



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF HAZLEHURST, MISSISSIPPI
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
SEPTEMBER 30, 2006

RECEIVED
FEB 16 2007
STATE AUDITOR'S OFFICE

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

Jackson, Mississippi

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS		1
MANAGEMENT'S DISCUSSION AND ANALYSIS		3
BASIC FINANCIAL STATEMENTS:		
Government-Wide Financial Statements:		
Statement of Net Assets		12
Statement of Activities		13
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet		14
Reconciliation of the Balance Sheet to the Statement of Net Assets		15
Statement of Revenues, Expenditures, and Changes in Fund Balances		16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		18
Proprietary Fund Financial Statements:		
Statement of Net Assets - Water and Sewer Enterprise Fund		19
Statement of Revenues, Expenses, and Changes in Net Assets - Water and Sewer Enterprise Fund		21
Statement of Cash Flows - Water and Sewer Enterprise Fund		22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets		23
Statement of Changes in Fiduciary Net Assets		24
Notes to Financial Statements		25
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A:		
Budgetary Comparison Schedule - General Fund		43
Budgetary Comparison Schedule - General Fund Expenditures		45

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
COMBINING FINANCIAL STATEMENTS:		
Nonmajor Governmental Funds:		
Balance Sheet		47
Statement of Revenues, Expenditures, and Changes in Fund Balances		48
Budgetary Comparison Schedules - Other Nonmajor Funds:		
Fire Prevention Fund		49
Police Seizure Fund		50
Municipal Aid Street Fund		51
Municipal Parks Fund		52
Library Fund		53
Railroad Depot Renovation Fund		54
Hazlehurst Industrial Park Fund		55
Debt Service Fund		56
SUPPLEMENTAL INFORMATION:		
Schedule of Operations - Actual and Budget - Water and Sewer Enterprise Fund	H-1	57
Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections	H-2	58
Schedule of Surety Bonds for Municipal Officials	H-3	60
Schedule of Long-Term Debt	H-4	61
ADDITIONAL REPORTS:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		62
Report on Compliance with State Laws and Regulations		64

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

EMMITTE J. HADDOX
JIMMY E. BURKES
PAUL W. CALHOUN
M. GREGORY KING
TED B. EDWARDS
JAN F. LEWIS
CHERYL J. LEE
W.R. LEE ADAMS
WALTER J. LEE

1100 AMSOUTH PLAZA
P.O. DRAWER 22507
JACKSON, MISSISSIPPI 39225-2507
TELEPHONE 601/948-2924
FACSIMILE 601/960-9154

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Aldermen
City of Hazlehurst
Hazlehurst, 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 Hazlehurst, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Hazlehurst, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 22, 2006, on our consideration of the City of Hazlehurst, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 43 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazlehurst, Mississippi's basic financial statements. The combining nonmajor fund financial statements and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiddor Reed Burkett & Colhoun PLLC

November 22, 2006

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2006

Our discussion and analysis of the City of Hazlehurst's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 12 to enhance their understanding of the City's financial performance. This is the third year that the City has presented its financial statements under the new reporting model required by GASB 34. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

The net assets of the City increased by \$480,758 as a result of this year's operations. The primary factors resulting in the increase were increased sales tax receipts and the receipt of \$178,322 in grant funds used for the Railroad Depot Renovation and Monticello Street Pump Station projects.

The City's General Fund realized an increase in total revenue compared to the prior year (\$2,698,612 in 2006 compared to \$2,328,128 in 2005). Total expenditures reflected an increase (\$2,529,871 in 2006 compared to \$2,322,271 in 2005). Increased sales tax receipts were the primary factor resulting in the increased revenues.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Hazlehurst as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities (on pages 12 and 13) provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant fund with all other nonmajor funds presented in total in one column.

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets for the 2006 fiscal year and changes in them. The City's net assets -- the difference between assets and liabilities -- is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- General Governmental Activities - Most of the City's basic services are reported here, including police, fire, court, public works, and general administration. Property taxes, sales taxes, police fines/fees and franchise fees finance most of these activities.
- Business-Type Activity - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the City's most significant funds -- not the City as a whole. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. Some funds are required to be

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

REPORTING THE CITY AS A WHOLE - CONTINUED:

Reporting the City's Most Significant Fund - continued:

Fund Financial Statements - continued:

established by State law while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two kinds of funds -- governmental and proprietary -- utilize different accounting approaches.

Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the individual funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of Hazlehurst considers the General Fund to be a major fund and, therefore, presents information on it separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from all other governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary fund - The City charges customers for certain services it provides. These services are reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is identical to the business-type activity that is reported in the government-wide statements, but provides more detail and additional information such as cash flows.

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

REPORTING THE CITY AS A WHOLE - CONTINUED:

Reporting the City's Most Significant Fund - continued:

Fund Financial Statements - continued:

The City of Hazlehurst maintains one individual enterprise fund. The City uses this enterprise fund to account for its water and sewer services. The funds provide the same type of information as the government-wide financial statements. The water and sewer enterprise fund is considered to be a major fund of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is trustee, or fiduciary, for its Unemployment Compensation Private-Purpose Trust Fund. This fiduciary activity is reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activity of this fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report contains Required Supplementary Information Other Than MD&A, Combining Financial Statements, and Supplemental Information.

FINANCIAL ANALYSIS OF THE CITY

Recall that the Statement of Net Assets looks at the City as a whole. The City's combined net assets were \$11,589,184 as of September 30, 2006. **Table 1** provides a summary of the City's net assets.

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 1)
Condensed Statement of Net Assets
at September 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 1,238,618	1,078,397	1,048,087	751,996	2,286,705	1,830,393
Capital assets, net	<u>3,405,790</u>	<u>3,267,351</u>	<u>7,524,730</u>	<u>7,672,422</u>	<u>10,930,520</u>	<u>10,939,773</u>
Total assets	<u>4,644,408</u>	<u>4,345,748</u>	<u>8,572,817</u>	<u>8,424,418</u>	<u>13,217,225</u>	<u>12,770,166</u>
Current liabilities	273,342	304,010	194,374	108,899	467,716	412,909
Noncurrent liabilities	<u>699,475</u>	<u>767,441</u>	<u>460,850</u>	<u>481,390</u>	<u>1,160,325</u>	<u>1,248,831</u>
Total liabilities	<u>972,817</u>	<u>1,071,451</u>	<u>655,224</u>	<u>590,289</u>	<u>1,628,041</u>	<u>1,661,740</u>
Net assets:						
Invested in capital assets, net of debt	2,734,114	2,516,748	7,067,672	7,196,268	9,801,786	9,713,016
Restricted:						
Public safety	32,583	11,850	-	-	32,583	11,850
Highways and streets	23,474	14,115	-	-	23,474	14,115
Recreation	25,262	16,744	-	-	25,262	16,744
Instruction	12,433	16,766	-	-	12,433	16,766
Capital outlay	1	-	-	-	1	-
Debt service	29,885	33,790	-	-	29,885	33,790
Unrestricted	<u>813,839</u>	<u>664,284</u>	<u>849,921</u>	<u>637,861</u>	<u>1,663,760</u>	<u>1,302,145</u>
Total net assets	\$ <u>3,671,591</u>	<u>3,274,297</u>	<u>7,917,593</u>	<u>7,834,129</u>	<u>11,589,184</u>	<u>11,108,426</u>

By far the largest portion of the City's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 shows the Changes in Net Assets for the years ended September 30, 2006 and 2005.

**(Table 2)
Condensed Statement of Changes in Net Assets
for the Years Ended September 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 553,826	424,663	1,326,203	1,288,796	1,880,029	1,713,459
Operating grants and contributions	127,689	-	-	-	127,689	-
Capital grants and contributions	125,872	441,639	83,154	14,387	209,026	456,026
General revenues:						
Property taxes	772,419	742,346	-	-	772,419	742,346
Sales taxes	970,465	887,781	-	-	970,465	887,781
Other	<u>517,211</u>	<u>462,655</u>	<u>24,754</u>	<u>11,457</u>	<u>541,965</u>	<u>474,112</u>
Total revenues	<u>3,067,482</u>	<u>2,959,084</u>	<u>1,434,111</u>	<u>1,314,640</u>	<u>4,501,593</u>	<u>4,273,724</u>

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 2)
Condensed Statement of Changes in Net Assets - continued:
for the Years Ended September 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
EXPENSES:						
General government	\$ 382,526	371,987	-	-	382,526	371,987
Public safety	1,197,824	1,125,437	-	-	1,197,824	1,125,437
Court	187,649	205,797	-	-	187,649	205,797
Public works	730,748	664,735	-	-	730,748	664,735
Instruction and recreation	136,903	102,031	-	-	136,903	102,031
Debt service	34,538	37,884	-	-	34,538	37,884
Water and sewer	-	-	<u>1,350,647</u>	<u>1,308,789</u>	<u>1,350,647</u>	<u>1,308,789</u>
Total expenses	<u>2,670,188</u>	<u>2,507,871</u>	<u>1,350,647</u>	<u>1,308,789</u>	<u>4,020,835</u>	<u>3,816,660</u>
INCREASE IN NET ASSETS	397,294	451,213	83,464	5,851	480,758	457,064
NET ASSETS, BEGINNING OF YEAR	<u>3,274,297</u>	<u>2,823,084</u>	<u>7,834,129</u>	<u>7,828,278</u>	<u>11,108,426</u>	<u>10,651,362</u>
NET ASSETS, END OF YEAR	\$ <u>3,671,591</u>	<u>3,274,297</u>	<u>7,917,593</u>	<u>7,834,129</u>	<u>11,589,184</u>	<u>11,108,426</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City's sales tax accounted for \$970,465 or 32% of gross revenue; revenues from property taxes accounted for \$772,419 or 25% of revenues; and revenues from charges for services and grants and entitlements, such as local government funds, accounted for \$553,826 or 18% of gross revenues.

