE:</b>							
Note Payable - Safe Choice	4.67%	08/08/08	10/01/2011	32,500	32,500	-	27,463
Tax Anticipation Note - Pike National Bank	1.140%	09/04/12	09/20/2014	400,000	400,000	-	400,000
Total Note Payable				<u>432,500</u>	<u>432,500</u>	<u>-</u>	<u>427,463</u>
<b>OBLIGATIONS UNDER CAPITAL LEASES:</b>							
Capital lease	3.35%	04/13/2004	04/13/2012	339,000	339,000	47,420	-
Total Obligations Under Capital Leases				<u>339,000</u>	<u>339,000</u>	<u>47,420</u>	<u>-</u>
Total General Government Debt				<u>7,051,500</u>	<u>7,051,500</u>	<u>292,420</u>	<u>3,417,463</u>
<b>Proprietary</b>							
<b>NOTE PAYABLE:</b>							
Note Payable - Siemens	4.42%	01/26/2010	01/26/2021	4,558,913	4,558,913	2,058,913	2,500,000
Total Note Payable				<u>4,558,913</u>	<u>4,558,913</u>	<u>2,058,913</u>	<u>2,500,000</u>
<b>STATE REVOLVING LOANS:</b>							
Department of Environmental Quality	2.75%	2007	Not callable	3,125,000	2,399,252	99,445	2,078,120
Department of Environmental Quality	1.75%	2008	Not callable	34,467,710	33,856,027	1,462,678	31,551,858
Total State Revolving Loans				<u>37,592,710</u>	<u>36,255,279</u>	<u>1,562,123</u>	<u>33,629,978</u>
Total Proprietary Debt				<u>42,151,623</u>	<u>40,814,192</u>	<u>3,621,036</u>	<u>36,129,978</u>
Grand Total				<u>\$ 49,203,123</u>	<u>\$ 47,865,692</u>	<u>\$ 3,913,456</u>	<u>\$ 39,547,441</u>