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CITY OF McCOMB, MISSISSIPPI

2010

Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2010

Quordiniah N. Lockley

City Administrator

Janice Dillon

Comptroller of Finance Division

Prepared By:

The Department of Finance

City of McComb, Mississippi

McComb City Hall
115 Third Street
McComb, Mississippi
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CITY OF McCOMB, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010
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INTRODUCTORY SECTION

Whitney Rawlings
Mayor

Quordiniah 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, 2010.

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 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, 2010, 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, 2010, 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 13,337. 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 Director of Finance on or before September 1 each year. The government's Director of Finance uses these requests as the starting point for developing a proposed budget. The government's Director of Finance 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 71.

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 2010 was 12.1%.

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 8.25% of their annual covered salary and the City of McComb, Mississippi is required to contribute at an actuarially determined rate. This rate was 12.85% of annual covered payroll until June 30, 2010. The same rate is in effect for fiscal year 2009-2010. 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 3.06 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.

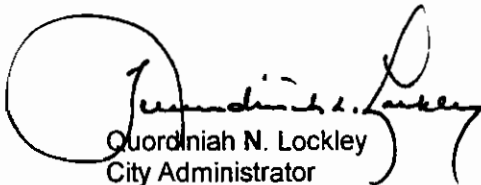
The City's police department, along with the usual types of law enforcement activities, began the operation of strict enforcement of ordinances to eliminate excess noise, loitering, and to have a presence in high crime areas.

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's 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

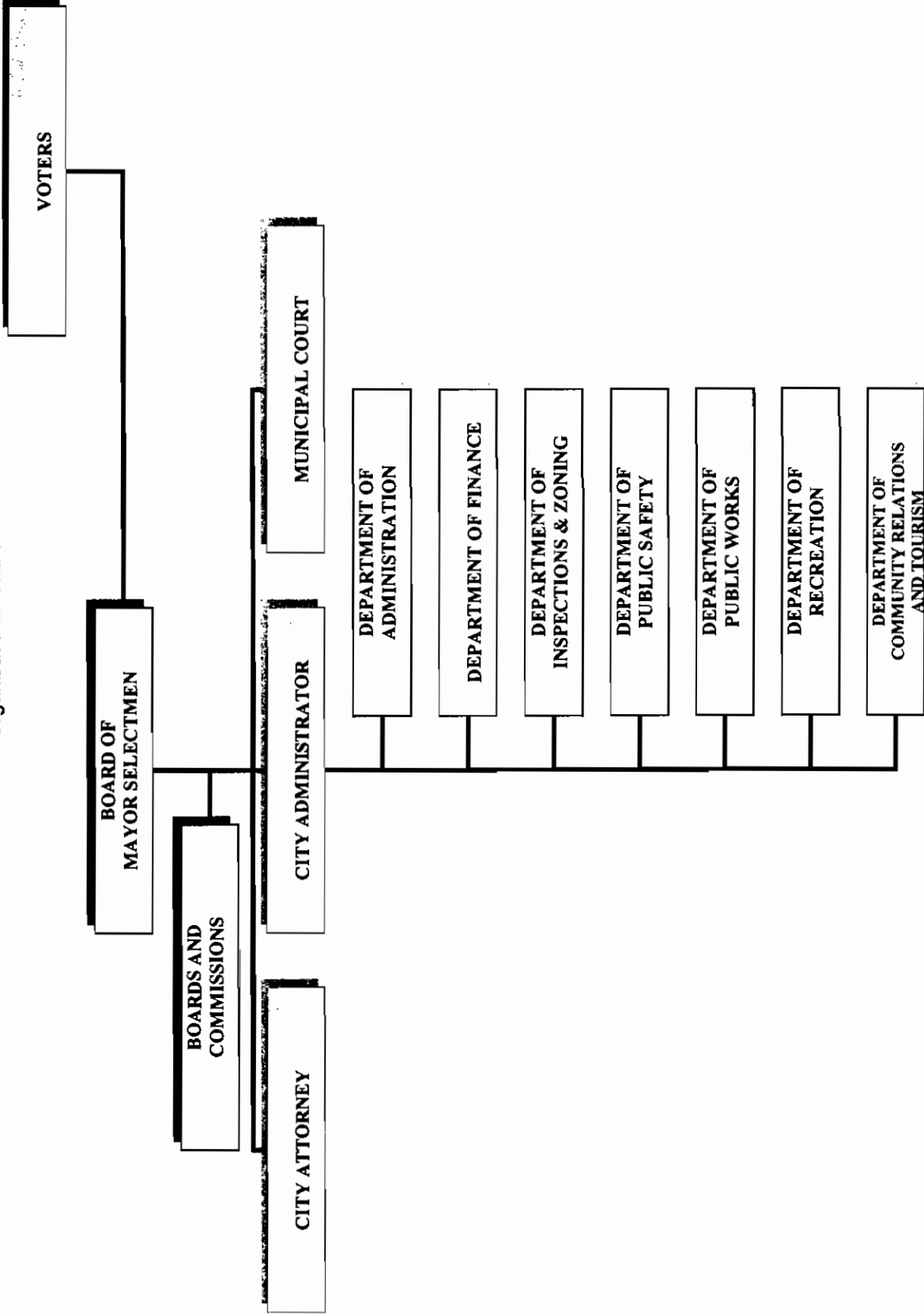
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this 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.


Quordniah 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, 2010

| <u>TITLE</u> | <u>NAME</u> |
|---|-----------------------|
| Mayor | Zachary Patterson |
| Selectman | Danny Esch |
| Selectman | Robert M. Maddox |
| Selectman | E.C. Nobles |
| Selectman | Melvin "Joe" Johnson |
| Selectman | Wade Lamb |
| Selectman | Robert Earl Smith |
| City Administrator | Quordiniah N. Lockley |
| City Attorney | Wayne Dowdy |
| Comptroller Finance Division | Janice Dillon |
| City Clerk | Jeanette Butler |
| Director of Inspections and Zoning | Walter Temple |
| Fire Chief | B. J. Nettles |
| Police Chief | Gregory Martin |
| Director of Public Works | Ronnie Lindsey |
| Director of Recreation | Joseph Parker |
| Director of Community Relations and Tourism | Tasha Dillion |

FINANCIAL SECTION



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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, 2010, 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 an opinion 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 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 opinion.

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, 2010, and the respective changes in financial position and, cash flows where applicable, and the respective budgetary comparison for the General Fund 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 June 3, 2011, 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 grants 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 an opinion 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 and statistical section 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 financial statements. The combining and individual 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 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Banks, Finley, White & Co.
June 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF McCOMB, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2010

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, 2010. 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 \$25,750,087 (*net assets*). Of this amount, \$3,573,498 (*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 \$15,310. This increase is due primarily to additions made to capital assets during the fiscal year.

The City had \$18,799,248 in total revenues. Program specific revenues in the form of charges for services operating and capital grants and contributions accounted for \$7,159,446, or 38.08% 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 \$11,639,802, or 61.92% of total revenues.

The City had \$16,089,612 in total expenses. Expenses in the amount of \$7,159,446 were offset by program specific revenues in the form of charges for services, operating and capital grants and contributions. General revenues of \$11,639,802 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 \$10,324,947, a decrease of \$1,417,159 in comparison with the prior year. This decrease is due to a decrease in operating revenues (i.e. property and sales tax) of the general fund.

Among major funds, the General Fund had \$10,034,036 in revenues and \$9,698,683 in expenditures. The General Fund's fund balance decreased \$152,954 from the prior year, after net other financing uses of \$488,307. This decrease is due primarily to a decrease in property and sales tax revenues. The Storm Water Construction Fund had \$494,673 in revenues and \$972,434 in expenditures and operating transfers in of \$375,350 as matching funds.

CITY OF McCOMB, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2010

At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,384,029, or 24.58% of total general fund expenditures.

Capital assets used in governmental activities, net of accumulated depreciation, increased by \$560,362. This increase is due primarily to the purchase of equipment, vehicles, and additional costs related to the construction and improvements during the fiscal year. Capital assets used in business-type activities, net of accumulated depreciation, increased by \$9,723,842. This increase is due primarily to the addition of infrastructure, and the execution of a capital lease to acquired an automated meter reading system used in the construction of a waste water treatment plant during the fiscal year.

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 \$523,316 due primarily to principal payments on general obligation bonds. Long-term debt for business-type activities increased by \$9,353,204 with loans from the State Department of Environmental Quality and a capital lease from Siemens Financial Services to complete the construction of a new wastewater pump station and a wastewater treatment plant.

OVERVIEW OF THE FINANCIAL STATEMENTS

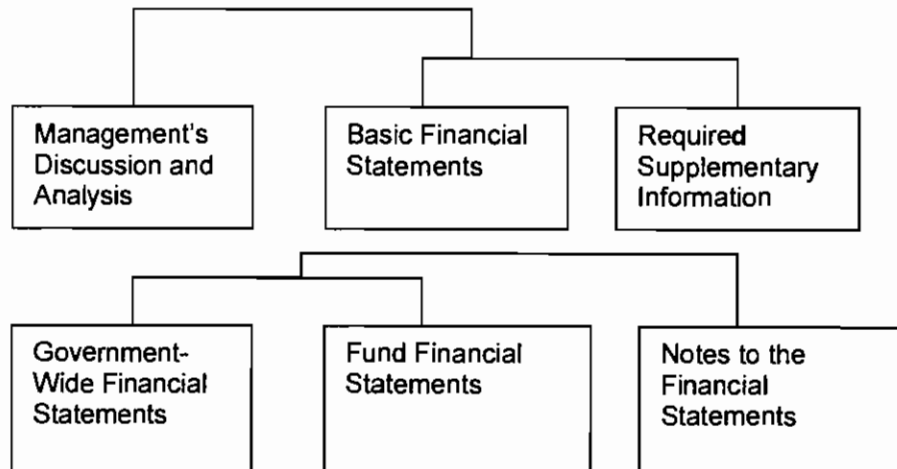
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. 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, 2010

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



CITY OF McCOMB, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2010

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"> Balance sheet Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flow | <ul style="list-style-type: none"> Statement of fiduciary obligations |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital 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.

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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 \$25,750,087 as of September 30, 2010.

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. \$20,944,661 of the City's net assets 81.34% 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. \$1,231,928 of the City's net assets 4.78% 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. \$3,573,498 of the City's net assets 13.88% 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, 2010.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 4,896,379 | \$ 4,086,078 | \$ 7,767,296 | \$ 7,637,249 | \$ 12,663,675 | \$ 11,723,327 |
| Capital assets | <u>14,264,241</u> | <u>13,703,880</u> | <u>50,817,430</u> | <u>41,093,587</u> | <u>65,081,671</u> | <u>54,797,467</u> |
| Total Assets | <u>\$ 19,160,620</u> | <u>\$ 17,789,958</u> | <u>\$ 58,584,726</u> | <u>\$ 48,730,836</u> | <u>\$ 77,745,346</u> | <u>\$ 66,520,794</u> |
| Current Liabilities: | | | | | | |
| Current liabilities | \$ 4,595,749 | \$ 1,284,612 | \$ 2,372,700 | \$ 3,322,773 | \$ 6,968,449 | \$ 4,607,385 |
| Other liabilities | - | - | 421,765 | 403,475 | 421,765 | 403,475 |
| Long-term liabilities | <u>4,239,924</u> | <u>4,763,240</u> | <u>40,365,121</u> | <u>31,011,917</u> | <u>44,605,045</u> | <u>35,775,157</u> |
| Total Liabilities | <u>\$ 8,835,673</u> | <u>\$ 6,047,852</u> | <u>\$ 43,159,586</u> | <u>\$ 34,738,165</u> | <u>\$ 51,995,259</u> | <u>\$ 40,786,017</u> |
| Net Assets: | | | | | | |
| Invested in capital assets (net) | | | | | | |
| of related debt | \$ 10,448,476 | \$ 9,398,720 | \$ 10,496,185 | \$ 10,130,348 | \$ 20,944,661 | \$ 19,529,068 |
| Restricted | 432,961 | 195,107 | 798,967 | 680,823 | 1,231,928 | 875,930 |
| Unrestricted | <u>(556,490)</u> | <u>2,148,279</u> | <u>4,129,988</u> | <u>3,181,500</u> | <u>3,573,498</u> | <u>5,329,779</u> |
| Total Net Assets | <u>\$ 10,324,947</u> | <u>\$ 11,742,106</u> | <u>\$ 15,425,140</u> | <u>\$ 13,992,671</u> | <u>\$ 25,750,087</u> | <u>\$ 25,734,777</u> |

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

- ◆ Capital assets for governmental activities increased from prior year due primarily to the additional costs of the capital improvements and the purchase of various items of equipment, and vehicles, during the 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 increased from prior year due primarily to the addition of infrastructure and the construction of wastewater treatment facilities during the fiscal year.
- ◆ Long-term debt outstanding for business-type activities increased from prior year primarily due to loan from the State Department of Environmental Quality for the construction of a new wastewater treatment plant and the execution of a capital lease with Siemens Financial Services.

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Changes in Net Assets - The City's total revenues for the fiscal year ended September 30, 2010 were \$18,799,248. The total costs for all services provided was \$16,089,612. The increase in net assets was \$15,310. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2010 and comparative data for the fiscal year ended September 30, 2009.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Revenues: | | | | | | |
| Program Revenue: | | | | | | |
| Charges for services | \$ 141,857 | \$ 78,650 | \$ 5,318,662 | \$ 5,025,040 | \$ 5,460,519 | \$ 5,103,690 |
| Operating grants and contributions | 445,274 | 216,266 | 517,491 | 1,230,959 | 962,765 | 1,447,225 |
| Capital grants and contributions | 736,162 | 142,280 | - | - | 736,162 | 142,280 |
| General Revenue: | | | | | | |
| Property taxes | 3,916,458 | 4,373,788 | - | - | 3,916,458 | 4,373,788 |
| Sales taxes | 5,153,183 | 5,550,929 | - | - | 5,153,183 | 5,550,929 |
| Other taxes | 560,597 | 542,296 | - | - | 560,597 | 542,296 |
| Licenses and permits | 76,776 | 74,799 | - | - | 76,776 | 74,799 |
| Grants and contributions not restricted to specific programs | 751,029 | 1,171,093 | - | - | 751,029 | 1,171,093 |
| Unrestricted investment earnings | 75,766 | 131,627 | 103,780 | 116,962 | 179,546 | 248,589 |
| Fines and forfeitures | 394,559 | 416,777 | - | - | 394,559 | 416,777 |
| Other | 607,654 | 721,078 | - | - | 607,654 | 721,078 |
| Total Revenues | 12,859,315 | 13,419,583 | 5,939,933 | 6,372,961 | 18,799,248 | 19,792,544 |
| Expenses: | | | | | | |
| General Government | 1,489,316 | 1,879,524 | - | - | 1,489,316 | 1,879,524 |
| Public safety | 6,138,711 | 6,364,175 | - | - | 6,138,711 | 6,364,175 |
| Public works | 3,002,107 | 2,484,058 | - | - | 3,002,107 | 2,484,058 |
| Health and welfare | 46,839 | 86,382 | - | - | 46,839 | 86,382 |
| Culture and recreation | 745,248 | 1,106,400 | - | - | 745,248 | 1,106,400 |
| Economic development | 23,400 | 68,500 | - | - | 23,400 | 68,500 |
| Disability and relief funding | 273,319 | 219,848 | - | - | 273,319 | 219,848 |
| Other services | 2,136 | - | - | - | 2,136 | - |
| Interest and other expenses on long-term debt | 170,092 | 195,396 | - | - | 170,092 | 195,396 |
| Water/sewer/sanitation | - | - | 4,198,444 | 4,541,670 | 4,198,444 | 4,541,670 |
| Total Expenses | 11,891,168 | 12,404,283 | 4,198,444 | 4,541,670 | 16,089,612 | 16,945,953 |
| Increase (decrease) in Net Assets Before Transfers and Special Items | 968,147 | 1,015,300 | 1,741,489 | 1,831,291 | 2,709,636 | 2,846,591 |
| Transfers in (out) | 309,020 | (300,317) | (309,020) | 300,317 | - | - |
| Increase (decrease) in net assets | 1,277,167 | 714,983 | 1,432,469 | 2,131,608 | 2,709,636 | 2,846,591 |
| Net Assets, beginning 10/1 | 11,742,106 | 11,027,123 | 13,992,671 | 11,861,063 | 25,734,777 | 22,888,186 |
| Prior period adjustment | (2,694,326) | - | - | - | (2,694,326) | - |
| Net Assets, restated 10/1 | 9,047,780 | 11,027,123 | 13,992,671 | 11,861,063 | 23,040,451 | 22,888,186 |
| Net Assets Ending 9/30 | \$ 10,324,947 | \$ 11,742,106 | \$ 15,425,140 | \$ 13,992,671 | \$ 25,750,087 | \$ 25,734,777 |