Major expense activities, under the accrual basis of accounting, included police and fire safety expenses accounting for 45% of the total program expenses, public works accounting for 27%, and administration accounting for 14%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

Business-Type Activity

Operating revenues of the City's business-type activities were \$1,326,203 for the fiscal year ended September 30, 2006. Operating expenses for the City's business-type activities were \$1,350,647 resulting in an operating loss of \$24,444. The non-operating revenues and capital contributions were \$107,908 for the year resulting in an increase in net assets of \$83,464. Key operating results are detailed below:

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Business-Type Activity - continued:

- The City's water and sewer enterprise fund recorded charges for services of \$1,326,203, which reflects a 3% increase from the prior year. The most significant expenses of the water and sewer enterprise fund were \$446,450 for salaries and benefits, and \$346,978 in depreciation expense.

BUDGETARY HIGHLIGHTS

The City's budgets are prepared according to Mississippi law and are based on accounting for transactions on a modified-cash basis. The most significant budgeted fund is the general fund. During 2006, the City of Hazlehurst amended its general fund budget three times. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Aldermen for review before being amended by the Board of Aldermen at a regular monthly board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the general fund supporting many of our major activities, such as our police and fire departments, as well as general government activities, the general fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the general fund, original budgeted revenues for fiscal year 2006 were \$2,274,033; final budget amounts were \$2,715,000; and actual revenue collections were \$2,614,437. The primary factor contributing to the increase of original budgeted revenue compared with final budgeted amounts was increased sales tax revenue. General fund operating expenditures were \$2,540,898 compared to budgeted amounts of \$3,180,620.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2006, the City had over \$10.9 million invested in a broad range of capital assets, including police and fire equipment, motor vehicles, buildings, park facilities, roads, bridges, and water and sewer lines. (See **Table 3** below.)

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

**(Table 3)
Capital Assets at September 30, 2006 and 2005
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary</u>	<u>Government</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 241,096	241,096	30,900	30,900	271,996	271,996
Improvements other than buildings	119,326	127,431	-	-	119,326	127,431
Buildings	1,588,808	871,878	24,336	26,691	1,613,144	898,569
Machinery and equipment	161,695	127,307	34,364	38,673	196,059	165,980
Motor vehicles	316,189	260,883	1	4,416	316,190	265,299
Infrastructure	959,426	1,008,854	-	-	959,426	1,008,854
Construction in progress	19,250	629,902	82,250	-	101,500	629,902
Water system	-	-	4,137,200	4,187,127	4,137,200	4,187,127
Sewer system	-	-	3,215,679	3,384,615	3,215,679	3,384,615
Total	\$ 3,405,790	3,267,351	7,524,730	7,672,422	10,930,520	10,939,773

This year's major additions included:

Motor vehicles for Public Safety and Public Works Departments	\$ 119,935
Railroad Depot renovations	128,622

Debt

At September 30, 2006, the City of Hazlehurst had \$1,160,325 in outstanding debt from General Obligation Bonds, Capital Leases Payable, Notes Payable and Accrued Vacation. **Table 4** summarizes the total outstanding long-term obligations of the City.

**(Table 4)
Outstanding Debt at September 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary</u>	<u>Government</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 614,000	675,000	-	-	614,000	675,000
Capital leases payable	57,676	75,603	-	-	57,676	75,603
Notes payable	-	-	457,058	476,154	457,058	476,154
Compensated absences	27,799	16,838	3,792	5,236	31,591	22,074
Total	\$ 699,475	767,441	460,850	481,390	1,160,325	1,248,831

The City issued no new debt during FY 2006.

The City paid \$78,927 in principal on outstanding debt during the year.

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt - continued:

The liability for compensated absences identified above refers to the current balance of what has been earned as a termination benefit that would be paid as employees leave or retire. Under GAAP reporting, this liability must be reported as a long-term liability at year-end, due to contract language to the effect that the employee has "earned" this compensation. The City budgets for this portion of the liability annually in the current year's departmental salary and wages budgets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The General Fund's largest single revenue source is sales tax. The General Fund's portion of sales tax revenue for the FY 2007 is estimated to be \$974,000. This is a slight increase from the FY 2006. Property taxes represent the General Fund's second largest revenue source. The property tax rate for the FY 2007 is \$4.39 per \$100 of assessed value. Of this tax rate, 78% or \$3.42 is utilized for General Fund activities.

During the current FY, unreserved fund balance in the general fund increased by \$158,741.

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,339,687 for the FY 2007. The rate charged is unchanged from the FY 2006.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sue Brown, City Clerk, at 209 S. Extension Street, Hazlehurst, Mississippi 39083.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2006**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 955,769	646,122	1,601,891
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	90,118	146,166	236,284
Taxes	10,900	-	10,900
Interest	2,146	2,302	4,448
Due from other governments	163,728	84,360	248,088
Inventories at cost	-	29,636	29,636
Prepaid expenses	15,957	7,470	23,427
Restricted cash and cash equivalents	-	132,031	132,031
Capital assets:			
Land	241,096	30,900	271,996
Buildings	2,079,582	56,107	2,135,689
Improvements other than buildings	285,846	-	285,846
Machinery and equipment	561,210	272,002	833,212
Motor vehicles	926,097	186,709	1,112,806
Water system	-	6,407,510	6,407,510
Sewer system	-	7,090,420	7,090,420
Infrastructure	1,412,233	-	1,412,233
Construction in progress	19,250	82,250	101,500
	<u>5,525,314</u>	<u>14,125,898</u>	<u>19,651,212</u>
Less accumulated depreciation	<u>(2,119,524)</u>	<u>(6,601,168)</u>	<u>(8,720,692)</u>
Total capital assets, net	<u>3,405,790</u>	<u>7,524,730</u>	<u>10,930,520</u>
Total assets	\$ <u>4,644,408</u>	<u>8,572,817</u>	<u>13,217,225</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 166,940	145,919	312,859
Accrued liabilities	8,743	4,091	12,834
Accrued interest payable	9,992	-	9,992
Customer deposits	-	132,031	132,031
Internal balances	87,667	(87,667)	-
Noncurrent liabilities:			
Due within one year:			
Loans and leases payable	18,561	19,331	37,892
Bonds payable	64,000	-	64,000
Due in more than one year:			
Compensated absences	27,799	3,792	31,591
Loans and leases payable	39,115	437,727	476,842
Bonds payable	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total liabilities	<u>972,817</u>	<u>655,224</u>	<u>1,628,041</u>
<u>NET ASSETS</u>			
Invested in capital assets (net of related debt)	2,734,114	7,067,672	9,801,786
Restricted for:			
Public safety	32,583	-	32,583
Highways and streets	23,474	-	23,474
Recreation	25,262	-	25,262
Instruction	12,433	-	12,433
Capital outlay	1	-	1
Unrestricted	<u>843,724</u>	<u>849,921</u>	<u>1,693,645</u>
Total net assets	\$ <u>3,671,591</u>	<u>7,917,593</u>	<u>11,589,184</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contri- butions</u>
Governmental activities:			
General government	\$ 382,526	244,166	-
Public safety	1,197,824	309,660	-
Court	187,649	-	-
Public works	730,748	-	127,689
Instruction and recreation	136,903	-	-
Interest on long-term debt	34,538	-	-
Total governmental activities	<u>2,670,188</u>	<u>553,826</u>	<u>127,689</u>
Business-type activities:			
Water and sewer	1,350,647	1,326,203	-
Total business-type activities	<u>1,350,647</u>	<u>1,326,203</u>	<u>-</u>
Total government	\$ <u>4,020,835</u>	<u>1,880,029</u>	<u>127,689</u>

General revenues:

 Taxes:

