



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, 2007**

## TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS</b>		1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		3
<b>BASIC FINANCIAL STATEMENTS:</b>		
<b>Government-Wide Financial Statements:</b>		
Statement of Net Assets		13
Statement of Activities		14
<b>Fund Financial Statements:</b>		
<b>Governmental Fund Financial Statements:</b>		
Balance Sheet		15
Reconciliation of the Balance Sheet to the Statement of Net Assets		16
Statement of Revenues, Expenditures, and Changes in Fund Balances		17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		19
<b>Proprietary Fund Financial Statements:</b>		
Statement of Net Assets - Water and Sewer Enterprise Fund		20
Statement of Revenues, Expenses, and Changes in Net Assets - Water and Sewer Enterprise Fund		22
Statement of Cash Flows - Water and Sewer Enterprise Fund		23
<b>Fiduciary Fund Financial Statements:</b>		
Statement of Fiduciary Net Assets		25
Statement of Changes in Fiduciary Net Assets		26
<b>Notes to Financial Statements</b>		27
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A:</b>		
<b>Budgetary Comparison Schedule - General Fund</b>		45
<b>Budgetary Comparison Schedule - General Fund Expenditures</b>		47

## TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
<b>COMBINING FINANCIAL STATEMENTS:</b>		
<b>Nonmajor Governmental Funds:</b>		
Balance Sheet		49
Statement of Revenues, Expenditures, and Changes in Fund Balances		50
<b>Budgetary Comparison Schedules - Other Nonmajor Funds:</b>		
Fire Prevention Fund		51
Police Seizure Fund		52
Municipal Aid Street Fund		53
Municipal Parks Fund		54
Library Fund		55
Railroad Depot Renovation Fund		56
Hazlehurst Industrial Park Fund		57
Debt Service Fund		58
<b>SUPPLEMENTAL INFORMATION:</b>		
<b>Schedule of Operations - Actual and Budget - Water and Sewer Enterprise Fund</b>	H-1	59
<b>Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections</b>	H-2	60
<b>Schedule of Surety Bonds for Municipal Officials</b>	H-3	62
<b>Schedule of Long-Term Debt</b>	H-4	63
<b>ADDITIONAL REPORTS:</b>		
<b>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></b>		64
<b>Report on Compliance with State Laws and Regulations</b>		66

## **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, 2007, 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, 2007, 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 January 31, 2008, 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 12 and 46 through 49 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.

January 31, 2008

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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, 2007. 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 13 to enhance their understanding of the City's financial performance. This is the fourth 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 \$522,358 as a result of this year's operations. The primary factors resulting in the increase were the receipt of \$480,750 in grant funds used for improvements at the Hazlehurst Industrial Park and \$87,151 to complete the Railroad Depot Renovation project.

The City's General Fund realized an increase in total revenue compared to the prior year (\$2,761,714 in 2007 compared to \$2,698,612 in 2006). Total expenditures reflected an increase (\$2,854,703 in 2007 compared to \$2,529,871 in 2006). Increased charges for sanitation collection and the corresponding expense were the primary factors resulting in the increased revenues and expenditures. In addition, personal services cost increased by \$171,293 during the fiscal year.

**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 13 and 14) 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, 2007**

**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 2007?" The Statement of Net Assets and the Statement of Activities answer this question.

**REPORTING THE CITY AS A WHOLE**

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 2007 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, nonfinancial 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 15. 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

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**REPORTING THE CITY AS A WHOLE - CONTINUED:**

**Reporting the City's Most Significant Fund - continued:**

Fund Financial Statements - continued:

funds are required to be 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 nonmajor 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.

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.

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**REPORTING THE CITY AS A WHOLE - CONTINUED:**

**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 \$12,111,542 as of September 30, 2007. **Table 1** provides a summary of the City's net assets.

**(Table 1)**  
**Condensed Statement of Net Assets**  
**at September 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,364,937	1,238,618	1,044,080	1,048,087	2,409,017	2,286,705
Capital assets, net	<u>3,921,823</u>	<u>3,405,790</u>	<u>7,260,800</u>	<u>7,524,730</u>	<u>11,182,623</u>	<u>10,930,520</u>
Total assets	<u>5,286,760</u>	<u>4,644,408</u>	<u>8,304,880</u>	<u>8,572,817</u>	<u>13,591,640</u>	<u>13,217,225</u>
Current liabilities	395,908	273,342	130,027	194,374	525,935	467,716
Noncurrent liabilities	<u>537,428</u>	<u>699,475</u>	<u>416,735</u>	<u>460,850</u>	<u>954,163</u>	<u>1,160,325</u>
Total liabilities	<u>933,336</u>	<u>972,817</u>	<u>546,762</u>	<u>655,224</u>	<u>1,480,098</u>	<u>1,628,041</u>

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**FINANCIAL ANALYSIS OF THE CITY - CONTINUED:**