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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 increased from prior year. Additionally, property and sales tax revenues decreased during the current fiscal year when compared to the prior year.
- ◆ Expenses for governmental activities decreased from the prior year due primarily to reduction in operating costs.
- ◆ Revenue from operating grants for business-type activities increased from the prior year due primarily to an increase in charges for services.
- ◆ 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.

| | 2010 | | 2009 | |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | Expenses | Net (Expense) Revenue | Expenses | Net (Expense) Revenue |
| General government | \$ 1,489,316 | \$ (1,425,732) | \$ 1,879,524 | \$ (1,791,105) |
| Public safety | 6,138,711 | (5,871,896) | 6,364,175 | (6,119,114) |
| Public works | 3,002,107 | (2,011,713) | 2,484,058 | (2,380,342) |
| Health and welfare | 46,839 | (46,839) | 86,382 | (86,382) |
| Culture and recreation | 745,248 | (742,748) | 1,106,400 | (1,106,400) |
| Economic development | 23,400 | (23,400) | 68,500 | (68,500) |
| Disability and relief funding | 273,319 | (273,319) | 219,848 | (219,848) |
| Other services | 2,136 | (2,136) | - | - |
| Interest and other expenses on long-term debt | 170,092 | (170,092) | 195,396 | (195,396) |
| Total | <u>\$ 11,891,168</u> | <u>\$ (10,567,875)</u> | <u>\$ 12,404,283</u> | <u>\$ (11,967,087)</u> |

- ◆ Net cost of governmental activities \$(10,567,875), was financed by general revenues, which is made up of primarily property taxes \$3,916,458 and state sales tax of \$5,153,183.
- ◆ Investment earnings accounted for \$75,766 of funding.
- ◆ Franchise taxes accounted for \$538,997 of funding.
- ◆ Unrestricted grants and contributions accounted for \$751,735 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.

| | 2010 | | 2009 | |
|----------------------------|--------------|--------------------------|--------------|--------------------------|
| | Expenses | Net (Expense) Revenue | Expenses | Net (Expense) Revenue |
| Water/Sewer and Sanitation | \$ 4,198,444 | \$ 1,637,709 | \$ 4,541,670 | \$ 1,714,329 |

- ◆ Charges for services revenues for business-type activities increased by \$293,622 or 5.84%.
- ◆ Grant revenues for business-type activities decreased by \$713,468 or 57.96%.
- ◆ Investment earnings accounted for \$103,780 of 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 \$3,323,911, an increase of \$225,897. This increase is due primarily to an increase in other financing sources.

The General Fund is the principal operating fund of the City. The decrease in the fund balance of the General Fund for the fiscal year was \$152,954. This decrease was primarily due to a decrease in tax revenues of the general fund. The Stormwater Construction Fund had a decrease in fund balance of \$102,411 resulting the lack of adequate transfers from the general fund.

Business-type Funds - At the close of the fiscal year, the City's proprietary fund reported total net assets of \$15,425,140. Operating revenues totaled \$5,836,153 and operating expenses totaled \$3,973,327 resulting in operating income of \$1,862,826. After non-operating revenues (expenses) of \$121,337, the change in net assets in the proprietary fund was an increase of \$1,432,469.

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 below the budgeted amounts due primarily to the decrease in sales tax revenue received from the state.
- ◆ 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, 2010, the City's total capital assets was \$83,815,861. This includes land, buildings, furniture and equipment, mobile equipment and infrastructure. This amount represents a gross increase, before depreciation, of \$11,514,079 from the previous year. The majority of this increase is due to improvements to the east and west lagoons and construction of a new wastewater treatment plant.

Total accumulated depreciation as of September 30, 2010 was \$18,734,190, including \$1,229,875, of depreciation expense for the year. The balance in total net capital assets was \$65,081,671 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, 2010, the City had \$44,605,045 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, \$1,691,806 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. At September 30, 2010, the project was completed and the City had an outstanding loan balance of \$2,274,316 .

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, 2010, the project was under construction and the City has drawn \$33,488,016 on the available loan. The project is scheduled for completion in October 2010.

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 \$113,973. No payments were made on the loan during the year.

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 11.1% versus 10.3% a year ago. The state average unemployment rate also increased from 9.5% to 9.9%. Therefore, the City's unemployment rate decrease is in line with the state's average rate increase.

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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.
- ♦ Implementation of workforce reductions for improved efficiency and reduced employment costs.
- ♦ Identification of other City issues for which grant money is available.

These factors have been considered in preparing the City's budget for the 2011 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, 2010

| | <u>Primary Government</u> | | |
|---|------------------------------------|-------------------------------------|-----------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,591,246 | \$ 4,534,431 | \$ 8,125,677 |
| Net receivables | 946,840 | 1,618,445 | 2,565,285 |
| Deferred charges | 45,070 | - | 45,070 |
| Due from other funds | 313,223 | 393,688 | 706,911 |
| Restricted Assets: | | | |
| Cash and cash equivalents | - | 1,220,732 | 1,220,732 |
| Capital Assets not being depreciated: | | | |
| Land | 756,288 | 43,925 | 800,213 |
| Construction in progress | 6,431,868 | 33,488,016 | 39,919,884 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings | 3,246,934 | 89,488 | 3,336,422 |
| Automotive and equipment | 941,017 | 93,366 | 1,034,383 |
| Infrastructure | 2,888,134 | 17,102,635 | 19,990,769 |
| TOTAL ASSETS | <u>\$ 19,160,620</u> | <u>\$ 58,584,726</u> | <u>\$ 77,745,346</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | \$ 1,090,170 | \$ 1,537,291 | \$ 2,627,461 |
| Deferred revenue | 424,152 | - | 424,152 |
| Interest payable on long term debt | 26,287 | 141,293 | 167,580 |
| Liabilities payable from restricted assets | - | 421,765 | 421,765 |
| Due to other funds | 12,794 | 694,116 | 706,910 |
| Accrued pension liability payable | 3,042,346 | - | 3,042,346 |
| Noncurrent liabilities: | | | |
| Due within one year | 731,326 | 960,480 | 1,691,806 |
| Due in more than one year | 3,508,598 | 39,404,641 | 42,913,239 |
| Total Liabilities | <u>8,835,673</u> | <u>43,159,586</u> | <u>51,995,259</u> |
| NET ASSETS: | | | |
| Investment in capital assets, net of related debt | 10,448,476 | 10,496,185 | 20,944,661 |
| Restricted for: | | | |
| Capital improvements | 167,075 | - | 167,075 |
| Debt service | 233,447 | 798,967 | 1,032,414 |
| Other purposes | 32,439 | - | 32,439 |
| Unrestricted | (556,490) | 4,129,988 | 3,573,498 |
| Total Net Assets | <u>10,324,947</u> | <u>15,425,140</u> | <u>25,750,087</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 19,160,620</u> | <u>\$ 58,584,726</u> | <u>\$ 77,745,346</u> |

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

CITY OF McCOMB, MISSISSIPPI
Statement of Activities
September 30, 2010

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues Changes in Net Assets | | |
|--|----------------------|------------------------|--|--|--|---------------------------------|-----------------------|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,489,316 | \$ 63,584 | \$ - | \$ - | \$ (1,425,732) | \$ - | \$ (1,425,732) |
| Public safety | 6,138,711 | - | 266,815 | - | (5,871,896) | - | (5,871,896) |
| Public works | 3,002,107 | 78,273 | 175,959 | 736,162 | (2,011,713) | - | (2,011,713) |
| Health and welfare | 46,839 | - | - | - | (46,839) | - | (46,839) |
| Culture and recreation | 745,248 | - | 2,500 | - | (742,748) | - | (742,748) |
| Economic development | 23,400 | - | - | - | (23,400) | - | (23,400) |
| Disability and relief funding | 273,319 | - | - | - | (273,319) | - | (273,319) |
| Other services | 2,136 | - | - | - | (2,136) | - | (2,136) |
| Interest and other expenses on long-term debt | 170,092 | - | - | - | (170,092) | - | (170,092) |
| Total governmental activities | <u>11,891,168</u> | <u>141,857</u> | <u>445,274</u> | <u>736,162</u> | <u>(10,567,875)</u> | <u>-</u> | <u>(10,567,875)</u> |
| Business-type activities: | | | | | | | |
| Water/Sewer/Sanitation | <u>4,198,444</u> | <u>5,318,662</u> | <u>517,491</u> | <u>-</u> | <u>-</u> | <u>1,637,709</u> | <u>1,637,709</u> |
| Total Business-type activities | <u>4,198,444</u> | <u>5,318,662</u> | <u>517,491</u> | <u>-</u> | <u>-</u> | <u>1,637,709</u> | <u>1,637,709</u> |
| Total Primary Government | <u>\$ 16,089,612</u> | <u>\$ 5,460,519</u> | <u>\$ 962,765</u> | <u>\$ 736,162</u> | <u>\$ (10,567,875)</u> | <u>\$ 1,637,709</u> | <u>\$ (8,930,166)</u> |
| | | | | | | | |
| General Revenues: | | | | | | | |
| Property taxes | | | | \$ 3,916,458 | \$ - | \$ 3,916,458 | |
| Sales taxes | | | | 5,153,183 | - | 5,153,183 | |
| Franchise taxes | | | | 538,997 | - | 538,997 | |
| Alcoholic beverage taxes | | | | 21,600 | - | 21,600 | |
| License and permits | | | | 76,776 | - | 76,776 | |
| Fines and forfeitures | | | | 394,559 | - | 394,559 | |
| Miscellaneous | | | | 607,654 | - | 607,654 | |
| Grants and contributions not restricted to specific programs | | | | 751,029 | - | 751,029 | |
| Unrestricted investment earnings | | | | 75,766 | 103,780 | 179,546 | |
| Transfer in (out) | | | | 309,020 | (309,020) | - | |
| Total general revenues, special items, and transfers | | | | <u>11,845,042</u> | <u>(205,240)</u> | <u>11,639,802</u> | |
| Change in net assets | | | | 1,277,167 | 1,432,469 | 2,709,636 | |
| Net Assets - Beginning | | | | 11,742,106 | 13,992,671 | 25,734,777 | |
| Prior period adjustments | | | | (2,694,326) | - | (2,694,326) | |
| Net Assets - Restated | | | | <u>9,047,780</u> | <u>13,992,671</u> | <u>23,040,451</u> | |
| Net Assets - Ending | | | | <u>\$ 10,324,947</u> | <u>\$ 15,425,140</u> | <u>\$ 25,750,087</u> | |

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

CITY OF McCOMB, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2010

| | Major Funds | | Nonmajor | Total |
|---|---------------------|-------------------|---------------------|---------------------|
| | General | Stormwater | Governmental | Governmental |
| | Fund | Construction | Funds | Funds |
| | | Fund | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,448,285 | \$ 20,748 | \$ 1,122,211 | \$ 3,591,244 |
| Tax receivable | 27,588 | - | 8,411 | 35,999 |
| Accounts receivable | 385,079 | - | 34,246 | 419,325 |
| Intergovernmental receivable | - | 488,736 | 2,500 | 491,236 |
| Due from other funds | 1,164,464 | 173,212 | 551,270 | 1,888,946 |
| TOTAL ASSETS | \$ 4,025,416 | \$ 682,696 | \$ 1,718,638 | \$ 6,426,750 |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Accounts payable, general | \$ 670,111 | \$ 571 | \$ 419,487 | \$ 1,090,169 |
| Due to other funds | 547,124 | 853,904 | 187,490 | 1,588,518 |
| Deferred tax revenues | 424,152 | - | - | 424,152 |
| Total Liabilities | 1,641,387 | 854,475 | 606,977 | 3,102,839 |
| Fund Balance | | | | |
| Reserved for: | | | | |
| Debt service | - | - | 233,447 | 233,447 |
| Capital project | - | (171,779) | 338,854 | 167,075 |
| Unreserved, Undesignated, report in: | | | | |
| General fund | 2,384,029 | - | - | 2,384,029 |
| Special revenue funds | - | - | 539,360 | 539,360 |
| Total Fund Balances | 2,384,029 | (171,779) | 1,111,661 | 3,323,911 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 4,025,416 | \$ 682,696 | \$ 1,718,638 | \$ 6,426,750 |

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

CITY OF McCOMB, MISSISSIPPI
Reconciliation Balance Sheet - Governmental Funds
Statement of Net Assets
September 30, 2010

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 3,323,911 |
| Prior period adjustment | (2,694,326) |

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 | 23,203,451 | |
| Less Accumulated Depreciation | <u>8,939,209</u> | |
| | | 14,264,242 |

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

| | | |
|--|------------------|--------------------|
| Long-term liabilities | (4,239,924) | |
| Accrued interest on debt | (26,287) | |
| Net deferred charges - debt issuance costs | 45,070 | |
| Net pension liability | (101,891) | |
| Other adjustments | <u>(245,848)</u> | |
| | | <u>(4,568,880)</u> |

| | |
|------------------|----------------------|
| Total Net Assets | \$ <u>10,324,947</u> |
|------------------|----------------------|

The Accompanying Notes are an integral 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, 2010

| | <u>Major Funds</u> | | | |
|--|---------------------|-------------------------------------|------------------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Stormwater Construction Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
| REVENUES: | | | | |
| General property taxes | \$ 2,566,508 | - | 962,512 | \$ 3,529,020 |
| Privilege licenses and permits | 74,970 | - | - | 74,970 |
| Intergovernmental revenues | 5,445,893 | 488,736 | 1,222,208 | 7,156,837 |
| Local government revenues | 488,608 | - | 4,660 | 493,268 |
| Franchise taxes | 508,291 | - | - | 508,291 |
| Charges for services | 17,406 | - | 79,700 | 97,106 |
| Court fines and report fees | 326,395 | - | 2,086 | 328,481 |
| Rent revenue | 8,400 | - | - | 8,400 |
| Interest income | 66,423 | 5,937 | 3,217 | 75,577 |
| Miscellaneous | 531,142 | - | 57,374 | 588,516 |
| Total Revenues | <u>10,034,036</u> | <u>494,673</u> | <u>2,331,757</u> | <u>12,860,466</u> |
| EXPENDITURES: | | | | |
| General government | 1,385,915 | - | - | 1,385,915 |
| Public safety | 5,566,812 | - | 176,203 | 5,743,015 |
| Public works | 2,051,996 | - | 42,251 | 2,094,247 |
| Culture and recreations | 579,202 | - | 86,490 | 665,692 |
| Economic development | 23,400 | - | 100,769 | 124,169 |
| Disability and relief funding | - | - | 273,319 | 273,319 |
| Debt services: | | | | |
| Principal | - | - | 565,565 | 565,565 |
| Interest and service charges | 3,289 | - | 105,241 | 108,530 |
| Capital outlay: | | | | |
| General government | 975 | - | - | 975 |
| Public safety | - | - | 131,600 | 131,600 |
| Public works | 87,094 | - | 791,034 | 878,128 |
| Street improvements | - | 972,434 | - | 972,434 |
| TOTAL EXPENDITURES | <u>9,698,683</u> | <u>972,434</u> | <u>2,272,472</u> | <u>12,943,589</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>335,353</u> | <u>(477,761)</u> | <u>59,285</u> | <u>(83,123)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | - | 375,350 | 421,977 | 797,327 |
| Operating transfers out | (488,307) | - | - | (488,307) |
| Total Other Financing Sources (Uses) | <u>(488,307)</u> | <u>375,350</u> | <u>421,977</u> | <u>309,020</u> |
| Net Change in Fund Balances | (152,954) | (102,411) | 481,262 | 225,897 |
| FUND BALANCE, OCT. 1 | <u>2,536,983</u> | <u>(69,368)</u> | <u>630,399</u> | <u>3,098,014</u> |
| FUND BALANCE, SEPT. 30 | <u>\$ 2,384,029</u> | <u>(171,779)</u> | <u>1,111,661</u> | <u>\$ 3,323,911</u> |

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

CITY OF McCOMB, MISSISSIPPI
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Net Assets Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2010

| | <u>AMOUNTS</u> |
|--|---------------------|
| Net change in fund balances | \$ 225,897 |
| 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. | 1,158,015 |
| 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. | (597,653) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds. | (14,016) |
| Net pension expense | (101,891) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | 489,395 |
| 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 | 33,922 |
| Accrued interest on debt decrease | 12,471 |
| Other | <u>71,027</u> |
| Change in net assets of governmental activities | \$ <u>1,277,167</u> |

The Accompanying Notes are an integral 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, 2010