 Ad valorem taxes

 Sales tax

 Utility in lieu of tax

 Franchise fees

 County road tax

 Interest and penalties on taxes

 General intergovernmental revenue

 Investment earnings

 Other

 Gain on disposal of assets

 Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

<u>Revenues</u> Capital Grants and Contri- butions	<u>Net (Expense) Revenue and Change in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
125,872	(12,488)	-	(12,488)
-	(888,164)	-	(888,164)
-	(187,649)	-	(187,649)
-	(603,059)	-	(603,059)
-	(136,903)	-	(136,903)
-	(34,538)	-	(34,538)
<u>125,872</u>	<u>(1,862,801)</u>	<u>-</u>	<u>(1,862,801)</u>
<u>83,154</u>	<u>-</u>	<u>58,710</u>	<u>58,710</u>
<u>83,154</u>	<u>-</u>	<u>58,710</u>	<u>58,710</u>
<u>209,026</u>	<u>(1,862,801)</u>	<u>58,710</u>	<u>(1,804,091)</u>
\$ 772,419	-	-	772,419
970,465	-	-	970,465
46,812	-	-	46,812
155,073	-	-	155,073
36,936	-	-	36,936
16,590	-	-	16,590
110,359	-	-	110,359
39,880	24,754	-	64,634
108,720	-	-	108,720
2,841	-	-	2,841
<u>2,260,095</u>	<u>24,754</u>	<u>-</u>	<u>2,284,849</u>
397,294	83,464	-	480,758
<u>3,274,297</u>	<u>7,834,129</u>	<u>-</u>	<u>11,108,426</u>
\$ <u>3,671,591</u>	<u>7,917,593</u>	<u>-</u>	<u>11,589,184</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 846,855	108,914	955,769
Receivables (net of allow- ance for uncollectibles, where applicable):			
Accounts	85,157	-	85,157
Taxes	8,759	2,141	10,900
Interest	2,146	-	2,146
Due from other funds	5,000	17,998	22,998
Due from other governments	128,703	35,025	163,728
Prepaid expenses	<u>15,902</u>	<u>55</u>	<u>15,957</u>
Total assets	\$ <u>1,092,522</u>	<u>164,133</u>	<u>1,256,655</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 126,524	40,416	166,940
Accrued liabilities	8,743	-	8,743
Due to other funds	<u>110,586</u>	<u>79</u>	<u>110,665</u>
Total liabilities	<u>245,853</u>	<u>40,495</u>	<u>286,348</u>
Fund balances:			
Reserved for:			
Capital projects	-	1	1
Debt service	-	29,885	29,885
Unreserved, undesignated in:			
General fund	846,669	-	846,669
Special revenue funds	<u>-</u>	<u>93,752</u>	<u>93,752</u>
Total fund balances	<u>846,669</u>	<u>123,638</u>	<u>970,307</u>
Total liabilities and fund balances	\$ <u>1,092,522</u>	<u>164,133</u>	<u>1,256,655</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

Total fund balances - governmental funds **\$ 970,307**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	5,525,314	
Less accumulated depreciation	<u>(2,119,524)</u>	3,405,790

Certain revenue that was earned in the current period but not received within 60 days is not recognized in the fund statement but recognized under full accrual.

4,961

Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities consist of:

Governmental bonds payable	(614,000)	
Governmental lease payable	(57,676)	
Accrued interest payable	(9,992)	
Compensated absences	<u>(27,799)</u>	<u>(709,467)</u>

Net assets of governmental activities **\$ 3,671,591**

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 596,999	167,957	764,956
Prior year's ad valorem	5,888	1,575	7,463
Interest and penalties on taxes	16,590	-	16,590
In lieu of taxes - utility	46,812	-	46,812
Franchise fees	155,073	-	155,073
Licenses and permits	23,356	-	23,356
Intergovernmental	1,197,719	173,602	1,371,321
Charges for services	215,849	-	215,849
Fines and forfeits	295,129	14,531	309,660
Interest earned	34,663	5,217	39,880
Interfund charges	60,000	-	60,000
Other	<u>50,534</u>	<u>4,549</u>	<u>55,083</u>
Total revenues	<u>2,698,612</u>	<u>367,431</u>	<u>3,066,043</u>
EXPENDITURES:			
Current:			
General government	359,076	-	359,076
Public safety	1,173,196	772	1,173,968
Court	187,649	-	187,649
Public works	786,666	2,473	789,139
Instruction and recreation	-	54,504	54,504
Grants, subsidies and other expenditures	23,284	-	23,284
Pay to other agencies	-	53,159	53,159
Capital projects	-	125,872	125,872
Debt service:			
Principal	-	78,926	78,926
Interest	-	<u>35,481</u>	<u>35,481</u>
Total expenditures	<u>2,529,871</u>	<u>351,187</u>	<u>2,881,058</u>
Excess of revenues over expen- ditures	<u>168,741</u>	<u>16,244</u>	<u>184,985</u>

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Operating transfer in	\$ -	10,000	10,000
Operating transfer out	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Total financing sources (uses)	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	158,741	26,244	184,985
Fund balance at beginning of year	<u>687,928</u>	<u>97,394</u>	<u>785,322</u>
Fund balance at end of year	\$ <u>846,669</u>	<u>123,638</u>	<u>970,307</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Net change in fund balances - total governmental funds		\$ 184,985
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	325,285	
Less current year depreciation expense	<u>(183,323)</u>	141,962
<p>The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.</p>		
		(3,523)
<p>Revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues.</p>		
		4,961
<p>Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		78,927
<p>Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Change in accrued interest payable	943	
Change in long-term compensated absences	<u>(10,961)</u>	<u>(10,018)</u>
Change in net assets of governmental activities		\$ <u>397,294</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
SEPTEMBER 30, 2006

ASSETS

Current assets:	
Cash and cash equivalents	\$ 646,122
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	146,166
Interest	2,302
Due from other funds	87,667
Due from other governments	84,360
Inventories at cost	29,636
Prepaid expenses	7,470
Total current assets	<u>1,003,723</u>
Restricted assets:	
Cash and cash equivalents	<u>132,031</u>
Property, plant and equipment:	
Land	30,900
Buildings	56,107
Water system	6,407,510
Sewer system	7,090,420
Machinery and equipment	272,002
Motor vehicles	186,709
	<u>14,043,648</u>
Less accumulated depreciation	<u>(6,601,168)</u>
	7,442,480
Construction in progress	82,250
Net property, plant and equipment	<u>7,524,730</u>
Total assets	\$ <u>8,660,484</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 145,919
Accrued liabilities	4,091
Current portion of long-term liabilities	19,331
Total current liabilities	<u>169,341</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>132,031</u>
Long-term liabilities:	
Notes payable	437,727
Compensated absences	3,792
Total long-term liabilities	<u>441,519</u>
Total liabilities	\$ <u>742,891</u>

CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF NET ASSETS - CONTINUED:
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
SEPTEMBER 30, 2006

NET ASSETS

Invested in capital assets, net of related debt	\$ 7,067,672
Unrestricted	<u>849,921</u>
Total net assets	\$ <u>7,917,593</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

OPERATING REVENUES:	
Water sales	\$ 1,047,171
Sewer rentals	257,456
Tap fees and connection fees	16,146
Miscellaneous receipts	5,430
Total operating revenues	<u>1,326,203</u>
OPERATING EXPENSES:	
Personal services	446,450
Supplies	130,448
Other services and charges	421,486
Bad debts	5,285
Depreciation	346,978
Total operating expenses	<u>1,350,647</u>
OPERATING LOSS	<u>(24,444)</u>
NON-OPERATING REVENUES:	
Interest on investments	<u>24,754</u>
Total non-operating revenues	<u>24,754</u>
INCOME BEFORE CONTRIBUTIONS	310
Capital contributions	<u>83,154</u>
CHANGE IN NET ASSETS	83,464
NET ASSETS AT BEGINNING OF YEAR	<u>7,834,129</u>
NET ASSETS AT END OF YEAR	\$ <u>7,917,593</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,312,753
Cash paid to suppliers and employees	<u>(906,781)</u>
Net cash provided by operating activities	<u>405,972</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on long-term debt	(19,096)
Acquisition of fixed assets	(199,286)
Contributed capital	83,154
Increase in amount due from other funds	(13,342)
Decrease in amount due from other governments	<u>(44,604)</u>
Net cash used for capital and related financing activities	<u>(193,174)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Earnings on invested proceeds	<u>23,382</u>
Net cash provided by investing activities	<u>23,382</u>

Net increase in cash	236,180
Cash and cash equivalents - beginning of year (including \$121,854 in restricted accounts)	<u>541,973</u>
Cash and cash equivalents - end of year (including \$132,031 in restricted accounts)	\$ <u>778,153</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES:**

Operating loss	\$ <u>(24,444)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Bad debt expense	5,285
Depreciation	346,978
(Increase) decrease in:	
Accounts receivable	(23,627)
Prepaid expenses	(468)
Inventory	4,874
Increase (decrease) in:	
Accounts payable	87,626
Accrued liabilities	1,015
Compensated absences	(1,444)
Customer deposits	<u>10,177</u>
Total adjustments	<u>430,416</u>
Net cash provided by operating activities	\$ <u>405,972</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF FIDUCIARY NET ASSETS
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2006

ASSETS

Cash and cash equivalents	\$ <u>9,837</u>
Total assets	\$ <u>9,837</u>

NET ASSETS

Held in trust for unemployment benefits	\$ <u>9,837</u>
Total net assets	\$ <u>9,837</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2006

ADDITIONS:

Interest earnings	\$ <u>410</u>
Total additions	<u>410</u>

DEDUCTIONS

	<u>-</u>
Change in net assets held in trust	410
Net assets, beginning of year	<u>9,427</u>
Net assets, end of year	\$ <u>9,837</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Hazlehurst, Mississippi (the City) was incorporated in 1865 and operates under a Mayor-Board of Aldermen form of government. The City is organized into the following divisions: general government, public safety (police, fire and communications), court, public works and instruction and recreation.