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 2,757,082 | \$ 2,331,930 | \$ 2,400,619 | \$ 68,669 |
| Licenses and permits | 66,000 | 66,000 | 74,970 | 8,970 |
| Inter-Government Revenues: | | | | |
| State grants | 165,000 | 186,633 | 35,096 | (151,537) |
| State shared revenues | 5,422,000 | 5,303,905 | 5,414,843 | 110,938 |
| Grand Gulf in lieu of taxes | 160,000 | 160,000 | 165,889 | 5,889 |
| Local government revenues | 873,300 | 673,300 | 992,852 | 119,552 |
| Charges for services | 91,700 | 91,700 | 17,406 | (74,294) |
| Court fines and forfeits | 400,200 | 400,200 | 326,395 | (73,805) |
| Rents | 7,790 | 7,790 | 8,400 | 610 |
| Interest | 118,000 | 118,000 | 66,423 | (51,577) |
| Miscellaneous income | 379,000 | 379,000 | 531,143 | 152,143 |
| TOTAL REVENUES | 10,440,072 | 9,918,458 | 10,034,036 | 115,578 |
| EXPENDITURES: | | | | |
| General Government | | | | |
| Personal services | 1,048,832 | 1,034,472 | 878,565 | 155,907 |
| Supplies | 43,800 | 41,800 | 30,581 | 11,219 |
| Other services and charges | 551,900 | 594,276 | 480,058 | 114,218 |
| Capital outlay | 15,000 | 15,000 | 975 | 14,025 |
| Funding to outside agencies | 200,850 | 206,650 | 23,400 | 183,250 |
| Total general government | 1,880,182 | 1,892,196 | 1,413,579 | 478,619 |
| Public Safety | | | | |
| Personal services | 5,004,480 | 4,868,825 | 4,865,601 | 3,224 |
| Supplies | 254,500 | 131,500 | 131,324 | 178 |
| Other services and charges | 324,300 | 460,800 | 589,887 | (109,087) |
| Total Public Safety | 5,583,280 | 5,461,125 | 5,588,612 | (105,687) |
| Public Works | | | | |
| Personal service | 1,368,709 | 1,338,731 | 1,196,775 | 141,956 |
| Supplies | 207,600 | 262,600 | 251,912 | 10,888 |
| Other services and charges | 457,510 | 628,210 | 803,309 | 24,901 |
| Capital outlay | 260,000 | 218,000 | 87,094 | 130,906 |
| Total Public Works | 2,293,819 | 2,447,541 | 2,139,090 | 308,451 |
| Recreation and Parks | | | | |
| Personal services | 515,991 | 412,616 | 370,936 | 41,680 |
| Supplies | 43,200 | 69,200 | 66,767 | 2,433 |
| Other services and charges | 143,600 | 171,600 | 141,499 | 30,101 |
| Total Culture and Recreation | 702,791 | 653,416 | 579,202 | 74,214 |
| Total Expenditures | 10,440,072 | 10,454,280 | 9,698,883 | 755,597 |
| Excess (Deficiency) of Revenues Over Expenditures | - | (535,822) | 335,353 | 871,175 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | (443,404) | (488,307) | (44,903) |
| Total Other Financing Sources | - | (443,404) | (488,307) | (44,903) |
| Net change in fund balance | - | (979,226) | (152,954) | 826,272 |
| Fund Balance at beginning of year | 2,538,963 | 2,536,983 | 2,536,983 | - |
| Fund Balance at end of year | \$ 2,538,963 | \$ 1,557,757 | \$ 2,384,029 | \$ 826,272 |

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, 2010

| | Water/Sewer Authority |
|--|--------------------------|
| Assets | |
| Current assets: | |
| Cash in treasury accounts | \$ 4,534,431 |
| Accounts receivable, net | 579,580 |
| Intergovernmental receivable | 1,038,865 |
| Due from other funds | <u>393,688</u> |
| Total Current Assets | <u>6,546,564</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | |
| Customer deposits | 421,765 |
| Revenue bonds | <u>798,967</u> |
| Total restricted assets | <u>1,220,732</u> |
| Property, Plant and Equipment, at Cost | |
| Land | 43,925 |
| Buildings | 410,629 |
| Water/Sewer system | 25,523,546 |
| Automotive and equipment | 1,146,295 |
| Less: accumulated depreciation | <u>(9,794,981)</u> |
| Total capital assets (net of accumulated depreciation) | 17,329,414 |
| Construction in progress | <u>33,488,016</u> |
| Total noncurrent assets | <u>50,817,430</u> |
| Total Assets | <u>\$ 58,584,726</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts payable | \$ 1,537,291 |
| Interest payable | 141,293 |
| Compensated absences | 21,938 |
| Due to other funds | 694,116 |
| State Department of Environmental Quality Loans | <u>938,542</u> |
| Total current liabilities | <u>3,333,180</u> |
| Noncurrent liabilities: | |
| Customer deposits payable | 421,765 |
| Compensated absences | 21,938 |
| Obligation under capital lease | 4,558,913 |
| State Department of Environmental Quality Loans | <u>34,823,790</u> |
| Total noncurrent liabilities payable | <u>39,826,406</u> |
| Total Liabilities | <u>43,159,586</u> |
| Net Assets | |
| Investment in capital assets, net of related debt | 10,496,185 |
| Restricted for debt service | 798,967 |
| Unrestricted | <u>4,129,988</u> |
| Total Net Assets | <u>15,425,140</u> |
| Total Liabilities and Net Assets | <u>\$ 58,584,726</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, 2010

| | Water/Sewer Authority |
|--|--------------------------|
| Operating Revenues: | |
| Charges for services | \$ 4,840,667 |
| Intergovernmental revenues | 517,491 |
| Other revenues | <u>477,995</u> |
| Total Operating Revenues | <u>5,836,153</u> |
| Operating Expenses: | |
| Personal Services | 634,815 |
| Operating supplies and expenses | 277,279 |
| Contract services and other charges | 2,429,011 |
| Depreciation | <u>632,222</u> |
| Total operating expenses | <u>3,973,327</u> |
| Operating income (loss) | <u>1,862,826</u> |
| Nonoperating revenues (expenses): | |
| Investment earnings | 103,780 |
| Interest and service charges on long-term debt | (210,576) |
| Amortization of bond issuance cost | <u>(14,541)</u> |
| Total nonoperating revenues (expenses) | <u>(121,337)</u> |
| Net Income Before Operating Transfers | 1,741,489 |
| Operating transfers (out) | <u>(309,020)</u> |
| Change in net assets | <u>1,432,469</u> |
| Net assets - beginning | <u>13,992,671</u> |
| Total net assets - ending | <u>\$ 15,425,140</u> |

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

CITY OF McCOMB, MISSISSIPPI
Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2010

| | Water and Sewer Authority |
|---|------------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 4,943,554 |
| Intergovernmental revenues | 2,789,586 |
| Receipts from intergovernmental sources | (309,020) |
| Payments to suppliers | (4,459,064) |
| Payments to employees | (639,617) |
| Net cash provided by (used for) operating activities | <u>2,325,439</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (10,356,065) |
| Principal paid on capital debt | (474,129) |
| Proceeds from water pollution control revolving loan | 5,273,222 |
| Proceeds from capital lease | 4,558,913 |
| Interest paid on capital debt | (187,864) |
| Amortization costs | (14,541) |
| Net cash provided (used) by capital and related financing activities | <u>(1,200,464)</u> |
| Cash flows provided by (used for) investing activities: | |
| Interest received | 103,780 |
| Other investing activities | (1,130,698) |
| Net cash provided by investing activities | <u>(1,026,918)</u> |
| Net increase (decrease) in cash and cash equivalents | 98,057 |
| Cash and cash equivalents at beginning of year | <u>4,858,139</u> |
| Cash and cash equivalents at end of year | <u>\$ 4,956,196</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating Income (Loss) | \$ 1,862,826 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 632,222 |
| Amortization costs | 14,541 |
| (Increase) decrease | |
| Accounts receivable, net | (190,971) |
| Intergovernmental receivable | 1,337,096 |
| Due from other funds | (383,872) |
| Increase (decrease) | |
| Accounts payable | (1,756,773) |
| Interest payable | 134,750 |
| Customer deposits | 18,290 |
| Due to other funds | 658,132 |
| Compensated absences | (4,803) |
| Sales tax payable | 4,001 |
| | <u>462,613</u> |
| Net cash provided by operating activities | <u>\$ 2,325,439</u> |

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

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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, 2010

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, 2010

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 the proceeds of specific revenue sources (other special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Capital Projects Funds - Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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, 2010

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, 2010

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, 2010

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, 2010, accumulated unpaid vacation of \$424,159 was reported for the General Government and \$43,876 was reported for the Proprietary Fund.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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 method using the straight line method. Bond premiums and discounts are shown as an "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 method using the straight line method.

M. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At September 30, 2010, a portion of the fund balance is reserved for inventory, non-current note receivable, and debt service.

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 2010 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 2006, 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.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. EXPENDITURES

Expenditures are recognized when the related fund liability is incurred.

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 Finance Director 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, 2010

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 \$3,591,246, and \$5,755,163, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$8,125,677 and Restricted Assets - \$1,220,732. 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, 2010, none of the City's bank balance of \$9,597,075 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, 2010, none of the City's bank balance of \$9,597,075 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, 2010, the City had no investments.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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:

| Receivables: | General | Capital Project Stormwater | Water and Sewer Authority | Nonmajor Governmental Funds | Total |
|---------------------------------------|-------------------|----------------------------------|---------------------------------|-----------------------------------|---------------------|
| Taxes | \$ 27,588 | \$ - | \$ - | \$ 8,411 | \$ 35,999 |
| Accounts | 385,079 | - | 660,639 | 34,246 | 1,079,964 |
| Intergovernmental | - | 488,736 | 1,038,865 | 2,500 | 1,530,101 |
| Gross receivables | 412,667 | 488,736 | 1,699,504 | 45,157 | 2,646,064 |
| Less: allowance for uncollectibles | - | - | (81,059) | - | (81,059) |
| Net Total Receivables | <u>\$ 412,667</u> | <u>\$ 488,736</u> | <u>\$ 1,618,445</u> | <u>\$ 45,157</u> | <u>\$ 2,565,005</u> |

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

| Receivable Fund | Payable Fund | Amount |
|-----------------------|-------------------------|---------------------|
| General Fund | Water/sewer authority | \$ 307,463 |
| | Stormwater Construction | 853,904 |
| | Non Major Funds | 3,097 |
| Stormwater Damage | Non Major Funds | 173,212 |
| Non-Major | General Fund | 153,639 |
| | Water/sewer authority | 386,653 |
| Water/Sewer Authority | General Fund | 393,485 |
| | Non Major Funds | 203 |
| Total | | <u>\$ 2,271,656</u> |

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

| Transfer Out: | Transfer In: | | | Total |
|-----------------------|--------------|-------------------------|-----------------------|-------------------|
| | General Fund | Stormwater Construction | Nonmajor Governmental | |
| General fund | \$ - | \$ 66,330 | \$ 421,977 | \$ 488,307 |
| Water/sewer authority | - | 309,020 | - | 309,020 |
| Total | <u>\$ -</u> | <u>\$ 375,350</u> | <u>\$ 421,977</u> | <u>\$ 797,327</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, 2010

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

| | Balance 10/01/2009 | Addition | Retirements | Adjustments | Balance 9/30/2010 |
|---|-----------------------|-------------------|-------------|-------------|----------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 756,288 | \$ - | \$ - | \$ - | \$ 756,288 |
| Construction in progress | 5,382,958 | 1,048,910 | - | - | 6,431,868 |
| Total non-depreciable capital assets | <u>6,139,246</u> | <u>1,048,910</u> | <u>-</u> | <u>-</u> | <u>7,188,156</u> |
| Depreciable capital assets: | | | | | |
| Buildings | 6,402,894 | - | - | - | 6,402,894 |
| Furniture and equipment | 2,096,414 | 65,983 | - | - | 2,162,397 |
| Mobile equipment | 3,136,746 | 43,122 | - | - | 3,179,868 |
| Infrastructure | 4,270,136 | - | - | - | 4,270,136 |
| Total depreciable capital assets | <u>15,906,190</u> | <u>109,105</u> | <u>-</u> | <u>-</u> | <u>16,015,295</u> |
| Less accumulated depreciation: | | | | | |
| Buildings | 3,084,924 | 71,035 | - | - | 3,155,959 |
| Furniture and equipment | 1,514,210 | 132,039 | - | - | 1,646,249 |
| Mobile equipment | 2,573,927 | 181,072 | - | - | 2,754,999 |
| Infrastructure | 1,168,495 | 213,507 | - | - | 1,382,002 |
| Total accumulated depreciation | <u>8,341,556</u> | <u>597,653</u> | <u>-</u> | <u>-</u> | <u>8,939,209</u> |
| Total depreciable capital assets, net | <u>7,564,634</u> | <u>(488,548)</u> | <u>-</u> | <u>-</u> | <u>7,076,086</u> |
| Governmental activities capital assets, net | <u>\$ 13,703,880</u> | <u>\$ 560,362</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,264,242</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, 2010

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

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

| | Balance 10/01/2009 | Addition | Retirements | Adjustments | Balance 9/30/2010 |
|---|-----------------------|--------------|-------------|-------------|----------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 43,925 | \$ - | \$ - | \$ - | \$ 43,925 |
| Construction in progress | 28,214,794 | 5,273,222 | - | - | 33,488,016 |
| Total non-depreciable capital assets | 28,258,719 | 5,273,222 | - | - | 33,531,941 |
| Depreciable capital assets: | | | | | |
| Buildings | 410,629 | - | - | - | 410,629 |
| Equipment | 590,192 | - | - | - | 590,192 |
| Mobile equipment | 536,315 | 19,787 | - | - | 556,102 |
| Infrastructure | 20,460,491 | 5,063,055 | - | - | 25,523,546 |
| Total depreciable capital assets | 21,997,627 | 5,082,842 | - | - | 27,080,469 |
| Less accumulated depreciation: | | | | | |
| Buildings | 320,919 | 223 | - | - | 321,142 |
| Equipment | 501,484 | 27,779 | - | - | 529,263 |
| Mobile equipment | 514,626 | 9,040 | - | - | 523,666 |
| Infrastructure | 7,825,730 | 595,180 | - | - | 8,420,910 |
| Total accumulated depreciation | 9,162,759 | 632,222 | - | - | 9,794,981 |
| Total depreciable capital assets, net | 12,834,868 | 4,450,620 | - | - | 17,285,488 |
| Business- type activities capital assets, net | \$ 41,093,587 | \$ 9,723,842 | \$ - | \$ - | \$ 50,817,429 |

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, 2010

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

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

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 34,438 |
| Public safety | 257,827 |
| Public works | 154,279 |
| Health and welfare | 46,839 |
| Culture and recreation | <u>104,270</u> |
| Total depreciation expense - governmental activities | <u>\$ 597,653</u> |
| Business-type activities: | |
| Water and Sewer | <u>\$ 632,222</u> |
| Total depreciation expense - business-type activities | <u>\$ 632,222</u> |

Construction and Commitments

The City has under construction the following projects:

| Governmental Activities: | Estimated Cost of Project | Balance 09/30/09 | Additions | Balance 09/30/10 | Estimated Cost to Complete |
|--|---------------------------------|---------------------|---------------------|---------------------|----------------------------------|
| Capital Project Fund | | | | | |
| Sports Complex | \$ 6,702,126 | \$ 3,987,726 | \$ - | \$ 3,987,726 | \$ 2,714,400 |
| East/West Frontage Road Improvement | 76,476 | - | 76,476 | 76,476 | - |
| Stormwater Drainage Improvement Project | <u>2,367,666</u> | <u>1,395,232</u> | <u>972,434</u> | <u>2,367,666</u> | <u>-</u> |
| Total | <u>\$ 9,146,268</u> | <u>\$ 5,382,958</u> | <u>\$ 1,048,910</u> | <u>\$ 6,431,868</u> | <u>\$ 2,714,400</u> |

At September 30, 2010, the final construction cost of the City's Sports Complex - 2004 Construction Fund remained unfunded. The City's governing body has no immediate plans for the completion of the project.

| Business Activities: | Estimated Cost of Project | Balance 09/30/09 | Additions | Completion | Balance 09/30/10 | Estimated Cost to Complete |
|-----------------------------|---------------------------------|----------------------|---------------------|-------------|----------------------|----------------------------------|
| Wastewater Treatment Plant | <u>\$33,856,027</u> | <u>\$ 28,214,794</u> | <u>\$ 5,273,222</u> | \$ - | <u>\$ 33,488,016</u> | <u>\$ 368,011</u> |
| | <u>\$33,856,027</u> | <u>\$ 28,214,794</u> | <u>\$ 5,273,222</u> | <u>\$ -</u> | <u>\$ 33,488,016</u> | <u>\$ 368,011</u> |

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 7 - LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

GOVERNMENTAL ACTIVITIES

During the year ended September 30, 2010, the following changes occurred in liabilities reported for the General Government:

| | Balance Oct. 1, 2009 | Additions | Retirements | Balance Sept. 30, 2010 | Amount due Within one year |
|--------------------------|-------------------------|-------------------|-------------------|---------------------------|-------------------------------|
| Compensated absences | \$ 458,080 | \$ 195,119 | \$ 229,040 | \$ 424,159 | \$ 212,079 |
| General obligation bonds | 4,140,000 | - | 445,000 | 3,695,000 | 460,000 |
| Note payable | 27,463 | - | - | 27,463 | 13,364 |
| Capital lease obligation | 137,697 | - | 44,395 | 93,302 | 45,883 |
| Total | <u>\$ 4,763,240</u> | <u>\$ 195,119</u> | <u>\$ 718,435</u> | <u>\$ 4,239,924</u> | <u>\$ 731,326</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, 2010.