The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. These other organizations for which the City's Board of Aldermen appoints the board members include the Hazlehurst Municipal Separate School District and the Hazlehurst Housing Authority. The City is statutorily required to levy property taxes for the School District. These taxes are collected by the City and remitted to the School District.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

Both of the 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 a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police and fire), court, public works, and instruction and recreation. The business-type activity of the City includes the water and sewer system.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. BASIC FINANCIAL STATEMENTS - CONTINUED:

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund 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 funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City, in general, considers revenues available if they are collected within 60 days after year-end except for property taxes, which the City considers available if they are collected within 30 days of year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - CONTINUED:**

certain compensated absences and claims and judgments which are recognized when payment is due.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to the citizens of the City.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or infrastructure (other than those financed by business-type/proprietary funds).

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund of the City are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost 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. BUDGETARY AND LEGAL COMPLIANCE

The Mayor and Board of Aldermen annually approve the budget ordinance for the general funds of the City of Hazlehurst.

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

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. BUDGETARY AND LEGAL COMPLIANCE - CONTINUED:

is maintained at a department level. Budgets are amended by resolution of the Board of Aldermen to authorize expenditures of various grants received and to adjust department budgets as required. The reported budgetary data has been revised for amendments authorized by the governing board.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposit accounts, petty cash, certificates of deposit, and U.S. Treasury Bills with a maturity date generally within 90 days of the date acquired by the City. Collateral, as further discussed in the note on Deposits and Investments, is pledged by the various banks to collateralize City funds.

F. INVENTORIES

Inventories of the proprietary fund are recorded and accounted for at cost.

G. RESTRICTED ASSETS

The Water and Sewer Enterprise Fund, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) to be used only to service outstanding debt and for certain expenditures related to the water and sewer system.

H. CAPITAL ASSETS

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, motor vehicles, water system, sewer system, and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in both the governmental activities and business-type activities columns of the government-wide financial statements. Capital asset thresholds are as follows:

<u>Asset</u>	<u>Threshold</u>
Land	N/A
Infrastructure	N/A
Furniture, vehicles and equipment	\$ 5,000
Improvements other than buildings	25,000
Buildings	50,000

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. CAPITAL ASSETS - CONTINUED:

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets. The useful lives and salvage values are as follows:

<u>Assets</u>	<u>Useful Life</u>	<u>Salvage Value</u>
Computers	3	1%
Vehicles and equipment	5	10%
Heavy equipment	10	10%
Furniture and fixtures	7	10%
Buildings	40	20%
Infrastructure:		
Roads	20	30%
Concrete bridges	50	0%
Timber bridges	30	0%

I. CAPITALIZATION OF INTEREST

In conformity with Financial Accounting Standards No. 34, *Capitalization of Interest Cost*, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During fiscal year 2006, no interest costs were capitalized.

J. COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. Employees are allowed to carry unused vacation days forward from year to year. An accrual of \$31,591 has been made in the Statement of Net Assets for vacation time available at September 30, 2006. No liability is recorded for nonvesting accumulating rights to receive sick pay.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

K. LONG-TERM LIABILITIES

In the government-wide financial statements and proprietary 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. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

L. GOVERNMENT-WIDE AND PROPRIETARY FUND NET ASSETS

Government-wide and proprietary fund net assets are divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets - consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - all other net assets are reported in this category.

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

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

M. RECLASSIFICATION

Certain accounts relating to the prior year have been restated to conform to current year's presentation.

NOTE 2 - PROPERTY TAX

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own real, public utility and personal property taxes. Automobile ad valorem taxes and certain road taxes are collected by the tax collector of Copiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of automobiles, is January 1 for the preceding year. The tax rate levied by the City for the year ended September 30, 2006 was set at 79.49 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 3.424
Debt service fund	.461
Parks and playground fund	.250
Public library	.250
Schools (Hazlehurst Municipal Separate School District)	<u>3.564</u>
	<u>\$ 7.949</u>

Cash and investments are comprised of the following at September 30, 2006:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments	Total
Governmental activities:					
General fund	\$ 846,855	-	-	-	846,855
Nonmajor governmental funds	<u>108,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,914</u>
Total governmental activities	<u>955,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,769</u>
Business-type activities:					
Water and sewer enterprise fund	<u>646,122</u>	<u>-</u>	<u>132,031</u>	<u>-</u>	<u>778,153</u>
Total business-type activities	<u>646,122</u>	<u>-</u>	<u>132,031</u>	<u>-</u>	<u>778,153</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 2 - PROPERTY TAX - CONTINUED:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Government-wide total	\$ 1,601,891	-	132,031	-	1,733,922
Fiduciary fund	<u> -</u>	<u> -</u>	<u> 9,837</u>	<u> -</u>	<u> 9,837</u>
Total cash and investments	\$ <u>1,601,891</u>	<u> -</u>	<u>141,868</u>	<u> -</u>	<u>1,743,759</u>

NOTE 3 - CASH AND INVESTMENTS

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at September 30, 2006 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,543,759	1,715,132
Certificates of deposit	<u> 200,000</u>	<u> 200,000</u>
Total deposits	\$ <u>1,743,759</u>	<u>1,915,132</u>

The difference of \$171,373 was principally due to outstanding checks. Of the bank balance, \$300,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits -- Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2006, \$1,615,132 of the City's bank balance of \$1,915,132 was exposed to custodial credit risk as follows:

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits - continued:

Collateralized by the State Public Funds Guaranty Pool	\$ <u>1,615,132</u>
Total	\$ <u>1,615,132</u>

NOTE 4 - RECEIVABLES

Receivables at September 30, 2006 for the City's individual major funds, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General Funds</u>	<u>Water and Sewer Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Accounts	\$ 97,285	169,686	-	266,971
Taxes	8,759	-	2,141	10,900
Interest	<u>2,146</u>	<u>2,302</u>	<u>-</u>	<u>4,448</u>
Gross receivables	<u>108,190</u>	<u>171,988</u>	<u>2,141</u>	<u>282,319</u>
Less: allowance for un- collectible accounts	<u>(7,167)</u>	<u>(23,520)</u>	<u>-</u>	<u>(30,687)</u>
Net total receiv- ables	\$ <u>101,023</u>	<u>148,468</u>	<u>2,141</u>	<u>251,632</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended September 30, 2006 were as follows:

	<u>Balance at October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2006</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 241,096	-	-	241,096
Construction in progress	<u>629,902</u>	<u>147,870</u>	<u>(758,522)</u>	<u>19,250</u>
Total	<u>870,998</u>	<u>147,870</u>	<u>(758,522)</u>	<u>260,346</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	<u>Balance at October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2006</u>
Governmental activities:				
Depreciable assets:				
Buildings	\$ 1,321,060	758,522	-	2,079,582
Improvements other than buildings	285,846	-	-	285,846
Machinery and equipment	503,732	57,478	-	561,210
Motor vehicles	817,526	119,935	(11,364)	926,097
Infrastructure	<u>1,412,233</u>	<u>-</u>	<u>-</u>	<u>1,412,233</u>
Total	<u>4,340,397</u>	<u>935,935</u>	<u>(11,364)</u>	<u>5,264,968</u>
Total capital assets	<u>5,211,395</u>	<u>1,083,805</u>	<u>(769,886)</u>	<u>5,525,314</u>
Less accumulated depre- ciation for:				
Buildings	(449,182)	(41,592)	-	(490,774)
Improvements other than buildings	(158,415)	(8,105)	-	(166,520)
Machinery and equipment	(376,425)	(23,090)	-	(399,515)
Motor vehicles	(556,643)	(61,108)	7,843	(609,908)
Infrastructure	<u>(403,379)</u>	<u>(49,428)</u>	<u>-</u>	<u>(452,807)</u>
Total accumula- ted deprecia- tion	<u>(1,944,044)</u>	<u>(183,323)</u>	<u>7,843</u>	<u>(2,119,524)</u>
Total governmental activi- ties capital assets, net	<u>\$ 3,267,351</u>	<u>900,482</u>	<u>(762,043)</u>	<u>3,405,790</u>