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.

\$ 1,730,000

On July 1, 2003, the Mayor and Board of Selectmen authorized the issuance of \$2,280,000 general obligation refunding bonds with interest rates of 1.0% to 3.0% maturing in fiscal year 2012. Proceeds from these bonds were used to refund both the Street Improvement Bonds of 1991 and the Law Enforcement Complex Bonds of 1992 in the 2003 fiscal year. As a result of this refunding the City reduced its debt service payment over the remaining life of the bonds by \$320,747. This resulted in an economic gain in fiscal year 2003 (difference between the present values of the new and old debt service payments) of \$291,838. This debt will be retired from the City's General Obligation Bond Fund.

385,000

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.

1,580,000

Total General Obligation Bonds

\$ 3,695,000

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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 |
|------------------------------------|---------------------|---------------------|---------------------|
| 2011 | \$ 460,000 | \$ 157,982 | \$ 617,982 |
| 2012 | 245,000 | 140,236 | 385,236 |
| 2013 | 175,000 | 128,935 | 303,935 |
| 2014 | 180,000 | 119,746 | 299,746 |
| 2015 | 190,000 | 110,296 | 300,296 |
| 2014-2020 | 1,095,000 | 417,097 | 1,512,097 |
| 2021-2025 | 1,205,000 | 169,398 | 1,374,398 |
| 2026 | 145,000 | 5,655 | 150,655 |
| Total | <u>\$ 3,695,000</u> | <u>\$ 1,249,345</u> | <u>\$ 4,944,345</u> |

2. Notes Payable

The outstanding Notes Payable are as follows as of September 30, 2010.

On August 08, 2008 the City entered into a sales contract agreement in the amount of \$65,000 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.

Amount
Outstanding

\$ 27,463

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

| Fiscal year ending September 30 | Principal | Interest | Total |
|------------------------------------|------------------|-----------------|------------------|
| 2011 | \$ 13,364 | \$ 1,036 | \$ 14,400 |
| 2012 | 13,993 | 407 | 14,400 |
| 2013 | 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, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

3. Obligations Under Capital Leases

The outstanding Obligations Under Capital Leases are as follows as of September 30, 2010.

| | <u>Amount Outstanding</u> |
|--|-------------------------------|
| In April 2004, the City entered into a lease-purchase agreement in the amount of \$4,558,913 with an interest rate of 3.35% maturing in fiscal year 2012. The lease-purchase agreement qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of a fire truck. At the end of the lease, the lessee will have the option to purchase the Lessor's interest in the property for the Purchase Option Price of \$1. This debt will be retired from the general fund. | \$ <u>93,302</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

| <u>Fiscal year ending September 30</u> | <u>Total</u> |
|--|------------------|
| 2011 | \$ 49,008 |
| 2012 | <u>49,008</u> |
| Total minimum lease payments | 98,016 |
| Less: amount representing interest | <u>(4,714)</u> |
| Present value of minimum lease payments | \$ <u>93,302</u> |

B. BUSINESS-TYPE ACTIVITIES

During the year ended September 30, 2010, the following changes occurred in liabilities reported for the Proprietary Fund:

| | <u>Balance Oct. 1, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance Sept. 30, 2010</u> | <u>Amount due Within one year</u> |
|--------------------------------------|---------------------------------|---------------------|--------------------|-----------------------------------|---------------------------------------|
| Compensated absences | \$ 48,678 | \$ 19,537 | \$ 24,339 | \$ 43,876 | \$ 21,938 |
| Capital lease obligation | - | 4,558,913 | - | 4,558,913 | - |
| Revenue bonds | 380,000 | - | 380,000 | - | - |
| Water pollution revolving loan (DEQ) | <u>30,583,239</u> | <u>5,273,222</u> | <u>94,129</u> | <u>35,762,332</u> | <u>938,542</u> |
| Total | <u>\$31,011,917</u> | <u>\$ 9,851,672</u> | <u>\$ 498,468</u> | <u>\$ 40,365,121</u> | <u>\$ 960,480</u> |

The following is outstanding debt related to Business-Type Activities as of September 30, 2010.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

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 this 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.

| | <u>Loan Number</u> | <u>Outstanding Balance at Sept. 30,2010</u> |
|---|-------------------------|---|
| a. East/West Lagoon Pump Station and Force Main | | |
| 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. | Loan # SRFC280909-01 | \$ 2,274,316 |
| b. Wastewater Treatment Plant | | |
| 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. | Loan # SRFC280909-02 | 33,488,016 |
| | | <u>\$ 35,762,332</u> |

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> |
|--|---------------------|-----------------|---------------------|
| 2011 | 96,752 | 61,329 | 158,081 |
| 2012 | 99,345 | 58,636 | 157,981 |
| 2013 | 102,215 | 55,866 | 158,081 |
| 2014 | 105,061 | 53,020 | 158,081 |
| 2015 | 107,987 | 50,094 | 158,081 |
| 2016 - 2020 | 586,758 | 203,648 | 790,406 |
| 2021 - 2025 | 673,141 | 117,265 | 790,406 |
| 2026 - 2029 | 503,057 | 23,979 | 527,036 |
| | <u>\$ 2,274,316</u> | <u>623,837</u> | <u>\$ 2,898,153</u> |

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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:

| <u>Fiscal year ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------|------------------|----------------------|
| 2011 | \$ 841,791 | 341,939 | \$ 1,183,730 |
| 2012 | 1,462,678 | 566,060 | 2,028,738 |
| 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 - 2020 | 8,124,923 | 2,103,720 | 10,228,643 |
| 2021 - 2025 | 9,176,582 | 1,052,061 | 10,228,643 |
| 2026 - 2030 | 9,337,360 | 606,227 | 9,943,587 |
| | <u>\$ 33,488,016</u> | <u>6,211,539</u> | <u>\$ 39,699,555</u> |

2. Obligations Under Capital Lease

The outstanding Obligations Under Capital Lease are as follows as of September 30, 2010

| | <u>Amount Outstanding</u> |
|---|-------------------------------|
| In January 2010, the City entered into a master lease-purchase agreement with Siemens Financial Services in the amount of \$4,558,913 with an interest rate of 4.42% maturing in January 2021. The lease-purchase agreement qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of an automated meter reading system. This debt will be retired from the water and sewer authority proprietary fund. | <u>\$ 4,558,913</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

| <u>Fiscal year ending September 30</u> | <u>Total</u> |
|--|---------------------|
| 2011 | \$ 524,134 |
| 2012 | 518,354 |
| 2013 | 544,272 |
| 2014 | 571,486 |
| 2015 | 648,452 |
| 2016 to 2020 | 3,315,711 |
| 2021 | <u>247,047</u> |
| Total Minimum lease payments | 6,369,456 |
| Less: amount representing interest | <u>(1,810,543)</u> |
| Present value of minimum lease payments | <u>\$ 4,558,913</u> |

Included in infrastructure is an automated meter reading system with costs totaling \$ 4,558,913 under capital lease. The accumulated amortization on this system is \$113,973 as of September 30, 2010, and is recorded as a component of depreciation expense. Amortization expense was \$113,973 for the year ended September 30, 2010.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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 \$424,159 for the general government and \$43,876 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 11.85% of annual covered payroll until June 30, 2010. Effective July 1, 2010, the employer's contribution rate was increased to 12.00%. This change was made during the municipal fiscal year 2010 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 contributions to PERS for the years ended September 30, 2010, 2009, and 2008 were \$676,473, \$741,927, and \$767,722, respectively, equal to the required contributions for each year.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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, 2010, comprehensive annual financial report.

2. Mississippi Municipal Retirement System

A. Plan Description and Provisions

The City of McComb 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 contributions to MMRS for the years ended September 30, 2010, 2009 and 2008 were \$269,043, \$219,848, and \$228,585, 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, 2010

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) | \$ 247,897 |
| Interest cost | 17,868 |
| Adjustment to required contribution | <u>(6,024)</u> |
| Total annual pension cost | 259,741 |
| Less: contribution made | <u>(219,848)</u> |
| Increase (decrease) in net pension obligation | \$ <u>39,893</u> |
| Percentage of annual pension cost contributed | <u>103.0</u> % |
| Net pension obligation at year end | \$ <u>259,741</u> |

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

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, 2010. 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, 2010, 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 | \$ 3,960 |
| Active members | - |
| Vested terminated members not yet receiving benefits | - |
| Total actuarial accrued liability | 3,960 |
| Actuarial Value of Assets | 1,177 |
| Unfunded Actuarial Accrued Liability | <u>\$ 2,783</u> |

During the year ended September 30, 2010, the plan experienced a net change of \$11.8 thousand in the actuarial accrued liability.

NOTE 9 - 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, 2010, 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.

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 9 - OTHER INFORMATION

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 10 - APPROPRIATIONS AND DEFICIT FUND EQUITY

A. Deficit Fund Equity

The City of McComb had a deficit fund equity by individual fund as follows at September 30, 2010.

| <u>Individual Fund</u> | <u>Amount</u> |
|---------------------------------------|---------------|
| Animal Shelter - Special Revenue Fund | \$ (24) |
| Stromwater U S Army Corp of Engineers | (171,779) |

NOTE 11 - PRIOR PERIOD ADJUSTMENT

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

| | <u>Governmental Activity</u> |
|---|----------------------------------|
| Net asset beginning of year | \$ 11,742,106 |
| To adjust beginning net asset for under statement of prior year unfunded pension liability. | <u>(2,694,326)</u> |
| Net asset balance as restated | \$ <u>9,047,780</u> |

CITY OF McCOMB, MISSISSIPPI
Notes to the Financial Statements
September 30, 2010

NOTE 12 - NEW ACCOUNTING STANDARDS

Effective for periods beginning after June 15, 2010, the City will be required to implement GASB statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*. This statement will significantly change how fund balance information is reported. The statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification and clarifies the definition of existing governmental fund types.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 3, 2011, 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, 2010

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 |

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

CITY OF McCOMB, MISSISSIPPI
Nonmajor Governmental Funds
September 30, 2010

SPECIAL REVENUES FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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, 2010

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.

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.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principle and interest from special assessment levies when the government is obligated in some manner for the payment.

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 the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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.

Energy Efficiency and Conservation ARRA Block Grant Project - This fund is used to account for the acquisition of solar panels for the Sports Complex.

CITY OF MCCOMB, MISSISSIPPI
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

| | 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 | Community Relations and Tourism Fund | Total Special Revenue Funds |
|---|--------------------|--------------|--------------|---|--------------------|---|------------------------------------|---|---------------------------|-------------------|----------------------------------|----------------------------|---------------------------------|---------------------------|---------------------------|--------------------------------------|------------------|---|--------------------------------------|
| Cash in treasury acct. | \$ 208,000 | \$ 190 | \$ 8 | \$ 341,198 | \$ 7,364 | \$ 20 | \$ 98,052 | \$ 2,120 | \$ 28,520 | \$ - | \$ - | \$ 50,000 | \$ 9,917 | \$ 6,946 | \$ 36,315 | \$ 27,767 | \$ 79,700 | \$ - | \$ 894,207 |
| Taxes receivable | - | - | - | - | 572 | - | - | - | 2,396 | - | - | - | - | - | - | - | - | - | 2,968 |
| Accounts receivable | - | - | - | - | - | 3,595 | - | - | - | - | - | - | - | - | - | 30,648 | - | - | 34,248 |
| Due from other funds | - | - | - | 39,062 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 50,040 |
| Total assets | \$ 208,000 | \$ 190 | \$ 8 | \$ 380,260 | \$ 7,936 | \$ 3,615 | \$ 98,052 | \$ 2,120 | \$ 28,916 | \$ - | \$ - | \$ 50,000 | \$ 9,917 | \$ 6,956 | \$ 36,315 | \$ 58,415 | \$ 79,700 | \$ 10,978 | \$ 981,461 |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ 8 | \$ 380,260 | \$ 572 | \$ - | \$ - | \$ - | \$ 17,884 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,848 | \$ - | \$ 378 | \$ 403,750 |
| Due to other funds | - | - | - | - | 540 | - | - | - | - | 24 | - | - | - | 6,933 | - | 27,774 | - | 3,077 | 38,351 |
| Total liabilities | - | - | - | 380,260 | 1,115 | - | - | - | 17,884 | 24 | - | - | - | 6,933 | - | 32,422 | - | 3,455 | 442,101 |
| Fund balance | | | | | | | | | | | | | | | | | | | |
| Unreserved, undesignated | 208,000 | 190 | - | - | 6,821 | 3,615 | 98,052 | 2,120 | 11,032 | (24) | - | 50,000 | 9,917 | 23 | 36,315 | 25,993 | 79,700 | 7,523 | 538,360 |
| Total fund balances | 208,000 | 190 | - | - | 6,821 | 3,615 | 98,052 | 2,120 | 11,032 | (24) | - | 50,000 | 9,917 | 23 | 36,315 | 25,993 | 79,700 | 7,523 | 538,360 |
| Total liabilities and fund balance | \$ 208,000 | \$ 190 | \$ 8 | \$ 380,260 | \$ 7,936 | \$ 3,615 | \$ 98,052 | \$ 2,120 | \$ 28,916 | \$ - | \$ - | \$ 50,000 | \$ 9,917 | \$ 6,956 | \$ 36,315 | \$ 58,415 | \$ 79,700 | \$ 10,978 | \$ 981,461 |

CITY OF MCCOMB, MISSISSIPPI
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2010

| | Total all Special Revenue Funds | Debt Service Fund City General Obligation Bond Fund | Capital Project Funds STP - Pearl River Light | NRCS Watershed Protection Project | EECBG ARRA Grant | Total | Total Nonmajor Governmental Funds |
|---------------------------------------|--|---|--|--|------------------------|-------------------|--|
| Cash in treasury accounts | \$ 894,207 | \$ 228,004 | \$ - | \$ - | \$ - | \$ 228,004 | \$ 1,122,211 |
| Intergovernmental receivable | - | - | - | - | 2,500 | 2,500 | 2,500 |
| Taxes receivable | 2,968 | 5,443 | - | - | - | 5,443 | 8,411 |
| Accounts receivable | 34,246 | - | - | - | - | - | 34,246 |
| Note receivable | - | - | - | - | - | - | - |
| Due from other funds | 50,040 | 148,460 | 309,020 | 43,750 | - | 501,230 | 551,270 |
| Total assets | <u>\$ 981,461</u> | <u>\$ 381,907</u> | <u>\$ 309,020</u> | <u>\$ 43,750</u> | <u>\$ 2,500</u> | <u>\$ 737,177</u> | <u>\$ 1,718,638</u> |
| Accounts payable and accrued liab. | \$ 403,750 | \$ - | \$ 1,427 | \$ 11,810 | \$ 2,500 | \$ 15,737 | \$ 419,487 |
| Due to other funds | 38,351 | 148,460 | - | 679 | - | 149,139 | 187,490 |
| Total Liabilities | <u>442,101</u> | <u>148,460</u> | <u>1,427</u> | <u>12,489</u> | <u>2,500</u> | <u>164,876</u> | <u>606,977</u> |
| Fund balance | - | 233,447 | - | - | - | 233,447 | 233,447 |
| Reserved for debt service | - | - | - | - | - | - | - |
| Reserved for capital improvements | - | - | 307,593 | 31,261 | - | 338,854 | 338,854 |
| Unreserved, undesignated | 539,360 | - | - | - | - | - | 539,360 |
| Total fund balances | <u>539,360</u> | <u>233,447</u> | <u>307,593</u> | <u>31,261</u> | <u>-</u> | <u>572,301</u> | <u>1,111,661</u> |
| Total liabilities and fund balance | <u>\$ 981,461</u> | <u>\$ 381,907</u> | <u>\$ 309,020</u> | <u>\$ 43,750</u> | <u>\$ 2,500</u> | <u>\$ 737,177</u> | <u>\$ 1,718,638</u> |

CITY OF MCCOMB, MISSISSIPPI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2010

| | Fire Protection | MESC Fund | JAG Grant | Federal Highway Resurficing 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 | Community Relations and Tourism Fund | Total Special Revenue Funds |
|--|-------------------|---------------|---------------|--|-----------------|--------------------------------------|---------------------------|------------------------------------|---------------------|----------------|-------------------------|----------------------|------------------------|---------------------|---------------------|-----------------------------|------------------|--------------------------------------|-----------------------------|
| Revenues: | | | | | | | | | | | | | | | | | | | |
| Property taxes | \$ 72,636 | - | - | - | \$ 65,446 | \$ 20,680 | - | - | \$ 273,655 | - | - | - | - | - | - | \$ 163,135 | - | - | \$ 339,303 |
| State and federal revenues | - | - | 56,227 | 761,162 | - | - | - | - | - | - | 4,000 | - | - | - | - | - | - | - | 1,089,437 |
| Local government | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 130,271 |
| Revenues | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,660 |
| Cemetery fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 79,700 | - | 79,700 |
| Fines and forfeits | 3,163 | - | - | - | - | - | - | 2,086 | - | - | - | - | - | - | - | - | - | - | 2,086 |
| Interest income | - | - | - | - | - | 2,000 | 55,164 | 34 | - | - | - | - | - | - | - | - | - | - | 3,217 |
| Contributions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 57,164 |
| Other | - | 190 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 190 |
| Total Revenues | 75,821 | 190 | 56,227 | 761,162 | 65,446 | 22,680 | 55,164 | 2,120 | 273,655 | - | 4,000 | - | - | - | 66,044 | 163,135 | 79,700 | 76,482 | 1,708,048 |
| Expenditures: | | | | | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | | | | | |
| Public safety | - | - | 56,227 | 40,145 | - | 17,700 | - | - | - | - | - | - | - | - | - | 96,510 | - | - | 176,203 |
| Public works | - | - | - | - | 65,387 | - | 18,583 | - | - | - | - | - | - | - | - | - | - | - | 40,145 |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 83,990 |
| Disability and relief | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Funding | - | - | - | - | - | - | - | - | 273,319 | - | - | - | - | - | - | - | - | 100,769 | 273,319 |
| Economic development | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 100,769 |
| Debt Services: | | | | | | | | | | | | | | | | | | | |
| Principal | 44,395 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 44,395 |
| Interest | 4,613 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,613 |
| Capital Outlays: | | | | | | | | | | | | | | | | | | | |
| Public safety | - | - | - | - | - | 1,362 | - | - | - | - | - | - | - | - | - | 65,963 | - | - | 131,600 |
| Public works | - | - | - | 775,224 | - | - | - | - | - | - | 4,000 | - | - | - | - | - | - | - | 776,224 |
| Public safety | - | - | 56,227 | 615,260 | 65,387 | 18,092 | 18,583 | - | 273,319 | - | 4,000 | - | - | - | 66,021 | 192,483 | - | - | 1,834,256 |
| Total Expenditures | 49,008 | - | 56,227 | 615,260 | 65,387 | 18,092 | 18,583 | - | 273,319 | - | 4,000 | - | - | - | 66,021 | 192,483 | - | 100,769 | 1,834,256 |
| Excess (deficiency) of revenues over expenditures | 26,813 | 190 | - | (54,207) | 51 | 3,618 | 36,581 | 2,120 | 536 | - | - | - | - | 23 | - | 642 | 79,700 | (24,287) | 71,760 |
| Other financing sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | 54,207 | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,000 | 69,207 |
| Total other financing sources (uses) | - | - | - | 54,207 | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,000 | 69,207 |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 26,813 | 190 | - | - | 51 | 3,616 | 36,581 | 2,120 | 536 | - | - | - | - | 23 | - | 642 | 79,700 | (24,287) | 140,967 |
| Fund balances, beginning of Year | 181,267 | - | - | - | 6,770 | - | 81,481 | - | 10,486 | (24) | - | 50,000 | 9,917 | - | - | 25,351 | - | 18,810 | 388,363 |
| Fund balance, end of Year | \$ 208,080 | \$ 190 | \$ - | \$ - | \$ 6,821 | \$ 3,616 | \$ 88,032 | \$ 2,120 | \$ 11,032 | \$ (24) | \$ - | \$ 50,000 | \$ 9,917 | \$ - | \$ 23 | \$ 25,993 | \$ 79,700 | \$ 7,523 | \$ 539,360 |

CITY OF MCCOMB, MISSISSIPPI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2010

| | Total all Special Revenue Funds | Debt Service Fund City General Obligation Bond Fund | STP - Pearl River Light | Capital Project Funds | | Total | Total Nonmajor Governmental Funds |
|---|--|---|-------------------------------|--|------------------------|-------------------|--|
| | | | | NRCS Watershed Protection Project | EECBG ARRA Grant | | |
| Revenues: | | | | | | | |
| Property taxes | \$ 339,303 | \$ 623,209 | \$ - | \$ - | \$ - | \$ 623,209 | \$ 962,512 |
| State shared revenues | 1,089,437 | - | - | - | - | - | 1,089,437 |
| Federal shared revenues | 130,271 | - | - | - | 2,500 | 2,500 | 132,771 |
| Local government revenues | 4,660 | - | - | - | - | - | 4,660 |
| Cemetery fees | 79,700 | - | - | - | - | - | 79,700 |
| Fines and forfeits | 2,086 | - | - | - | - | - | 2,086 |
| Interest income | 3,217 | - | - | - | - | - | 3,217 |
| Contributions | 57,184 | - | - | - | - | - | 57,184 |
| Other | 190 | - | - | - | - | - | 190 |
| Total Revenues | 1,706,048 | 623,209 | - | - | 2,500 | 625,709 | 2,331,757 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Public safety | 176,203 | - | - | - | - | - | 176,203 |
| Public works | 40,145 | - | 1,427 | 679 | - | 2,106 | 42,251 |
| Culture and recreation | 83,990 | - | - | - | 2,500 | 2,500 | 86,490 |
| Employee benefits | 273,319 | - | - | - | - | - | 273,319 |
| Economic development | 100,769 | - | - | - | - | - | 100,769 |
| Debt Services: | | | | | | | |
| Principal | 44,395 | 521,170 | - | - | - | 521,170 | 565,565 |
| Interest and fiscal charges | 4,613 | 100,628 | - | - | - | 100,628 | 105,241 |
| Capital Outlays: | | | | | | | |
| Public safety | 131,600 | - | - | - | - | - | 131,600 |
| Public works | 779,224 | - | - | 11,810 | - | 11,810 | 791,034 |
| Total Expenditures | 1,634,258 | 621,798 | 1,427 | 12,489 | 2,500 | 638,214 | 2,272,472 |
| Excess (deficiency) of revenues over expenditures | 71,790 | 1,411 | (1,427) | (12,489) | - | (12,505) | 59,285 |
| Other financing sources | | | | | | | |
| (Uses): | | | | | | | |
| Transfers in | 69,207 | - | 309,020 | 43,750 | - | 352,770 | 421,977 |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 69,207 | - | 309,020 | 43,750 | - | 352,770 | 421,977 |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 140,997 | 1,411 | 307,593 | 31,261 | - | 340,265 | 481,262 |
| Fund balances, beginning of Year | 398,363 | 232,036 | - | - | - | 232,036 | 630,399 |
| Fund balance, end of Year | \$ 539,360 | \$ 233,447 | \$ 307,593 | \$ 31,261 | \$ - | \$ 572,301 | \$ 1,111,661 |

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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| State shared revenues | \$ 69,000 | \$ 69,000 | \$ 72,638 | \$ 3,638 |
| Interest income | - | - | 3,183 | (3,183) |
| Total revenues | <u>69,000</u> | <u>69,000</u> | <u>75,821</u> | <u>455</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 8,500 | 8,500 | - | 8,500 |
| Debt Service: | | | | |
| Principal payment on debt | 44,395 | 44,395 | 44,395 | - |
| Interest and fiscal charges | <u>4,613</u> | <u>4,613</u> | <u>4,613</u> | <u>-</u> |
| Total expenditures | <u>57,508</u> | <u>57,508</u> | <u>49,008</u> | <u>8,500</u> |
| Excess (deficiency) of revenues over expenditures | 11,492 | 11,492 | 26,813 | 8,955 |
| Net change in fund balances | 11,492 | 11,492 | 26,813 | 8,955 |
| Fund balance October 1, 2009 | <u>181,267</u> | <u>181,267</u> | <u>181,267</u> | <u>-</u> |
| Fund balance September 30, 2010 | <u>\$ 192,759</u> | <u>\$ 192,759</u> | <u>\$ 208,080</u> | <u>\$ 8,955</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Other income | \$ - | \$ - | \$ 190 | \$ 190 |
| Total revenues | <u>-</u> | <u>-</u> | <u>190</u> | <u>190</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Other services and charges | - | - | 31 | (31) |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>190</u> | <u>190</u> |
| Net change in fund balances | - | - | 190 | 190 |
| Fund balance, October 1, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 190</u> | <u>\$ 190</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Grant Funds | \$ - | \$ 58,235 | \$ 58,227 | \$ (8) |
| Total revenues | <u>-</u> | <u>58,235</u> | <u>58,227</u> | <u>(8)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | <u>-</u> | <u>58,235</u> | <u>58,227</u> | <u>8</u> |
| Total expenditures | <u>-</u> | <u>58,235</u> | <u>58,227</u> | <u>8</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, October 1, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| State shared revenue | \$ - | \$ 566,301 | \$ 761,162 | \$ 194,861 |
| Local matching funds | - | 345,694 | - | (345,694) |
| Total revenues | - | 911,995 | 761,162 | (150,833) |
| EXPENDITURES | | | | |
| Current: | - | 40,145 | 40,145 | - |
| Public works | | | | |
| Capital outlays | | | | |
| Public works | - | 886,995 | 775,224 | 111,771 |
| Total expenditures | - | 927,140 | 815,369 | 111,771 |
| Excess (deficiency) of revenues over expenditures | - | (15,145) | (54,207) | (39,062) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 15,145 | 54,207 | 39,062 |
| Total other financing sources and use: | - | 15,145 | 54,207 | 39,062 |
| Net change in fund balances | - | - | - | - |
| Fund balances, October 1, 2009 | - | - | - | - |
| Fund balances, September 30, 2010 | \$ - | \$ - | \$ - | \$ - |

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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 66,982 | \$ 66,982 | \$ 65,448 | \$ (1,534) |
| Total revenues | <u>66,982</u> | <u>66,982</u> | <u>65,448</u> | <u>(1,534)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | <u>66,982</u> | <u>66,982</u> | <u>65,397</u> | <u>1,585</u> |
| Total expenditures | <u>66,982</u> | <u>66,982</u> | <u>65,397</u> | <u>1,585</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>51</u> | <u>51</u> |
| Net change in fund balances | - | - | 51 | 51 |
| Fund balance, October 1, 2009 | <u>6,770</u> | <u>6,770</u> | <u>6,770</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ 6,770</u> | <u>\$ 6,770</u> | <u>\$ 6,821</u> | <u>\$ 51</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| State grant revenues | \$ - | \$ 9,198 | \$ 20,680 | \$ 11,482 |
| Contributions | - | <u>2,000</u> | <u>2,000</u> | - |
| Total revenues | <u>-</u> | <u>11,198</u> | <u>22,680</u> | <u>11,482</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | 9,198 | 17,700 | (8,502) |
| Capital outlay | - | - | <u>1,362</u> | <u>(1,362)</u> |
| Total expenditures | <u>-</u> | <u>9,198</u> | <u>19,062</u> | <u>(9,864)</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>2,000</u> | <u>3,618</u> | <u>1,618</u> |
| Net change in fund balances | - | 2,000 | 3,618 | 1,618 |
| Fund balance, October 1, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ 2,000</u> | <u>\$ 3,618</u> | <u>\$ 1,618</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Recreation fees | \$ 30,000 | \$ 30,000 | \$ 55,184 | \$ 25,184 |
| Total revenues | <u>30,000</u> | <u>30,000</u> | <u>55,184</u> | <u>25,184</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 15,000 | 22,500 | 18,593 | 3,907 |
| Total expenditures | <u>15,000</u> | <u>22,500</u> | <u>18,593</u> | <u>3,907</u> |
| Excess (deficiency) of revenues over expenditures | <u>15,000</u> | <u>7,500</u> | <u>36,591</u> | <u>29,091</u> |
| Net change in fund balances | 15,000 | 7,500 | 36,591 | 29,091 |
| Fund balance, October 1, 2009 | <u>61,461</u> | <u>61,461</u> | <u>61,461</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ 76,461</u> | <u>\$ 68,961</u> | <u>\$ 98,052</u> | <u>\$ 29,091</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive Negative)</u> |
|--|-------------------------|-----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Fines and forfeits | \$ - | \$ - | \$ 2,086 | \$ 2,086 |
| Interest income | - | - | 34 | 34 |
| Total revenues | <u>-</u> | <u>-</u> | <u>2,120</u> | <u>2,120</u> |
| EXPENDITURES | | | | |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>2,120</u> | <u>2,120</u> |
| Net change in fund balances | - | - | 2,120 | 2,120 |
| Fund balance, October 1, 2009 | <u>2,086</u> | <u>2,086</u> | <u>-</u> | <u>(2,086)</u> |
| Fund balance, September 30, 2010 | <u>\$ 2,086</u> | <u>\$ 2,086</u> | <u>\$ 2,120</u> | <u>\$ 34</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 276,191 | \$ 276,191 | \$ 273,855 | \$ (2,336) |
| Total revenues | <u>276,191</u> | <u>276,191</u> | <u>273,855</u> | <u>(2,336)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contributions to State PERS | 276,191 | 276,191 | 273,319 | 2,872 |
| Total expenditures | <u>276,191</u> | <u>276,191</u> | <u>273,319</u> | <u>2,872</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>536</u> | <u>536</u> |
| Net change in fund balances | - | - | 536 | 536 |
| Fund balance, October 1, 2009 | <u>10,496</u> | <u>10,496</u> | <u>10,496</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ 10,496</u> | <u>\$ 10,496</u> | <u>\$ 11,032</u> | <u>\$ 536</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Contributions | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| Fund balance, October 1, 2009 | (24) | (24) | (24) | - |
| Fund balance, September 30, 2010 | <u>\$ (24)</u> | <u>\$ (24)</u> | <u>\$ (24)</u> | <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, 2010

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (negative)</u> |
|---|-----------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ <u>119,608</u> | \$ <u>119,608</u> | \$ <u>163,135</u> | \$ <u>43,527</u> |
| TOTAL REVENUES | <u>119,608</u> | <u>119,608</u> | <u>163,135</u> | <u>43,527</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public Safety | | | | |
| Police protection | 53,835 | 81,085 | 96,510 | (15,425) |
| Capital outlay | <u>65,773</u> | <u>65,773</u> | <u>65,983</u> | <u>(210)</u> |
| Total Expenditures | <u>119,608</u> | <u>146,858</u> | <u>162,493</u> | <u>(15,635)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>-</u> | <u>(27,250)</u> | <u>642</u> | <u>27,892</u> |
| Net change in fund balance | - | (27,250) | 642 | 27,892 |
| Fund balance, October 1, 2009 | <u>25,351</u> | <u>25,351</u> | <u>25,351</u> | <u>-</u> |
| Fund balance, September 30, 2010 | \$ <u>25,351</u> | \$ <u>(1,899)</u> | \$ <u>25,993</u> | \$ <u>27,892</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, 2010

| | <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 | \$ - | \$ 4,000 | \$ 4,000 | \$ - |
| Total revenues | <u>-</u> | <u>4,000</u> | <u>4,000</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Capital outlay: | | | | |
| Culture and recreation | - | 4,000 | 4,000 | - |
| Total expenditures | <u>-</u> | <u>4,000</u> | <u>4,000</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, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Shared revenues | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| Fund balance, October 1, 2009 | 50,000 | 50,000 | 50,000 | - |
| Fund balance, September 30, 2010 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ - |

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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Federal shared revenues | \$ - | \$ 23,815 | \$ 68,044 | \$ 44,229 |
| Total revenues | - | 23,815 | 68,044 | 44,229 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | 3,787 | 3,766 | 21 |
| Capital outlay | - | 64,257 | 64,255 | 2 |
| Total expenditures | - | 68,044 | 68,021 | 23 |
| Excess (deficiency) of revenues over expenditures | - | (44,229) | 23 | 44,252 |
| Net change in fund balances | - | (44,229) | 23 | 44,252 |
| Fund balance, October 1, 2009 | 44,229 | 44,229 | - | - |
| Fund balance, September 30, 2010 | \$ 44,229 | \$ - | \$ 23 | \$ 44,252 |