Depreciation expense for governmental activities is charged to func-
tions as follows:

General government	\$ 11,089
Public safety	71,891
Public works	71,103
Instruction and recreation	<u>29,240</u>
 Total depreciation expense - governmental activities	 \$ <u>183,323</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	<u>Balance at October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2006</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 30,900	-	-	30,900
Construction in progress	<u>-</u>	82,250	-	<u>82,250</u>
Total	<u>30,900</u>	<u>82,250</u>	<u>-</u>	<u>113,150</u>
Depreciable assets:				
Buildings	56,107	-	-	56,107
Machinery and equipment	272,002	-	-	272,002
Motor vehicles	186,709	-	-	186,709
Water system	6,290,474	117,036	-	6,407,510
Sewer system	<u>7,090,420</u>	<u>-</u>	<u>-</u>	<u>7,090,420</u>
Total	<u>13,895,712</u>	<u>117,036</u>	<u>-</u>	<u>14,012,748</u>
Total capital assets	<u>13,926,612</u>	<u>199,286</u>	<u>-</u>	<u>14,125,898</u>
Less accumulated depreciation for:				
Buildings	(29,416)	(2,355)	-	(31,771)
Machinery and equipment	(233,329)	(4,309)	-	(237,638)
Motor vehicles	(182,293)	(4,415)	-	(186,708)
Water system	(2,103,347)	(166,963)	-	(2,270,310)
Sewer system	<u>(3,705,805)</u>	<u>(168,936)</u>	<u>-</u>	<u>(3,874,741)</u>
Total accumulated depreciation	<u>(6,254,190)</u>	<u>(346,978)</u>	<u>-</u>	<u>(6,601,168)</u>
Total business-type activities capital assets, net	<u>\$ 7,672,422</u>	<u>(147,692)</u>	<u>-</u>	<u>7,524,730</u>

Depreciation expense for business-type activities is charged to functions as follows:

Water and sewer \$ 346,978

Total depreciation expense - business-type activities \$ 346,978

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 - CAPITAL LEASE OBLIGATIONS

The City has entered a lease purchase agreement for the acquisition of a fire truck utilized by the City's fire department. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The fire truck is reported in the accompanying financial statements at September 30, 2006 as follows:

	<u>Governmental Activities</u>
Asset:	
Motor vehicles	\$ 187,434
Less accumulated depreciation	<u>(73,099)</u>
Total	\$ <u>114,335</u>

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2006:

	<u>Governmental Activities</u>
Fiscal year ending September 30:	
2007	\$ 20,602
2008	20,602
2009	<u>20,603</u>
Total	61,307
Less amount representing interest	<u>(4,131)</u>
Present value of net minimum lease payments	\$ <u>57,676</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2006:

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

	Beginning Balance October 1, 2005	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 675,000	-	(61,000)	614,000	64,000
Capital lease obliga- tions	75,603	-	(17,927)	57,676	18,561
Compensated absences	<u>16,838</u>	<u>10,961</u>	<u>-</u>	<u>27,799</u>	<u>-</u>
Governmental acti- vities total	<u>767,441</u>	<u>10,961</u>	<u>(78,927)</u>	<u>699,475</u>	<u>82,561</u>
Business-type activities:					
Notes payable	476,154	-	(19,096)	457,058	19,331
Compensated absences	<u>5,236</u>	<u>-</u>	<u>(1,444)</u>	<u>3,792</u>	<u>-</u>
Business-type acti- vities total	<u>481,390</u>	<u>-</u>	<u>(20,540)</u>	<u>460,850</u>	<u>19,331</u>
Government-wide total	\$ <u>1,248,831</u>	<u>10,961</u>	<u>(99,467)</u>	<u>1,160,325</u>	<u>101,892</u>

Debt service requirements at September 30, 2006 were as follows:

Governmental Activities

Fiscal Year Ended September 30, 2006	General Obligation Bonds		Capital Lease Obligations		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 64,000	29,999	18,561	2,042	82,561	32,041
2008	68,000	27,019	19,218	1,385	87,218	28,404
2009	71,000	23,823	19,897	704	90,897	24,527
2010	74,000	20,471	-	-	74,000	20,471
2011	78,000	16,863	-	-	78,000	16,863
2012-2014	<u>259,000</u>	<u>26,623</u>	<u>-</u>	<u>-</u>	<u>259,000</u>	<u>26,623</u>
	\$ <u>614,000</u>	<u>144,798</u>	<u>57,676</u>	<u>4,131</u>	<u>671,676</u>	<u>148,929</u>

Business-Type Activities

Fiscal Year Ended September 30, 2006	Notes Payable		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 19,331	13,447	19,331	13,447
2008	19,919	12,859	19,919	12,859
2009	20,525	12,254	20,525	12,254
2010	21,149	11,629	21,149	11,629
2011	21,793	10,986	21,793	10,986
2012-2016	119,318	44,575	119,318	44,575
2017-2021	138,602	25,291	138,602	25,291
2022-2025	<u>96,421</u>	<u>4,648</u>	<u>96,421</u>	<u>4,648</u>
	\$ <u>457,058</u>	<u>135,689</u>	<u>457,058</u>	<u>135,689</u>

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

There are limitations and restrictions contained in the City's bond indenture. The City is in compliance with all significant limitations and restrictions.

Bonds payable at September 30, 2006 are comprised of the following:

General Obligation Bonds

\$985,000 General Obligation Bonds, Series 1999,
due in annual installments of \$46,000 to \$91,000
through June 1, 2014; interest at variable rates
from 4.3% to 5.1%. \$ 614,000

Capital Leases

\$109,637 Capital Lease obligation to Trustmark
National Bank on the purchase of a fire truck,
due in annual installments of \$20,602 including
interest at 3.54%, with payments beginning on
9/24/04 and ending 9/24/09. \$ 57,676

Notes

\$517,534 note payable to the Mississippi Department
of Economic and Community Development (MDECD) under
MDECD's Capital Improvements Revolving Loan Program
for the construction of a water tank. Copiah
County has agreed to pay the first 3 years of debt
service not to exceed \$99,900. A receivable in the
amount of \$20,661 has been recorded. Payments
including interest at 3.00% will begin October
31, 2004 through September 30, 2024. \$ 457,058

NOTE 8 - INTERFUND TRANSACTIONS AND BALANCES

The following interfund receivables and payables are included in the fund financial statements at September 30, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 17,919
Water and sewer enterprise fund	General fund	<u>87,667</u>
Total		\$ <u>105,586</u>

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 8 - INTERFUND TRANSACTIONS AND BALANCES - CONTINUED:

The above interfund balances resulted from the time lag between the dates that reimbursable expenses occur and payments between the funds are made. The balances are expected to be paid within one year.

Interfund transfers during the year ended September 30, 2006 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 10,000

NOTE 9 - DEFINED BENEFIT PENSION PLAN

PERS

The City of Hazlehurst 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.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate for the period October 1, 2005 - June 30, 2006 was 10.75% of annual covered payroll which increased to 11.30% for the period July 1, 2006 - September 30, 2006. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost: For fiscal year 2006, the City's annual pension cost of \$146,117 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuations. The actuarial assumptions included: (1) 8.00% investment rate of return (net of investment expenses), (b) 5.00% - 15.00% annual salary increases, (c) 4.00% per year cost of living adjustments, and (d) 3.00% increase in benefits after retirement. The actuarial value of PERS assets was determined using techniques that smooth the effects of a short-term volatility in the market value of investments over a 5-year period (smoothed market value).