CITY OF McCOMB, MISSISSIPPI
Urban Youth Corps Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2010

| | Budgeted Amounts | | | Variance With Final Budget - Positive (Negative) |
|--|------------------|-----------------|-------------------|---|
| REVENUES | Original | Final | Actual Amounts | |
| Federal shared revenues | \$ 35,000 | \$ 35,000 | \$ - | \$ (35,000) |
| Other revenues (In-kind) | <u>8,750</u> | <u>8,750</u> | <u>-</u> | <u>(8,750)</u> |
| Total revenues | <u>43,750</u> | <u>43,750</u> | <u>-</u> | <u>(43,750)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 35,000 | 35,000 | - | 35,000 |
| Other services and charges (In-kind) | <u>8,750</u> | <u>8,750</u> | <u>-</u> | <u>8,750</u> |
| Total expenditures | <u>43,750</u> | <u>43,750</u> | <u>-</u> | <u>43,750</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | - | - |
| Fund balance, October 1, 2009 | <u>9,917</u> | <u>9,917</u> | <u>9,917</u> | <u>-</u> |
| Fund balance, September 30, 2010 | \$ <u>9,917</u> | \$ <u>9,917</u> | \$ <u>9,917</u> | \$ <u>-</u> |

CITY OF McCOMB, MISSISSIPPI
Community Relations and Tourism Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| State shared revenues | \$ 46,800 | \$ 75,700 | \$ 71,822 | \$ (3,878) |
| Miscellaneous revenues | - | - | 4,660 | 4,660 |
| Total revenues | <u>46,800</u> | <u>75,700</u> | <u>76,482</u> | <u>782</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic and community development | 57,793 | 114,985 | 100,769 | 14,216 |
| Capital Outlay: | | | | |
| Economic development | <u>45,000</u> | <u>32,099</u> | - | <u>32,099</u> |
| Total expenditures | <u>102,793</u> | <u>147,084</u> | <u>100,769</u> | <u>46,315</u> |
| Excess (deficiency) of revenues over expenditures | <u>(55,993)</u> | <u>(71,384)</u> | <u>(24,287)</u> | <u>47,097</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 15,000 | 15,000 |
| Total other financing sources and use: | <u>-</u> | <u>-</u> | <u>15,000</u> | <u>15,000</u> |
| Net change in fund balances | (55,993) | (71,384) | (9,287) | 62,097 |
| Fund balance, October 1, 2009 | <u>16,810</u> | <u>16,810</u> | <u>16,810</u> | - |
| Fund balance, September 30, 2010 | <u>\$ (39,183)</u> | <u>\$ (54,574)</u> | <u>\$ 7,523</u> | <u>\$ 62,097</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, 2010

| | <u>Budgeted Amounts</u> | | | Variance With Final Budget - Positive (Negative) |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | |
| REVENUES | | | | |
| Cemetery fees | \$ - | - | \$ 79,700 | \$ 79,700 |
| Total revenues | - | - | 79,700 | 79,700 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | - | 79,700 | 79,700 |
| Net change in fund balances | - | - | 79,700 | 79,700 |
| Fund balance, October 1, 2009 | - | - | - | - |
| Fund balance, September 30, 2010 | \$ - | \$ - | \$ 79,700 | \$ 79,700 |

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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget - Positive (Negative)</u> |
|--|-------------------------|-----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | | | | |
| Other services and charges | <u>36,315</u> | <u>36,315</u> | <u>-</u> | <u>36,315</u> |
| Total expenditures | <u>36,315</u> | <u>36,315</u> | <u>-</u> | <u>36,315</u> |
| Excess (deficiency) of revenues over expenditures | <u>(36,315)</u> | <u>(36,315)</u> | <u>-</u> | <u>36,315</u> |
| Net change in fund balances | (36,315) | (36,315) | - | 36,315 |
| Fund balance, October 1, 2009 | <u>36,315</u> | <u>36,315</u> | <u>36,315</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,315</u> | <u>\$ 36,315</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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 633,000 | \$ 633,000 | \$ 623,209 | \$ (9,791) |
| Total revenues | <u>633,000</u> | <u>633,000</u> | <u>623,209</u> | <u>(9,791)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 458,360 | 458,360 | 521,170 | (62,810) |
| Interest and fiscal charges | <u>182,356</u> | <u>182,356</u> | <u>100,628</u> | <u>81,728</u> |
| Total expenditures | <u>640,716</u> | <u>640,716</u> | <u>621,798</u> | <u>18,918</u> |
| Excess (deficiency) of revenues over expenditures | <u>(7,716)</u> | <u>(7,716)</u> | <u>1,411</u> | <u>9,127</u> |
| Net change in fund balances | (7,716) | (7,716) | 1,411 | 9,127 |
| Fund balance, October 1, 2009 | <u>232,036</u> | <u>232,036</u> | <u>232,036</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ 224,320</u> | <u>\$ 224,320</u> | <u>\$ 233,447</u> | <u>\$ 9,127</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, 2010

| | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | |
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | - | - | 1,427 | (1,427) |
| Total expenditures | - | - | 1,427 | (1,427) |
| Excess (deficiency) of revenues over expenditures | - | - | (1,427) | (1,427) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 309,020 | 309,020 | - |
| Total other financing sources and use: | - | 309,020 | 309,020 | - |
| Net change in fund balances | - | 309,020 | 307,593 | (1,427) |
| Fund balance, October 1, 2009 | - | - | - | - |
| Fund balance, September 30, 2010 | \$ - | \$ 309,020 | \$ 307,593 | \$ (1,427) |

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, 2010

| | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|-----------------|---------------------------|---|
| REVENUES | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | |
| State shared revenues | \$ - | \$ 131,250 | \$ - | \$ (131,250) |
| Total revenues | <u>-</u> | <u>131,250</u> | <u>-</u> | <u>(131,250)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Other services and charges | - | 43,750 | 679 | 43,071 |
| Capital outlay: | | | | |
| Highways and streets | <u>-</u> | <u>131,250</u> | <u>11,810</u> | <u>119,440</u> |
| Total expenditures | <u>-</u> | <u>175,000</u> | <u>12,489</u> | <u>162,511</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(43,750)</u> | <u>(12,489)</u> | <u>31,261</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of bonds | - | - | - | - |
| Transfers in | <u>-</u> | <u>43,750</u> | <u>43,750</u> | <u>-</u> |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources and use: | <u>-</u> | <u>43,750</u> | <u>43,750</u> | <u>-</u> |
| Net change in fund balances | - | - | 31,261 | 31,261 |
| Fund balance, October 1, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,261</u> | <u>\$ 31,261</u> |

CITY OF McCOMB, MISSISSIPPI
Stormwater US Army Corp of Engineers
Statement of Revenues, Expenditures, and Changes in Net Assets
Budget and Actual
For the Year Ended September 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Interest Income | \$ - | - | 5,937 | \$ 5,937 |
| Intergovernmental revenues | <u>1,147,200</u> | <u>1,147,200</u> | <u>488,736</u> | <u>(658,464)</u> |
| TOTAL REVENUES | <u>1,147,200</u> | <u>1,147,200</u> | <u>494,673</u> | <u>(652,527)</u> |
| EXPENDITURES | | | | |
| Capital outlays | <u>1,147,200</u> | <u>1,147,200</u> | <u>972,434</u> | <u>174,766</u> |
| Total expenditures | <u>1,147,200</u> | <u>1,147,200</u> | <u>972,434</u> | <u>174,766</u> |
| Excess (deficiency) of revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(477,761)</u> | <u>(477,761)</u> |
| Other Financing Sources (uses): | | | | |
| Operating transfers in | <u>-</u> | <u>-</u> | <u>375,350</u> | <u>375,350</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>375,350</u> | <u>375,350</u> |
| Net change in fund balance | - | - | (102,411) | (102,411) |
| Fund balance, October 1, 2009 | <u>(69,368)</u> | <u>(69,368)</u> | <u>(69,368)</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ (69,368)</u> | <u>\$ (69,368)</u> | <u>\$ (171,779)</u> | <u>\$ (102,411)</u> |

CITY OF McCOMB, MISSISSIPPI
Energy Efficiency and Conservation Block Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2010

| | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | |
| REVENUES | | | | |
| State shared revenues | \$ - | \$ - | \$ 2,500 | \$ 2,500 |
| Total revenues | <u>-</u> | <u>-</u> | <u>2,500</u> | <u>2,500</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | - | - | 2,500 | (2,500) |
| Total expenditures | <u>-</u> | <u>-</u> | <u>2,500</u> | <u>(2,500)</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | - | - |
| Fund balance, October 1, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, September 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Governmental Funds capital assets: | | |
| Land | \$ 756,288 | \$ 756,288 |
| Construction in progress | 6,431,868 | 5,382,958 |
| Infrastructure | 4,270,136 | 4,270,136 |
| Buildings | 6,402,894 | 6,402,894 |
| Machinery and equipment | 2,162,397 | 2,096,414 |
| Mobile equipment | <u>3,179,868</u> | <u>3,136,746</u> |
| Total governmental funds capital assets | <u>\$ 23,203,451</u> | <u>\$ 22,045,436</u> |
| Investments in governmental funds capital assets by source: | | |
| General fund | \$ 8,700,832 | \$ 8,624,356 |
| Special revenue funds | 6,124,114 | 6,015,009 |
| Capital projects funds | <u>8,378,505</u> | <u>7,406,071</u> |
| Total governmental funds capital assets | <u>\$ 23,203,451</u> | <u>\$ 22,045,436</u> |

STATISTICAL SECTION

Table 1

CITY OF McCOMB, MISSISSIPPI
Schedule of General Governmental
Expenses by Function (1)
Last Ten Fiscal Years

| Fiscal Year | General Government | Public Safety | Public Works | Health & Welfare | Culture & Recreation | Economic Development | Internal Services | Other Services | Contributions to State PERS | Capital Improvements | Debt Service | Total |
|----------------|-----------------------|------------------|-----------------|---------------------|-------------------------|-------------------------|----------------------|-------------------|--------------------------------|-------------------------|-----------------|------------|
| 2001 | 997,640 | 4,065,917 | 1,769,664 | 53,650 | 282,632 | 80,881 | 235,654 | - | 214,761 | 300,506 | 594,793 | 8,596,098 |
| 2002 | 1,137,975 | 4,252,204 | 2,025,234 | 7,500 | 326,887 | 77,995 | 240,360 | - | 208,537 | 228,043 | 573,413 | 9,078,148 |
| 2003 | 1,284,421 | 4,064,335 | 2,596,745 | 35,150 | 891,135 | 42,178 | 270,909 | 3,970 | 171,634 | 608,409 | 247,323 | 10,216,209 |
| 2004 | 1,756,313 | 4,778,619 | 3,096,684 | 30,350 | 1,039,000 | 41,863 | 367,493 | 127,855 | 161,565 | 244,497 | 386,451 | 12,030,690 |
| 2005 | 1,436,577 | 5,140,435 | 2,582,731 | 35,150 | 485,621 | 75,454 | 373,045 | 70,046 | 219,633 | 1,758,276 | 531,202 | 12,708,170 |
| 2006 | 1,799,969 | 4,703,238 | 3,623,317 | 34,150 | 362,215 | 169,188 | 438,336 | 168,119 | 221,088 | 2,786,147 | 542,461 | 14,848,228 |
| 2007 | 2,159,568 | 5,645,419 | 2,514,382 | 15,950 | 459,400 | 213,261 | 60,429 | 99,371 | 224,769 | 3,175,050 | 744,250 | 15,311,849 |
| 2008 | 2,048,397 | 5,783,140 | 2,372,617 | - | 835,667 | 183,478 | - | - | 228,586 | 941,625 | 665,807 | 13,059,317 |
| 2009 | 1,798,610 | 5,823,379 | 2,114,079 | - | 830,332 | 243,184 | - | - | 219,848 | 1,688,563 | 677,057 | 13,395,052 |
| 2010 | 1,385,915 | 5,743,015 | 2,094,247 | - | 665,692 | 124,169 | - | - | 273,319 | 1,983,137 | 670,806 | 12,940,300 |

(1) Includes general, special revenue, debt service and capital projects funds.

Table 2

CITY OF McCOMB, MISSISSIPPI
Schedule of General Governmental
Revenues by Source (1)
Last Ten Fiscal Years

| Fiscal Year | Taxes | Licenses and Permits | Inter-governmental | Charges for Services | Fines | Interest Income | Rents | Employee Withholding | Other | Total |
|-------------|-----------|----------------------|--------------------|----------------------|---------|-----------------|--------|----------------------|---------|------------|
| 2001 | 2,467,741 | 638,436 | 4,973,148 | 14,629 | 462,393 | 336,946 | 23,450 | 9,145 | 196,663 | 9,122,551 |
| 2002 | 2,588,075 | 566,813 | 5,410,800 | 13,305 | 502,864 | 112,969 | 30,646 | 8,143 | 88,120 | 9,321,735 |
| 2003 | 2,544,713 | 626,618 | 5,512,502 | 44,259 | 316,371 | 150,368 | 10,070 | 5,284 | 137,446 | 9,347,631 |
| 2004 | 2,518,020 | 606,960 | 6,256,474 | 79,966 | 329,900 | 162,519 | 13,497 | 4,312 | 177,360 | 10,149,008 |
| 2005 | 2,731,392 | 624,210 | 6,479,115 | 56,474 | 423,563 | 192,588 | 14,500 | 2,314 | 366,869 | 10,891,025 |
| 2006 | 3,532,546 | 121,352 | 8,785,556 | 87,458 | 439,689 | 218,433 | 18,150 | - | 241,074 | 13,444,258 |
| 2007 | 3,904,875 | 131,614 | 7,350,563 | 92,165 | 449,524 | 223,312 | 41,799 | - | 310,983 | 12,504,835 |
| 2008 | 4,049,460 | 131,826 | 6,968,744 | 142,362 | 468,502 | 167,436 | 7,790 | - | 666,299 | 12,602,419 |
| 2009 | 4,257,886 | 74,799 | 7,785,175 | 112,009 | 416,777 | 131,625 | 9,040 | - | 630,847 | 13,418,158 |
| 2010 | 4,037,311 | 74,970 | 7,650,105 | 97,106 | 328,481 | 75,577 | 8,400 | - | 588,516 | 12,860,466 |

(1) Includes general, special revenue, debt service and capital projects funds.

Table 3

CITY OF McCOMB, MISSISSIPPI
Schedule of Property Tax Rates Direct and
Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year | City of McComb | | | | McComb School District | | | | | | |
|----------------|----------------------|----------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---|--------------------------------|---------------------------------|----------------------------|--------|
| | Operating Millage | Debt Service Millage | City D & R Millage | Total City Millage | School G O Millage | School Note Millage | School Minimum Program Millage | School Operating Millage | School Vocational Millage | Total School Millage | Total |
| 2001 | 25.50 | 5.98 | 3.03 | 34.51 | 2.76 | 2.77 | 1.78 | 56.35 | - | 63.66 | 98.17 |
| 2002 | 25.48 | 6.03 | 3.00 | 34.51 | 2.72 | 2.79 | 1.76 | 56.39 | - | 63.66 | 98.17 |
| 2003 | 26.32 | 5.19 | 3.00 | 34.51 | 2.72 | 3.43 | 1.76 | 55.75 | - | 63.66 | 98.17 |
| 2004 | 26.83 | 5.20 | 2.48 | 34.51 | - | 3.97 | - | 59.40 | - | 63.37 | 97.88 |
| 2005 | 24.86 | 6.73 | 2.92 | 34.51 | - | 4.55 | - | 59.40 | - | 63.95 | 98.46 |
| 2006 | 27.37 | 6.66 | 2.77 | 36.80 | - | 4.55 | - | 59.40 | - | 63.95 | 100.75 |
| 2007 | 26.51 | 8.32 | 3.06 | 37.89 | - | 4.55 | - | 59.40 | - | 63.95 | 101.84 |
| 2008 | 26.51 | 8.32 | 3.06 | 37.89 | - | 3.88 | - | 59.40 | - | 63.28 | 101.17 |
| 2009 | 31.32 | 7.12 | 2.50 | 40.94 | - | 4.20 | - | 58.50 | - | 62.70 | 103.64 |
| 2010 | 29.37 | 6.95 | 3.52 | 39.84 | - | 4.25 | - | 58.50 | - | 62.75 | 102.59 |

Table 4

CITY OF McCOMB, MISSISSIPPI
Ratio of Annual Debt Services Expenditures for
General Obligation Bonded Debt(1)
to Total General Governmental Expenditures
Last Ten Fiscal Years

| Fiscal Year | Principal | Interest (2) | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Expenditures |
|-------------|-----------|--------------|--------------------|---|---|
| 2001 | 409,864 | 184,929 | 594,793 | 8,596,098 | 6.92% |
| 2002 | 404,233 | 169,180 | 573,413 | 9,074,048 | 6.32% |
| 2003 | 20,000 | 227,323 | 247,323 | 10,216,209 | 2.42% |
| 2004 | 270,000 | 73,476 | 343,476 | 12,030,690 | 2.85% |
| 2005 | 335,000 | 147,194 | 482,194 | 12,708,170 | 3.79% |
| 2006 | 350,000 | 143,397 | 493,397 | 14,848,228 | 3.40% |
| 2007 | 430,000 | 265,241 | 695,241 | 15,311,849 | 4.43% |
| 2008 | 410,000 | 206,799 | 616,799 | 13,059,317 | 4.80% |
| 2009 | 435,038 | 193,011 | 628,049 | 13,395,052 | 5.02% |
| 2010 | 521,170 | 100,628 | 621,798 | 12,943,589 | 4.90% |

(1) General obligation bonds reported in the enterprise funds have been excluded.

(2) Excludes bond issuance costs.

Table 5

CITY OF McCOMB, MISSISSIPPI
Schedule of Revenue Bond Coverage
Last Ten Fiscal Years

| Fiscal Year | Gross Revenue | | Operating Expenses (1) | Net Revenue Available for Debt Service | Debt Services Requirements | | |
|----------------|-----------------------|--|---------------------------|--|----------------------------|----------|----------------|
| | Including Interest | | | | Principal | Interest | Total Coverage |
| 2000 | 3,466,872 | | 1,701,322 | 1,765,550 | 295,000 | 340,857 | 635,857 2.78 |
| 2000 | 3,466,872 | | 1,701,322 | 1,765,550 | 295,000 | 340,857 | 635,857 2.78 |
| 2001 | 3,331,412 | | 2,067,420 | 1,263,992 | 325,000 | 275,665 | 600,665 2.10 |
| 2002 | 3,177,748 | | 2,285,806 | 891,942 | 350,000 | 282,579 | 632,579 1.41 |
| 2003 | 3,166,124 | | 2,480,396 | 685,728 | 335,000 (2) | 251,165 | 586,165 1.17 |
| 2004 | 3,846,778 | | 2,360,397 | 1,486,381 | 455,000 | 97,730 | 552,730 2.69 |
| 2005 | 3,660,372 | | 2,471,310 | 1,189,062 | 465,000 | 84,012 | 549,012 2.17 |
| 2006 | 4,428,495 | | 3,407,276 | 1,021,219 | 455,000 | 28,952 | 483,952 2.11 |
| 2007 | 4,780,596 | | 3,910,430 | 870,166 | 420,000 | 44,545 | 464,545 1.87 |
| 2008 | 5,278,126 | | 3,717,148 | 1,560,978 | 360,000 | 33,415 | 393,415 3.96 |
| 2009 | 6,372,961 | | 4,477,372 | 1,895,589 | 370,000 | 24,225 | 394,225 4.80 |
| 2010 | 5,939,933 | | 3,973,327 | 1,966,606 | 380,000 | 11,875 | 391,875 6.91 |

(1) Total operating expenses exclusive of depreciation

(2) Principal requirement for 2003 is shown net of refinancing of \$3,115,000

Table 6

CITY OF McCOMB, MISSISSIPPI
Schedule of City Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy | Current Collections | Percent Current Collections | Delinquent Tax Collections | Total Tax Collections | Ratio of Total Tax Collections to Tax Levy | Outstanding Delinquent Tax | Ratio of Delinquent Tax Collections to Tax Levy |
|-------------|----------------|---------------------|-----------------------------|----------------------------|-----------------------|--|----------------------------|---|
| 2001 | 2,149,725 | 2,226,685 | 103.58% | 39,666 | 2,266,351 | 105.43% | 68,346 | 3.18% |
| 2002 | 2,144,678 | 2,171,792 | 101.26% | 30,412 | 2,202,204 | 102.68% | 70,412 | 3.28% |
| 2003 | 2,162,503 | 2,140,568 | 98.99% | 77,318 | 2,217,886 | 102.56% | 79,507 | 3.68% |
| 2004 | 2,160,511 | 2,188,471 | 101.29% | 26,803 | 2,215,274 | 102.53% | 35,749 | 1.65% |
| 2005 | 2,405,442 | 2,397,948 | 99.69% | 11,371 | 2,409,319 | 100.16% | 40,881 | 1.70% |
| 2006 | 2,466,325 | 2,380,687 | 96.53% | 18,048 | 2,398,735 | 97.26% | 27,624 | 1.12% |
| 2007 | 2,802,768 | 2,808,398 | 96.53% | 81,698 | 2,890,096 | 103.11% | 33,029 | 1.17% |
| 2008 | 3,160,798 | 3,443,209 | 108.93% | 21,057 | 3,464,266 | 109.60% | 9,920 | .007% |
| 2009 | 3,697,046 | 3,520,685 | 95.22% | 54,939 | 3,575,624 | 96.71% | 34,061 | .009% |
| 2010 | 3,710,753 | 3,487,970 | 93.99% | 39,112 | 3,527,082 | 95.05% | 35,999 | .011% |

Table 7

CITY OF McCOMB, MISSISSIPPI
Schedule of Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

| Fiscal Year | Real Property | | Personal Property | | Motor Vehicles | | Public Utilities (1) | | Totals | | Ratio of Assessed Value to Total Estimated Actual Value |
|-------------|----------------|------------------------|-------------------|------------------------|----------------|------------------------|----------------------|------------------------|----------------|------------------------|---|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | |
| 2001 | 37,065,590 | 292,684,697 | 10,761,730 | 71,744,867 | 10,254,542 | 34,181,807 | 4,220,845 | 14,069,483 | 62,302,707 | 412,680,853 | 15.10% |
| 2002 | 36,610,919 | 289,097,433 | 10,481,464 | 69,876,427 | 10,678,589 | 35,595,297 | 4,375,581 | 14,585,270 | 62,146,553 | 409,151,426 | 15.19% |
| 2003 | 37,082,979 | 292,822,007 | 10,597,851 | 70,597,851 | 10,732,102 | 35,773,673 | 4,237,109 | 14,123,697 | 62,650,041 | 413,371,717 | 15.16% |
| 2004 | 37,114,942 | 293,074,400 | 10,411,076 | 69,407,173 | 10,811,394 | 36,037,980 | 4,267,936 | 14,226,453 | 62,605,348 | 412,746,006 | 15.17% |
| 2005 | 42,606,927 | 336,441,306 | 11,875,715 | 97,171,433 | 10,927,482 | 36,424,940 | 4,262,640 | 14,308,800 | 69,702,764 | 466,346,479 | 14.95% |
| 2006 | 43,359,122 | 342,380,938 | 13,068,706 | 87,124,707 | 11,183,709 | 37,279,030 | 4,237,593 | 14,125,310 | 71,849,130 | 480,909,985 | 14.94% |
| 2007 | 50,562,156 | 399,258,970 | 14,094,673 | 93,964,487 | 12,548,476 | 41,072,323 | 4,118,153 | 14,125,310 | 81,323,458 | 548,421,090 | 14.81% |
| 2008 | 52,447,313 | 414,144,923 | 14,904,299 | 99,368,618 | 12,276,311 | 40,250,200 | 3,986,431 | 13,675,578 | 83,614,354 | 567,439,319 | 14.74% |
| 2009 | 69,304,430 | 527,367,299 | 13,923,206 | 92,821,373 | 10,908,384 | 35,870,883 | 3,887,441 | 12,958,137 | 98,066,841 | 669,017,692 | 14.66% |
| 2010 | 69,266,539 | 546,956,246 | 14,102,592 | 94,023,548 | 10,232,368 | 33,548,748 | 3,702,611 | 12,701,925 | 97,304,110 | 687,230,467 | 14.16% |

(1) Excluding Grand Gulf Public Utilities Tax.

Table 8

CITY OF McCOMB, MISSISSIPPI
Schedule of Principal Taxpayers (Real Property)
September 30, 2010

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>2009 (1) Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation</u> |
|---|-------------------------|--|---|
| Center Pointe LLC (Charles L. Hood) | Shopping Mall | \$ 3,255,871 | 3.31% |
| Wal-Mart Real Estate Business Trust | Discount Shopping | 1,794,869 | 1.82% |
| Lowes Home Center, Inc. | Home Improvement Store | 1,161,219 | 1.18% |
| Bank Pike County National | Bank | 779,799 | 0.79% |
| Pinnacle at Magnolia Point | Nursing Home | 756,871 | 0.78% |
| Sunray Investments of McComb | Hotel | 694,782 | 0.71% |
| Reserve of Park Lane LLC | Apartment Complex | 633,959 | 0.65% |
| Croft Metals, Inc. | Office Complex | 591,698 | 0.60% |
| Medical Arts Building | Office Complex | 492,113 | 0.51% |
| Colonial Acres LTD Partnership | Shopping Mall | <u>456,163</u> | <u>0.46%</u> |
| Total taxable assessed value of 10 largest taxpayers | | 10,617,344 | 10.81% |
| Total taxable assessed value other taxpayers | | <u>87,613,117</u> | <u>89.19%</u> |
| Total taxable assessed value of all taxpayers | | <u>\$ 98,230,461</u> | <u>100 %</u> |

(1) 2009 assessed values shown above are collected in Fiscal Year 2009-2010.

Table 9

CITY OF McCOMB, MISSISSIPPI
Schedule of Special Assessment
Billings and Collections
September 30, 2010

| <u>Fiscal Year</u> | <u>Special Assessment Billings</u> | <u>Special Assessments Collected</u> |
|--------------------|--|--|
| 2001 | 27,000 | 27,000 |
| 2002 | 27,000 | 29,868 |
| 2003 | 29,610 | 34,003 |
| 2004 | 29,000 | 27,543 |
| 2005 | 28,024 | 27,165 |
| 2006 | 27,165 | 27,165 |
| 2007 | 27,075 | 27,075 |
| 2008 | - | - |
| 2009 | - | - |
| 2010 | - | - |

Table 10

CITY OF McCOMB, MISSISSIPPI
Ratio of Net General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

| Fiscal Year | Population(1) | Assessed Value(2) | Gross Bonded Debt(3) | Less Debt Service Fund(4) | Debt Payable From Enterprise Fund(5) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|----------------|---------------|----------------------|----------------------------|---------------------------------|--|-----------------------|--|----------------------------------|
| 2001 | 13,337 | 62,302,707 | 2,975,000 | 126,626 | 265,000 | 2,583,374 | 4.15% | 194 |
| 2002 | 13,337 | 62,146,533 | 2,535,000 | 149,013 | 215,000 | 2,170,987 | 3.49% | 163 |
| 2003 | 13,337 | 62,650,041 | 2,440,000 | 174,939 | 160,000 | 2,105,061 | 3.36% | 158 |
| 2004 | 13,337 | 62,605,348 | 4,125,000 | 223,257 | 95,000 | 3,806,743 | 6.08% | 285 |
| 2005 | 13,337 | 69,702,764 | 3,745,000 | 277,920 | 30,000 | 3,437,080 | 4.93% | 258 |
| 2006 | 13,154 | 71,849,131 | 5,385,000 | 323,007 | - | 5,061,993 | 7.03% | 385 |
| 2007 | 13,607 | 75,571,954 | 4,980,000 | 263,337 | - | 4,716,663 | 6.24% | 347 |
| 2008 | 13,337 | 78,172,809 | 4,570,000 | 312,181 | - | 4,257,819 | 5.44% | 312 |
| 2009 | 13,337 | 96,901,257 | 4,520,000 | 162,668 | - | 4,357,332 | 4.43% | 327 |
| 2010 | 13,337 | 98,230,461 | 3,695,000 | 233,447 | - | 3,461,553 | 3.53% | 260 |

(1) Estimate

(2) From Table #7

(3) Amount does not include special assessment bonds and revenue bonds.

(4) Amount available for repayment of general obligation bonds.

(5) This amount included the general obligation bonds that are being repaid from water and sewer revenues.

Table 11

CITY OF McCOMB, MISSISSIPPI
Demographic Statistics
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Per Capita Income(2)</u> | <u>School Enrollment(3)</u> | <u>Unemployment Rate (2)</u> |
|------------------------|-----------------------|---------------------------------|---------------------------------|----------------------------------|
| 2001 | 13,337 | 18,335 | 4,003 | 6.60% |
| 2002 | 13,337 | 18,112 | 3,961 | 5.90% |
| 2003 | 13,337 | 18,697 | 3,808 | 4.50% |
| 2004 | 13,337 | 19,916 | 3,730 | 7.50% |
| 2005 | 13,337 | 20,439 | 4,126 | 12.30% |
| 2006 | 13,154 | 22,644 | 4,230 | 7.30% |
| 2007 | 13,607 | 21,771 | 4,240 | 6.40% |
| 2008 | 13,337 | 28,262 | 4,290 | 7.90% |
| 2009 | 13,337 | 25,374 | 3,901 | 9.80% |
| 2010 | 13,337 | 26,576 | 3,774 | 10.30% |

(1) Estimates.

(2) Estimates of the Mississippi Employment Security Commission.

(3) Includes public and private schools.

Table 12

CITY OF McCOMB, MISSISSIPPI
Schedule of Property Value,
Construction and Bank Deposits
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Property Value (1)</u> | <u>Construction # of Units(2)</u> | <u>Construction Value</u> | <u>Bank Deposits (3)</u> |
|------------------------|-------------------------------|---------------------------------------|-------------------------------|------------------------------|
| 2001 | 62,302,707 | 168 | 7,639,124 | 500,576,000 |
| 2002 | 62,146,553 | 126 | 5,161,542 | 499,172,000 |
| 2003 | 62,650,041 | 140 | 24,596,108 | 523,434,000 |
| 2004 | 62,605,348 | 112 | 5,571,471 | 521,877,000 |
| 2005 | 69,702,764 | 51 | 3,180,030 | 427,510,000 |
| 2006 | 71,849,130 | 370 | 15,768,000 | 554,880,000 |
| 2007 | 81,216,119 | 83 | 6,200,000 | 465,430,000 |
| 2008 | 83,614,354 | 238 | 19,151,372 | 545,624,000 |
| 2009 | 98,066,841 | 156 | 4,317,242 | 570,858,000 |
| 2010 | 97,304,110 | 181 | 6,009,284 | 683,158,000 |

(1) From Table #7.

(2) Building permits issued.

(3) Per bank market summary report.