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 11 - RISK MANAGEMENT - CONTINUED:

public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12 - COMMITMENTS

In connection with certain projects, the City has entered into various agreements as of September 30, 2006. The Hazlehurst Industrial Park and Monticello Street Pump Station projects are to be funded in part with Federal grants. The various contracts are as follows:

	<u>Type Contract</u>	<u>Contract Amount</u>	<u>Balance Outstanding September 30, 2006</u>
Hazlehurst Industrial Park Access Road design	Engineering	\$ 38,500	19,250
Monticello Street Pump Station repairs	Construction	82,500	8,250

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Ad valorem, penalties and interest	\$ 648,500	648,500	621,081	(27,419)
In lieu of taxes - utility	50,000	50,000	46,812	(3,188)
Franchise fees	125,000	150,000	152,477	2,477
Licenses and permits	17,000	45,000	23,356	(21,644)
Intergovernmental	943,533	1,083,000	1,143,139	60,139
Charges for services	178,000	205,000	211,214	6,214
Fines and forfeits	205,000	385,000	272,929	(112,071)
Interest earned	7,500	29,000	32,895	3,895
Interfund charges	60,000	60,000	60,000	-
Miscellaneous	39,500	59,500	50,534	(8,966)
Total revenues	<u>2,274,033</u>	<u>2,715,000</u>	<u>2,614,437</u>	<u>(100,563)</u>
EXPENDITURES:				
General government	338,050	392,838	360,747	32,091
Public safety:				
Police	707,183	819,233	736,529	82,704
Fire	277,049	312,000	285,421	26,579
Communications	151,809	156,900	151,472	5,428
Court	207,863	311,250	197,528	113,722
Public works	645,499	826,399	785,917	40,482
Capital outlay	-	337,000	-	337,000
Grants, subsidies and other expenditures	23,440	25,000	23,284	1,716
Total expenditures	<u>2,350,893</u>	<u>3,180,620</u>	<u>2,540,898</u>	<u>639,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,860)</u>	<u>(465,620)</u>	<u>73,539</u>	<u>539,159</u>
Other financing use:				
Operating transfer out	-	(10,000)	(10,000)	-
Total financing uses	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(76,860)	(475,620)	63,539	539,159
Fund balance at beginning of year	<u>564,314</u>	<u>564,314</u>	<u>564,314</u>	<u>-</u>
Fund balance at end of year	\$ <u>487,454</u>	<u>88,694</u>	<u>627,853</u>	<u>539,159</u>

CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2006

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

Fund balance - budgetary basis	\$ 627,853
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	8,759
Franchise fees	28,189
Intergovernmental	128,703
Administrative fees - water	5,000
Police fines	37,447
Sanitation fees	19,521
Interest	2,146
Add prepaid expenses	15,902
Subtract accounts payable paid 30 days or more after year end	<u>(26,851)</u>
Fund balance - GAAP basis	\$ <u>846,669</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 243,838	243,838	230,878	12,960
Supplies	9,000	9,000	7,656	1,344
Other services and charges	85,212	135,000	119,243	15,757
Capital outlay	-	5,000	2,970	2,030
Total general govern- ment	<u>338,050</u>	<u>392,838</u>	<u>360,747</u>	<u>32,091</u>
Public safety:				
Police:				
Personal services	567,233	567,233	518,849	48,384
Supplies	55,500	87,000	77,792	9,208
Other services and charges	84,450	90,000	83,391	6,609
Capital outlay	-	75,000	56,497	18,503
Total police	<u>707,183</u>	<u>819,233</u>	<u>736,529</u>	<u>82,704</u>
Fire:				
Personal services	204,494	210,000	204,473	5,527
Supplies	18,000	25,000	23,029	1,971
Other services and charges	54,555	72,000	55,308	16,692
Capital outlay	-	5,000	2,611	2,389
Total fire	<u>277,049</u>	<u>312,000</u>	<u>285,421</u>	<u>26,579</u>
Communications:				
Personal services	149,909	155,000	151,426	3,574
Supplies	900	900	-	900
Other services and charges	1,000	1,000	46	954
Total communications	<u>151,809</u>	<u>156,900</u>	<u>151,472</u>	<u>5,428</u>
Total public safety	<u>1,136,041</u>	<u>1,288,133</u>	<u>1,173,422</u>	<u>114,711</u>
Court:				
Personal services	54,522	75,000	75,240	(240)
Supplies	4,250	4,250	2,117	2,133
Other services and charges	147,091	230,000	120,171	109,829
Capital outlay	2,000	2,000	-	2,000
Total court	<u>207,863</u>	<u>311,250</u>	<u>197,528</u>	<u>113,722</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Personal services	\$ 213,759	213,759	206,648	7,111
Supplies	56,200	58,700	57,023	1,677
Other services and charges	350,540	393,940	366,062	27,878
Capital outlay	<u>25,000</u>	<u>160,000</u>	<u>156,184</u>	<u>3,816</u>
Total public works	<u>645,499</u>	<u>826,399</u>	<u>785,917</u>	<u>40,482</u>
Capital outlay	<u>-</u>	<u>337,000</u>	<u>-</u>	<u>337,000</u>
Grants, subsidies and other expenditures	<u>23,440</u>	<u>25,000</u>	<u>23,284</u>	<u>1,716</u>
Total expenditures	\$ <u>2,350,893</u>	<u>3,180,620</u>	<u>2,540,898</u>	<u>639,722</u>

COMBINING FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HAZLEHURST, MISSISSIPPI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	Special Revenue		
	Fire Prevention Fund	Police Seizure Fund	Municipal Aid Street Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,051	18,999	23,474
Receivables (net of allowance for uncollectibles, where applicable):			
Taxes	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
Total assets	<u>\$ 14,051</u>	<u>18,999</u>	<u>23,474</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	467	-	-
Total liabilities	<u>467</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:			
Capital projects	-	-	-
Debt service	-	-	-
Unreserved, undesignated in:			
Special revenue funds	13,584	18,999	23,474
Total fund balances	<u>13,584</u>	<u>18,999</u>	<u>23,474</u>
Total liabilities and fund balances	<u>\$ 14,051</u>	<u>18,999</u>	<u>23,474</u>

<u>Funds</u>		<u>Capital Projects</u>			<u>Total</u>
<u>Municipal</u>	<u>Library</u>	<u>Railroad</u>	<u>Hazlehurst</u>	<u>Debt</u>	<u>Nonmajor</u>
<u>Parks</u>	<u>Fund</u>	<u>Depot</u>	<u>Industrial</u>	<u>Service</u>	<u>Governmental</u>
<u>Fund</u>	<u>Fund</u>	<u>Renovation</u>	<u>Park</u>	<u>Fund</u>	<u>Funds</u>
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
8,596	11,375	5,039	-	27,380	108,914
557	557	-	-	1,027	2,141
16,417	501	-	-	1,080	17,998
-	-	15,775	19,250	-	35,025
<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>
<u>25,625</u>	<u>12,433</u>	<u>20,814</u>	<u>19,250</u>	<u>29,487</u>	<u>164,133</u>
353	-	20,813	19,250	-	40,416
<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398)</u>	<u>79</u>
<u>363</u>	<u>-</u>	<u>20,813</u>	<u>19,250</u>	<u>(398)</u>	<u>40,495</u>
-	-	1	-	-	1
-	-	-	-	29,885	29,885
<u>25,262</u>	<u>12,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,752</u>
<u>25,262</u>	<u>12,433</u>	<u>1</u>	<u>-</u>	<u>29,885</u>	<u>123,638</u>
<u>25,625</u>	<u>12,433</u>	<u>20,814</u>	<u>19,250</u>	<u>29,487</u>	<u>164,133</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HAZLEHURST, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Special Revenue</u>		
	<u>Fire</u>	<u>Police</u>	<u>Municipal</u>
	<u>Prevention</u>	<u>Seizure</u>	<u>Aid</u>
	<u>Fund</u>	<u>Fund</u>	<u>Street</u>
			<u>Fund</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ -	-	-
Prior year's ad valorem	-	-	-
Intergovernmental	22,375	-	10,968
Fines and forfeits	-	14,531	-
Interest earned	733	339	864
Other	-	-	-
Total revenues	<u>23,108</u>	<u>14,870</u>	<u>11,832</u>
EXPENDITURES:			
Current:			
Public safety	772	-	-
Public works	-	-	2,473
Instruction and recreation	-	-	-
Pay to other agencies	-	-	-
Capital projects	-	-	-
Debt service:			
Principal	17,926	-	-
Interest	<u>2,676</u>	-	-
Total expenditures	<u>21,374</u>	<u>-</u>	<u>2,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,734</u>	<u>14,870</u>	<u>9,359</u>
Other financing sources (uses):			
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expen- ditures and other uses	1,734	14,870	9,359
Fund balance at beginning of year	<u>11,850</u>	<u>4,129</u>	<u>14,115</u>
Fund balance at end of year	\$ <u>13,584</u>	<u>18,999</u>	<u>23,474</u>

<u>Funds</u>		<u>Capital Projects</u>			<u>Total</u>
<u>Municipal</u>	<u>Library</u>	<u>Railroad</u>	<u>Hazlehurst</u>	<u>Debt</u>	<u>Nonmajor</u>
<u>Parks</u>	<u>Fund</u>	<u>Depot</u>	<u>Industrial</u>	<u>Service</u>	<u>Governmental</u>
<u>Fund</u>	<u>Fund</u>	<u>Renovation</u>	<u>Park</u>	<u>Fund</u>	<u>Funds</u>
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
43,719	43,719	-	-	80,519	167,957
370	367	-	-	838	1,575
3,743	3,743	106,622	19,250	6,901	173,602
-	-	-	-	-	14,531
641	997	1	-	1,642	5,217
<u>4,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,549</u>
<u>53,022</u>	<u>48,826</u>	<u>106,623</u>	<u>19,250</u>	<u>89,900</u>	<u>367,431</u>
-	-	-	-	-	772
-	-	-	-	-	2,473
54,504	-	-	-	-	54,504
-	53,159	-	-	-	53,159
-	-	106,622	19,250	-	125,372
-	-	-	-	61,000	78,926
-	-	-	-	<u>32,805</u>	<u>35,481</u>
<u>54,504</u>	<u>53,159</u>	<u>106,622</u>	<u>19,250</u>	<u>93,805</u>	<u>351,187</u>
(1,482)	(4,333)	1	-	(3,905)	16,244
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
8,518	(4,333)	1	-	(3,905)	26,244
<u>16,744</u>	<u>16,766</u>	<u>-</u>	<u>-</u>	<u>33,790</u>	<u>97,394</u>
<u>25,262</u>	<u>12,433</u>	<u>1</u>	<u>-</u>	<u>29,885</u>	<u>123,638</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
FIRE PREVENTION FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
			<u>(Budgetary</u>	<u>Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Intergovernmental	\$ 19,000	19,000	22,375	3,375
Interest earned	<u>-</u>	<u>-</u>	<u>733</u>	<u>733</u>
Total revenues	<u>19,000</u>	<u>19,000</u>	<u>23,108</u>	<u>4,108</u>
EXPENDITURES:				
Public safety:				
Supplies	6,240	6,240	772	5,468
Other services and charges	<u>21,000</u>	<u>21,000</u>	<u>20,602</u>	<u>398</u>
Total expenditures	<u>27,240</u>	<u>27,240</u>	<u>21,374</u>	<u>5,866</u>
Excess (deficiency) of revenues over (under) expenditures	(8,240)	(8,240)	1,734	9,974
Other financing use:				
Operating transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(8,240)	(8,240)	1,734	9,974
Fund balance at beginning of year	<u>11,850</u>	<u>11,850</u>	<u>11,850</u>	<u>-</u>
Fund balance at end of year	\$ <u>3,610</u>	<u>3,610</u>	<u>13,584</u>	<u>9,974</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 13,584
Adjustment to GAAP basis	<u>-</u>
Fund balance - GAAP basis	\$ <u>13,584</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
			<u>(Budgetary</u>	<u>Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Intergovernmental	\$ 15,000	15,000	14,531	(469)
Interest earned	<u> -</u>	<u> -</u>	<u> 339</u>	<u> 339</u>
Total revenues	15,000	15,000	14,870	(130)
EXPENDITURES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Excess (deficiency) of revenues over (under) expenditures	15,000	15,000	14,870	(130)
Other financing use:				
Operating transfer out	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total financing uses	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	15,000	15,000	14,870	(130)
Fund balance at beginning of year	<u> 4,129</u>	<u> 4,129</u>	<u> 4,129</u>	<u> -</u>
Fund balance at end of year	\$ <u>19,129</u>	<u>19,129</u>	<u>18,999</u>	<u>(130)</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ <u>18,999</u>	
Adjustment to GAAP basis			<u> -</u>	
Fund balance - GAAP basis			\$ <u>18,999</u>	

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL AID STREET FUND
YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 11,000	11,000	10,968	(32)
Interest earned	<u>-</u>	<u>-</u>	<u>864</u>	<u>864</u>
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>11,832</u>	<u>832</u>
EXPENDITURES:				
Public works:				
Supplies	22,500	22,500	2,119	20,381
Other services and charges	<u>500</u>	<u>500</u>	<u>354</u>	<u>146</u>
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>2,473</u>	<u>20,527</u>
Excess (deficiency) of revenues over (under) expenditures	(12,000)	(12,000)	9,359	21,359
Fund balance at beginning of year	<u>14,115</u>	<u>14,115</u>	<u>14,115</u>	<u>-</u>
Fund balance at end of year	\$ <u>2,115</u>	<u>2,115</u>	<u>23,474</u>	<u>21,359</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ <u>23,474</u>	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>23,474</u>	

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
MUNICIPAL PARKS FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
			<u>(Budgetary</u>	<u>Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Ad valorem taxes	\$ 43,612	40,112	43,847	3,735
Prior year ad valorem taxes	500	500	370	(130)
Intergovernmental	-	3,500	3,743	243
Interest earned	-	200	641	441
Miscellaneous	-	<u>4,000</u>	<u>4,549</u>	<u>549</u>
Total revenues	<u>44,112</u>	<u>48,312</u>	<u>53,150</u>	<u>4,838</u>
EXPENDITURES:				
Instruction and recreation:				
Personal services	30,454	41,000	35,700	5,300
Supplies	4,658	8,500	6,525	1,975
Other services and charges	<u>11,000</u>	<u>15,000</u>	<u>12,334</u>	<u>2,666</u>
Total expenditures	<u>46,112</u>	<u>64,500</u>	<u>54,559</u>	<u>9,941</u>
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(16,188)	(1,409)	14,779
Other financing sources:				
Operating transfer in	-	<u>10,000</u>	<u>10,000</u>	-
Other financing sources	-	<u>10,000</u>	<u>10,000</u>	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,000)	(6,188)	8,591	14,779
Fund balance at beginning of year	<u>16,059</u>	<u>16,059</u>	<u>16,059</u>	-
Fund balance at end of year	\$ <u>14,059</u>	<u>9,871</u>	<u>24,650</u>	<u>14,779</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 24,650
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	557
Prepaid expenses	<u>55</u>
Fund balance - GAAP basis	\$ <u>25,262</u>

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Ad valorem taxes	\$ 40,612	40,612	43,842	3,230
Prior year ad valorem taxes	500	500	367	(133)
Intergovernmental	-	3,700	3,743	43
Interest earned	-	300	997	697
Total revenues	<u>41,112</u>	<u>45,112</u>	<u>48,949</u>	<u>3,837</u>
EXPENDITURES:				
Pay to other agencies	<u>41,112</u>	<u>57,878</u>	<u>53,159</u>	<u>4,719</u>
Total expenditures	<u>41,112</u>	<u>57,878</u>	<u>53,159</u>	<u>4,719</u>
Excess (deficiency) of revenues over (under) expenditures	-	(12,766)	(4,210)	8,556
Other financing sources:				
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(12,766)	(4,210)	8,556
Fund balance at beginning of year	<u>16,086</u>	<u>16,086</u>	<u>16,086</u>	<u>-</u>
Fund balance at end of year	\$ <u>16,086</u>	<u>3,320</u>	<u>11,876</u>	<u>8,556</u>

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

Fund balance - budgetary basis	\$ 11,876
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	<u>557</u>
Fund balance - GAAP basis	\$ <u>12,433</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
RAILROAD DEPOT RENOVATION FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ <u>-</u>	<u>788,412</u>	<u>141,446</u>	<u>(646,966)</u>
Total revenues	<u>-</u>	<u>788,412</u>	<u>141,446</u>	<u>(646,966)</u>
EXPENDITURES:				
Capital outlay - construc- tion cost	<u>788,412</u>	<u>788,412</u>	<u>85,809</u>	<u>702,603</u>
Total expenditures	<u>788,412</u>	<u>788,412</u>	<u>85,809</u>	<u>702,603</u>
Excess (deficiency) of revenues over (under) expenditures	(788,412)	-	55,637	55,637
Fund balance at beginning of year	<u>(50,598)</u>	<u>(50,598)</u>	<u>(50,598)</u>	<u>-</u>
Fund balance at end of year	\$ <u>(839,010)</u>	<u>(50,598)</u>	<u>5,039</u>	<u>55,637</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY

FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis

\$ 5,039

Adjustment to GAAP basis:

Add intergovernmental receivable - MDOT

15,775

Less: accounts payable paid after
October 30, 2006

(20,813)

Fund balance - GAAP basis

\$ 1

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
HAZLEHURST INDUSTRIAL PARK FUND
YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	-	-	-
EXPENDITURES	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	-	-	-

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

Fund balance - budgetary basis	\$ -
Adjustment to GAAP basis:	
Add intergovernmental receivable - Mississippi Development Authority	19,250
Less: accounts payable paid after October 30, 2006	(19,250)
Fund balance - GAAP basis	\$ -