Table 13

CITY OF McCOMB, MISSISSIPPI
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
September 30, 2010

| <u>Jurisdiction</u> | <u>Net General Obligation Bonded Debt Outstanding</u> |
|---------------------|---|
| Direct: | |
| City of McComb | \$ 8,253,913 |
| Overlapping: | |
| Pike County | <u>6,500,000</u> |
| Total | <u>\$ 14,753,913</u> |

Table 14

CITY OF McCOMB, MISSISSIPPI
Miscellaneous Statistics
September 30, 2010

| | |
|--|-----------------|
| Date of Incorporation | 1,872 |
| Form of Government | Special Charter |
| Non-exempt | 61 |
| Exempt | 22 |
| Area in square miles | 11.7 |
| City of McComb, Mississippi facilities and services: | |
| Miles of streets | 116.0 |
| Number of City owned and operated cemeteries | 3 |
| Number of street lights | 1,779 |
| Culture and recreation: | |
| Parks | 11 |
| Park acreage | 115 |
| Tennis courts | 5 |
| Fire protection: | |
| Number of stations | 4 |
| Number of fire personnel and officers | 44 |
| Number of calls answered | 450 |
| Number of inspections conducted | 924 |
| Police protection: | |
| Number of stations | 1 |
| Number of police personnel and officers | 61 |
| Number of patrol units | 16 |
| Number of detective units | 5 |
| Number of law violations: | |
| Calls answered | 26,054 |
| Traffic violations | 3,669 |
| Sewerage system: | |
| Miles of sanitary sewers | 130 |
| Miles of storm sewers | 60 |
| Number of wastewater treatment plants | 1 |
| Number of sewer connections | 6,300 |
| Daily average treatment (in million gallons) | 3.2 |
| Maximum daily capacity of treatment plant (in million gallons) | 5.0 |
| Water system: | |
| Miles of water lines | 125 |
| Number of water connections | 6,947 |
| Number of fire hydrants | 735 |
| Maximum daily pumping capacity (in million gallons) | 7.5 |
| Number of water storage tanks | 6 |
| Maximum combined storage capacity (in million gallons) | 2.05 |
| Daily average treatment (in million gallons) | 3.7 |
| Number of wells | 6 |
| Facilities and services not included in the reporting entity: | |
| Education: | |
| Number of elementary schools | 4 |
| Number of elementary school instructors | 125 |
| Number of secondary schools | 4 |
| Number of secondary school instructors | 112 |
| Number of special education instructors | 27 |
| Hospitals: | |
| Number of hospitals | 1 |
| Number of patients beds | 160 |

SINGLE AUDIT SECTION

CITY OF McCOMB, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

| Federal Grantor Pass-through Grantor/ Program Title | Federal CFDA Number | Pass Through Grantors Number | Federal Expenditures |
|--|---------------------------|------------------------------------|-------------------------|
| <u>U. S. Department of Defense:</u> | | | |
| (U.S. Corp of Engineers - Pass Through) | | | |
| Section 592 Surface Water Resource Improvement Grant | 12.XXX | N/A | \$ 488,736 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | 488,736 |
| <u>U.S. Department of Housing & Urban Development:</u> | | | |
| (Mississippi Development Authority - Pass Through) | | | |
| Community Development Block Grant | 14.228 | 1165-09-243-PF-01 | 8,000 |
| Community Development Block Grant | 14.228 | R-110-243-01-GZ | 509,491 |
| | | | <u>517,491</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | | | 517,491 |
| <u>U. S. Department of Justice:</u> | | | |
| (Mississippi Department of Public Safety - Pass Through) | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | GMS-2009-H-2803-MS-DJ | 8,147 |
| ARRA - Edward Byrne Memorial Justice Assistance Grant Program | 16.804 | 2009-F2807-MS-SB | 50,088 |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | 58,235 |
| <u>National Highway Transportation Safety Administration:</u> | | | |
| (Mississippi Department of Transportation - Pass Through) | | | |
| Highway Planning & Construction | 20.205 | STP-0310-00(013) 105621/701000 | 736,162 |
| (Mississippi Department of Public Safety - Pass Through) | | | |
| Occupant Protection Grant | 20.602 | 09-OP-300-1 | 5,680 |
| Occupant Protection Grant | 20.602 | 10-OP-300-1 | 15,000 |
| | | | <u>20,680</u> |
| TOTAL NATIONAL HIGHWAY TRANSPORTATION SAFETY ADMINISTRATION | | | 756,842 |
| <u>U. S. Department of Energy</u> | | | |
| (Mississippi Development Authority - Pass Through) | | | |
| ARRA - Energy Efficiency and Conservation Block Grant Program | 81.128 | GT11-0810-0052 | 2,500 |
| TOTAL U.S. DEPARTMENT OF ENERGY | | | 2,500 |
| <u>U.S. Department of Homeland Security:</u> | | | |
| Mississippi Department of Public Safety (Pass Through) | | | |
| Homeland Security Cluster: | | | |
| State Homeland Security Grant Program | 97.067 | S7HS243T | 35,000 |
| State Homeland Security Grant Program | 97.067 | S8HS243T | 59,220 |
| State Homeland Security Grant Program | 97.067 | 08HS243T | 67,450 |
| State Homeland Security Grant Program | 97.067 | 9ICS243T | 1,472 |
| Total Homeland Security Cluster | | | <u>163,142</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | 163,142 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,986,946 |

CITY OF McCOMB, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

| Federal Grantor Pass-through Grantor/ Program Title | Federal CFDA Number | Pass Through Grantors Number | Federal Expenditures |
|---|---------------------------|------------------------------------|-------------------------|
|---|---------------------------|------------------------------------|-------------------------|

State of MS Commission on Environmental Quality
(Department of Environmental Quality)

The City of McComb has the following drawdowns from the Department of Environmental Quality at September 30, 1998 which were used for improvements and construction to the West Lagoon and East Lagoon Wastewater Treatment Facilities

| | | | |
|----------------------------|--------|------------------|----------------------|
| East Lagoon Improvements | 66.458 | SRF-C280909-01-0 | \$ 2,274,316 |
| Wastewater Treatment Plant | 66.458 | SRF-C280909-02-0 | <u>33,488,016</u> |
| Total | | | <u>\$ 35,762,332</u> |

CITY OF McCOMB, MISSISSIPPI
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

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.



BANKS, FINLEY, WHITE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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 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 (the City), as of and for the year ended September 30, 2010, which collectively comprise the City of McComb, Mississippi's basic financial statements and have issued our report thereon dated June 3, 2011. 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

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 audit procedures for the purpose of expressing our opinion 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.

Bank, Finley, White & Co.
June 3, 2011



BANKS, FINLEY, WHITE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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 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 major federal programs for the year ended September 30, 2010. 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 on the City of McComb, Mississippi's compliance with those requirements.

As described in item 2010-1 in the accompanying schedule of findings and questioned costs, the City of McComb, Mississippi did not comply with the requirement regarding Suspension and Debarment that is applicable to its Section 592 Surface Water Resource Improvement Grant. Compliance with such requirement is necessary, in our opinion, for the City of McComb, Mississippi to comply with the requirement applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2010.

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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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.

The City of McComb, Mississippi's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of McComb, Mississippi's response and, accordingly, we express no opinion on it.

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.

June 3, 2011

CITY OF McCOMB, MISSISSIPPI
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2010

Findings

Finding 2009-1 Grants Management

The City of McComb does not have a centralized system for tracking grant awards received. Without a centralized system of tracking grants, it is possible that grants could be received and not be identified as grant funds.

Current Status - Corrected.

Finding 2009-2 Segregation of Duties in the Purchasing Department

During the audit, we found that there is a lack of segregation of duties in the purchasing department. The Purchasing Clerk is allowed to make purchases, pick up items from local vendors and receive those items purchased. This type of purchase practice lacks a system of checks and balances.

Current Status - Corrected.

Finding 2009-3 Incurring Costs Prior to Grant Awards

During the audit, we noted that the City is incurring costs for anticipated grant funded projects prior to obtaining approval that the grant has been approved and awarded.

Current Status - Corrected.

Finding 2009-4 Grant Requests for Reimbursement

During our review of grant receipts and disbursements for the above mentioned grants, we found that the City did not file claims for reimbursement in a systematic manner nor on a timely basis. This finding was also noted in the 2008 audit report.

Current Status - Corrected.

CITY OF McCOMB, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

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: | Qualified | | | | | | | | | | | | | | | | | | |
|---|--|----------------|---------------|---|--|---|--------|---|--|--|--------|---|--|--|--------|---|--|------------------|--------|--|
| | Unqualified for all major programs except the Section 592 Surface Water Resource Improvement Grant. | | | | | | | | | | | | | | | | | | | |
| 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? | Yes | | | | | | | | | | | | | | | | | | |
| 7. | Federal programs identified as major programs: | | | | | | | | | | | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>Program</u></th> <th style="text-align: right;"><u>CFDA #</u></th> </tr> <tr> <td>U. S. Department of Defense (U.S. Corp of Engineers</td> <td></td> </tr> <tr> <td style="padding-left: 40px;"><i>Section 592 Surface Water Resource Improvement Grant</i></td> <td style="text-align: right;">12.XXX</td> </tr> <tr> <td>U. S. Department of Housing and Urban Development</td> <td></td> </tr> <tr> <td style="padding-left: 40px;"><i>Community Development Block Grant</i></td> <td style="text-align: right;">14.228</td> </tr> <tr> <td>National Highway Transportation Safety Administration</td> <td></td> </tr> <tr> <td style="padding-left: 40px;"><i>Highway Planning and Construction</i></td> <td style="text-align: right;">20.205</td> </tr> <tr> <td>U. S. Department of Environmental Quality</td> <td></td> </tr> <tr> <td style="padding-left: 40px;"><i>DEQ Loans</i></td> <td style="text-align: right;">66.458</td> </tr> </table> | <u>Program</u> | <u>CFDA #</u> | U. S. Department of Defense (U.S. Corp of Engineers | | <i>Section 592 Surface Water Resource Improvement Grant</i> | 12.XXX | U. S. Department of Housing and Urban Development | | <i>Community Development Block Grant</i> | 14.228 | National Highway Transportation Safety Administration | | <i>Highway Planning and Construction</i> | 20.205 | U. S. Department of Environmental Quality | | <i>DEQ Loans</i> | 66.458 | |
| <u>Program</u> | <u>CFDA #</u> | | | | | | | | | | | | | | | | | | | |
| U. S. Department of Defense (U.S. Corp of Engineers | | | | | | | | | | | | | | | | | | | | |
| <i>Section 592 Surface Water Resource Improvement Grant</i> | 12.XXX | | | | | | | | | | | | | | | | | | | |
| U. S. Department of Housing and Urban Development | | | | | | | | | | | | | | | | | | | | |
| <i>Community Development Block Grant</i> | 14.228 | | | | | | | | | | | | | | | | | | | |
| National Highway Transportation Safety Administration | | | | | | | | | | | | | | | | | | | | |
| <i>Highway Planning and Construction</i> | 20.205 | | | | | | | | | | | | | | | | | | | |
| U. S. Department of Environmental Quality | | | | | | | | | | | | | | | | | | | | |
| <i>DEQ Loans</i> | 66.458 | | | | | | | | | | | | | | | | | | | |
| 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, 2010

Section 2 - Finding Financial Statements Audit

NONE

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

Finding 2010-1 - SUSPENSION AND DEBARMENT

U. S. Department of Defense

Grant Program/CFDA#: Section 592 Surface Water Resource Improvement Grant /12.XX

Statement of Condition

During the suspension and debarment compliance testing, we noted that the City entered into contracts for goods and/or services for amounts equal to or exceeding \$25,000 in which no documentation was maintained to support the fact that the contractor had not been suspended or barred or otherwise excluded from receiving the contract.

Cause of Condition

Failure to document that a search was performed to ascertain that the contractor/vendor was not suspended or debarred.

Effect of Condition

Noncompliance with the grant requirement.

Criteria

OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$25,000 and all non-procurement transactions.

Auditor's Recommendation

Although, we were able to determine that the contractor was not suspended or debarred, we recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

Whitney Rowlings
Mayor

Quordiniah 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

CORRECTIVE ACTION PLAN

June 03, 2011

U. S. Department of Defense

The City of McComb respectfully submits the following corrective action plan for the year ended September 30, 2010.

Name and address of independent public accounting firm: Banks, Finley, White & Company, 308 Highland Park Cove, Ridgeland, MS 39157.

Audit period: Year Ended September 30, 2010

The findings from September 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, Section 1 of the schedule, Summary of Auditor's Results, does not include findings and are not addressed.

SECTION 3 FINDINGS - FEDERAL AWARDS PROGRAM

Suspension and Debarment

Finding No. 2010-1

Recommendation: Although, we were able to determine that the contractor was not suspended or debarred, we recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

Action Taken: The City is requiring all contractors and or vendors to complete a form which document and certify that they have not been suspended and or debarred by the federal government for contractors and or vendors receiving contracts of \$25,000 or more in federal funds.

If the U. S. Department of Defense has questions regarding this plan, please call me at (601) 684-4000.

Sincerely yours,


Quordiniah N. Lockley,
City Administrator

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, 2010, which collectively comprise the City of McComb, Mississippi's basic financial statements and have issued our report thereon dated June 3, 2011. 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.

June 3, 2011

CITY OF McCOMB, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2010

| <u>Bond Name</u> | <u>Position</u> | <u>Company</u> | <u>Amount</u> |
|----------------------|--------------------|----------------|---------------|
| Zachary Patterson | Mayor | Ohio Casualty | \$ 50,000 |
| Wade W. Lamb | Selectman at Large | Ohio Casualty | 50,000 |
| Danny Esch | Selectman Ward 1 | Ohio Casualty | 50,000 |
| Robert M. Maddox | Selectman Ward 2 | Ohio Casualty | 50,000 |
| Ernest C. Nobles | Selectman Ward 3 | Ohio Casualty | 50,000 |
| Melvin "Joe" Johnson | Selectman Ward 4 | Ohio Casualty | 50,000 |
| Robert Earl Smith | Selectman Ward 5 | Ohio Casualty | 50,000 |
| Quordiniah Lockley | City Administrator | Ohio Casualty | 50,000 |
| Gregory Martin | Chief of Police | Ohio Casualty | 50,000 |
| Jeannette Butler | City Clerk | Travelers | 50,000 |
| Stephanie Forrest | Deputy Clerk | Travelers | 50,000 |
| Sherry Spears | Deputy Clerk | Ohio Casualty | 50,000 |

CITY OF McCOMB, MISSISSIPPI
Statement of Legal Debt Limit
September 30, 2010

Authorized Debt Limit Percent Rule

| Authorized Debt Limit Percent | 10% | 15% |
|--|----------------------|----------------------|
| 2009 Tax Roll Estimation | \$ 98,914,482 | \$ 98,914,482 |
| Less: Homestead Exemption | (188,974) | (188,974) |
| Net 2009 Estimation Tax Roll | <u>\$ 98,725,508</u> | <u>\$ 98,725,508</u> |
| Assessed Valuation under respective debt limit | \$ 9,872,551 | \$ 14,808,826 |
| Less: All Bonded Indebtedness | 3,695,000 | 3,695,000 |
| Deduct: Authorized Exemptions | | |
| Water/Sewer Revenue Bonds | <u>-</u> | <u>-</u> |
| Present debt subject to limitation | <u>3,695,000</u> | <u>3,695,000</u> |
| Margin for further debt under respective debt limits | <u>\$ 6,177,551</u> | <u>\$ 11,113,826</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, 2010

| | Interest Rates | Issue Date | Final Maturity Date | Authorized | Issued | Bond & Notes Retired | Outstanding |
|--|----------------|------------|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| General Government: | | | | | | | |
| GENERAL OBLIGATION BONDS: | | | | | | | |
| Refunding bonds 2003 | 1.0% to 3.3% | 7/1/2003 | Serially to 2012 Not callable | \$ 2,280,000 | \$ 2,280,000 | \$ 295,000 | \$ 385,000 |
| Capital improvement | 4.0% to 5.25% | 7/15/2006 | Serially to 2007 Not callable | 2,000,000 | 2,000,000 | 70,000 | 1,730,000 |
| Capital improvement | 4.0% to 5.25% | 3/01/2004 | Serially to 2026 Not callable | 2,000,000 | 2,000,000 | 80,000 | 1,580,000 |
| Total General Obligation Bonds | | | | <u>6,280,000</u> | <u>6,280,000</u> | <u>445,000</u> | <u>3,695,000</u> |
| NOTE PAYABLE: | | | | | | | |
| Note Payable - Safe Choice | 4.67% | 08/08/08 | 10/01/2011 | 32,500 | 32,500 | - | 27,463 |
| Total Note Payable | | | | <u>32,500</u> | <u>32,500</u> | <u>-</u> | <u>27,463</u> |
| OBLIGATIONS UNDER CAPITAL LEASES: | | | | | | | |
| Capital lease | 3.35% | 04/13/2004 | 04/13/2012 | 339,000 | 339,000 | 44,395 | 93,302 |
| Total Obligations Under Capital Leases | | | | <u>339,000</u> | <u>339,000</u> | <u>44,395</u> | <u>93,302</u> |
| Total General Government Debt | | | | <u>6,651,500</u> | <u>6,651,500</u> | <u>489,395</u> | <u>3,815,765</u> |
| Proprietary | | | | | | | |
| CAPITAL LEASE: | | | | | | | |
| Capital lease - Siemens | 4.42% | 01/26/2010 | 01/26/2021 | 4,558,913 | 4,558,913 | - | 4,558,913 |
| Total Obligation Under Capital Lease | | | | <u>4,558,913</u> | <u>4,558,913</u> | <u>-</u> | <u>4,558,913</u> |
| REVENUE REFUNDING BONDS: | | | | | | | |
| Water Refunding 2002 | 1.60% to 3.30% | 9/27/2002 | Serially to 2010 Not callable | 3,115,000 | 3,115,000 | 380,000 | - |
| Total Revenue Refunding Bonds | | | | <u>3,115,000</u> | <u>3,115,000</u> | <u>380,000</u> | <u>-</u> |
| STATE REVOLVING LOANS: | | | | | | | |
| Department of Environmental Quality | 2.75% | 2007 | Not callable | 3,125,000 | 2,399,252 | 94,129 | 2,274,316 |
| Department of Environmental Quality | 1.75% | 2008 | Not callable | 34,467,710 | 33,488,016 | - | 33,488,016 |
| Total State Revolving Loans | | | | <u>37,592,710</u> | <u>35,887,268</u> | <u>94,129</u> | <u>35,762,332</u> |
| Total Proprietary Debt | | | | <u>45,266,623</u> | <u>43,561,181</u> | <u>474,129</u> | <u>40,321,245</u> |
| Grand Total | | | | <u>\$ 51,918,123</u> | <u>\$ 50,212,681</u> | <u>\$ 963,524</u> | <u>\$ 44,137,010</u> |