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u>	<u>with Final</u>
			<u>Basis)</u>	<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Ad valorem taxes	\$ 81,000	81,000	81,040	40
Prior year ad valorem taxes	1,000	1,000	838	(162)
Intergovernmental	-	-	6,901	6,901
Interest earned	-	-	<u>1,642</u>	<u>1,642</u>
Total revenues	<u>82,000</u>	<u>82,000</u>	<u>90,421</u>	<u>8,421</u>
EXPENDITURES:				
Principal retirement	61,000	61,000	61,000	-
Interest and fiscal charges	<u>21,903</u>	<u>34,805</u>	<u>32,805</u>	<u>2,000</u>
Total expenditures	<u>82,903</u>	<u>95,805</u>	<u>93,805</u>	<u>2,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(903)</u>	<u>(13,805)</u>	<u>(3,384)</u>	<u>10,421</u>
Other financing sources:				
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(903)</u>	<u>(13,805)</u>	<u>(3,384)</u>	<u>10,421</u>
Fund balance at beginning of year	<u>32,242</u>	<u>32,242</u>	<u>32,242</u>	<u>-</u>
Fund balance at end of year	\$ <u>31,339</u>	<u>18,437</u>	<u>28,858</u>	<u>10,421</u>

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

Fund balance - budgetary basis	\$ 28,858
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	<u>1,027</u>
Fund balance - GAAP basis	\$ <u>29,885</u>

SUPPLEMENTAL INFORMATION

CITY OF HAZLEHURST, MISSISSIPPI

H-1

**SCHEDULE OF OPERATIONS - ACTUAL AND BUDGET
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Budgetary Basis <u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES	\$ <u>1,303,506</u>	<u>1,345,629</u>	<u>(42,123)</u>
EXPENSES:			
Personal services	447,894	459,297	11,403
Supplies	132,594	141,800	9,206
Other services and charges	<u>418,054</u>	<u>668,532</u>	<u>250,478</u>
Total expenses	<u>998,542</u>	<u>1,269,629</u>	<u>271,087</u>
Operating income before non- operating income	<u>304,964</u>	<u>76,000</u>	<u>228,964</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest on investments	23,382	-	23,382
Interest and fiscal charges	<u>-</u>	<u>(15,000)</u>	<u>15,000</u>
Total non-operating revenues (expenses)	<u>23,382</u>	<u>(15,000)</u>	<u>38,382</u>
INCOME	328,346	\$ <u>61,000</u>	<u>267,346</u>
Bad debt expense	(5,285)		
Depreciation expense	(346,978)		
Capital contributions	83,154		
Increase in receivables	24,069		
Increase in prepaids	468		
Decrease in compensated absences	1,444		
Increase in accounts payable paid after October 30	<u>(1,754)</u>		
CHANGE IN NET ASSETS	\$ <u>83,464</u>		

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and, as such, does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

CITY OF HAZLEHURST, MISSISSIPPI

H-2

RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2006

	<u>Assessed Value</u>		<u>Tax</u>
<u>ADJUSTED ASSESSED VALUATION</u>			
<u>City:</u>			
Realty	\$ 11,921,841		
Personal -- other than auto	3,035,350		
Public utilities	1,543,214		
Personal - auto (remitted by County)	<u>3,454,426</u>		
Total city @ 43.85 mills	<u>19,954,831</u>	875,019	
Less: Homestead exemption allowed		<u>(81,069)</u>	793,950
<u>Separate School District:</u>			
Realty	11,921,841		
Personal -- other than auto	3,035,350		
Public utilities	1,543,214		
Personal - auto (remitted by County)*	<u>-</u>		
Total SSD @ 35.64 mills	<u>16,500,405</u>	588,074	
Less: Homestead exemption allowed		<u>(108,069)</u>	480,005
Add: Actual Homestead reimbursement			65,664
Deduct: County Tax Collector's commissions			<u>(3,030)</u>
<u>TOTAL TO BE ACCOUNTED FOR</u>			\$ <u>1,336,589</u>

* Remitted directly to SSD by County

CITY OF HAZLEHURST, MISSISSIPPI

H-2
(CONTINUED)

RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2006

	<u>Taxes</u>	Homestead <u>Reimbursement</u>	<u>Total</u>	
<u>CREDITS</u>				
Collections allocated to:				
General Fund	\$ 596,999	51,277	648,276	
Parks and Recreation Fund	43,719	3,743	47,462	
Library Commission	43,719	3,743	47,462	
City Bond Fund	80,519	6,901	87,420	
SSD Maintenance	399,476	-	399,476	
SSD Bond and Interest	<u>59,321</u>	<u>-</u>	<u>59,321</u>	
Totals	<u>1,223,753</u>	<u>65,664</u>		1,289,417
<u>BALANCE REPRESENTED BY</u>				
Unpaid realty			723	
Unpaid personal			47,297	
Unaccounted for - over settled			<u>(848)</u>	<u>47,172</u>
<u>TOTAL ACCOUNTED FOR</u>				\$ <u>1,336,589</u>

CITY OF HAZLEHURST, MISSISSIPPI

H-3

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006**

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>
Henry C. Banks, Sr.	Mayor	\$ 25,000	Scott Insurance Company
Richard B. Akin	Alderman	65,000	Scott Insurance Company
Frank A. Jones	Alderman	65,000	Scott Insurance Company
Daryl McMillian	Alderman	65,000	Scott Insurance Company
Frank J. Pickering	Alderman	65,000	Scott Insurance Company
Shirley A. Sandifer	Alderman	65,000	Scott Insurance Company
Sue Brown	City Clerk	50,000	St. Paul Companies
Sue Brown	Tax Collector	50,000	St. Paul Companies
Brenda Slay	Deputy Clerk	50,000	St. Paul Companies
Brenda Slay	Deputy Tax Collector	50,000	Brierfield Insurance Company
Kendrick Mitchell	Police Chief	50,000	Brierfield Insurance Company
Ellis Stuart	Public Safety Director	50,000	St. Paul Companies
Joyce Richardson	Clerk - Water Department	50,000	St. Paul Companies
Mary Nell McClelland	Clerk - Water Department	50,000	St. Paul Companies
Pamela Wilbert	Clerk - Water Department	50,000	Brierfield Insurance Company
Pamela Wilbert	Clerk - Tax Collector	50,000	Brierfield Insurance Company
Lloyd Hillard	Superintendent - Water Department	25,000	St. Paul Companies
Bridget Evans	Court Clerk	25,000	Brierfield Insurance Company
Deborah Norwood	Assistant Court Clerk	25,000	Brierfield Insurance Company
Curley Linson	Parks Director	10,000	Brierfield Insurance Company

CITY OF HAZLEHURST, MISSISSIPPI

H-4

SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Original <u>Issue</u>	Balance Outstanding October 1, 2005	-	Transactions During Fiscal Year <u>Issued</u>	Transactions <u>Redeemed</u>	Balance Outstanding September 30, 2006
\$ 985,000	675,000	-	(61,000)		614,000
517,534	476,154	-		(19,096)	457,058
109,637	<u>75,603</u>	-		<u>(17,927)</u>	<u>57,676</u>
	\$ <u>1,226,757</u>			<u>(98,023)</u>	<u>1,128,734</u>

GENERAL OBLIGATION BONDS:

General Obligation Bonds
of 1999

NOTE:

Mississippi Department of
Economic and Community
Development Capital
Improvement Loan Program -
Water Tank

CAPITAL LEASE:

Trustmark National Bank -
Firetruck

ADDITIONAL REPORTS

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

EMMITTE J. HADDOX
JIMMY E. BURKES
PAUL W. CALHOUN
M. GREGORY KING
TED B. EDWARDS
JAN E. LEWIS
CHERYL J. LEE
W.R. LEE ADAMS
WALTER J. LEE

1100 AMSOUTH PLAZA
P.O. DRAWER 22507
JACKSON, MISSISSIPPI 39225-2507
TELEPHONE 601/948-2924
FACSIMILE 601/960-9154

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Aldermen
City of Hazlehurst, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2006, which collectively comprise the City of Hazlehurst, Mississippi's basic financial statements and have issued our report thereon dated November 22, 2006. 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 Hazlehurst, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hazlehurst, 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*.

We noted certain matters that we reported to management of the City of Hazlehurst, Mississippi, in a separate letter dated November 22, 2006.

This report is intended solely for the information and use of management, the Board of Aldermen, federal awarding agencies and pass-through entities, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Haddon Reed Barber & Colhoun PLLC

November 22, 2006

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

EMMITTE J. HADDOX
JIMMY E. BURKES
PAUL W. CALHOUN
M. GREGORY KING
TED B. EDWARDS
JAN F. LEWIS
CHERYL J. LEE
W.R. LEE ADAMS
WALTER J. LEE

1100 AM SOUTH PLAZA
P.O. DRAWER 22507
JACKSON, MISSISSIPPI 39225-2507
TELEPHONE 601/948-2924
FACSIMILE 601/960-9154

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Aldermen
City of Hazlehurst
Hazlehurst, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2006, and have issued our report thereon dated November 22, 2006. We conducted our audit in accordance with generally accepted auditing standards.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instances of non-compliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Haddox Reid Burkes & Calhoun PLLC

November 22, 2006