**(Table 1) - continued:**  
**Condensed Statement of Net Assets**  
**at September 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net assets:						
Invested in capital assets, net of debt	\$ 3,332,708	2,734,114	6,828,948	7,067,672	10,161,656	9,801,786
Restricted:						
Public safety	36,438	32,583	-	-	36,438	32,583
Highways and streets	19,791	23,474	-	-	19,791	23,474
Recreation	16,614	25,262	-	-	16,614	25,262
Instruction	14,331	12,433	-	-	14,331	12,433
Capital outlay	107	1	-	-	107	1
Debt service	26,878	29,885	-	-	26,878	29,885
Unrestricted	<u>906,557</u>	<u>813,839</u>	<u>929,170</u>	<u>849,921</u>	<u>1,835,727</u>	<u>1,663,760</u>
Total net assets	<u>\$ 4,353,424</u>	<u>3,671,591</u>	<u>7,758,118</u>	<u>7,917,593</u>	<u>12,111,542</u>	<u>11,589,184</u>

By far the largest portion of the City's net assets (84%) 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, 2007 and 2006.

**(Table 2)**  
**Condensed Statement of Changes in Net Assets**  
**for the Years Ended September 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 628,679	553,826	1,311,590	1,326,203	1,940,269	1,880,029
Operating grants and contributions	27,835	127,689	-	-	27,835	127,689
Capital grants and contributions	567,901	125,872	3,300	83,154	571,201	209,026

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**FINANCIAL ANALYSIS OF THE CITY - CONTINUED:**

**(Table 2) - continued:**  
**Condensed Statement of Changes in Net Assets**  
**for the Years Ended September 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES - CONTINUED:</b>						
General revenues:						
Property taxes	\$ 780,119	772,419	-	-	780,119	772,419
Sales taxes	959,247	970,465	-	-	959,247	970,465
Other	<u>577,014</u>	<u>517,211</u>	<u>38,622</u>	<u>24,754</u>	<u>615,636</u>	<u>541,965</u>
Total revenues	<u>3,540,795</u>	<u>3,067,482</u>	<u>1,353,512</u>	<u>1,434,111</u>	<u>4,894,307</u>	<u>4,501,593</u>
<b>EXPENSES:</b>						
General government	553,657	382,526	-	-	553,657	382,526
Public safety	1,290,693	1,197,824	-	-	1,290,693	1,197,824
Court	195,615	187,649	-	-	195,615	187,649
Public works	935,320	730,748	-	-	935,320	730,748
Instruction and recreation	52,570	136,903	-	-	52,570	136,903
Debt service	31,107	34,538	-	-	31,107	34,538
Water and sewer	-	-	<u>1,312,987</u>	<u>1,350,647</u>	<u>1,312,987</u>	<u>1,350,647</u>
Total expenses	<u>3,058,962</u>	<u>2,670,188</u>	<u>1,312,987</u>	<u>1,350,647</u>	<u>4,371,949</u>	<u>4,020,835</u>
<b>INCREASE IN NET ASSETS</b>						
<b>BEFORE TRANSFERS</b>	481,833	397,294	40,525	83,464	522,358	480,758
<b>TRANSFERS</b>	<u>200,000</u>	-	<u>(200,000)</u>	-	-	-
	681,833	397,294	(159,475)	83,464	522,358	480,758
<b>NET ASSETS,</b>						
<b>BEGINNING OF YEAR</b>	<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>
<b>NET ASSETS, END OF</b>						
<b>YEAR</b>	\$ <u>4,353,424</u>	<u>3,671,591</u>	<u>7,758,118</u>	<u>7,917,593</u>	<u>12,111,542</u>	<u>11,589,184</u>

**Governmental Activities**

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City's sales tax accounted for \$959,247 or 27.1% of gross revenue; revenues from property taxes accounted for \$780,119 or 22.1% of revenues; and revenues from charges for services accounted for \$628,679 or 17.8% of gross revenues.

Major expense activities, under the accrual basis of accounting, included police and fire safety expenses accounting for 42.2% of the total program expenses, public works accounting

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**FINANCIAL ANALYSIS OF THE CITY - CONTINUED:**

**Governmental Activities - continued:**

for 30.6%, and administration accounting for 18.1%. 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 \$1,311,590 for the fiscal year ended September 30, 2007. Operating expenses for the City's business-type activities were \$1,312,987 resulting in an operating loss of \$1,397. The non-operating revenues and capital contributions were \$38,622 and \$3,300 respectively, with \$200,000 being transferred to the City's General Fund, resulting in a decrease in net assets of \$159,475. Key operating results are detailed below:

- The City's water and sewer enterprise fund recorded charges for services of \$1,311,590, which reflects a 1.1% decrease from the prior year. The most significant expenses of the water and sewer enterprise fund were \$471,836 for salaries and benefits, and \$352,463 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 2007, the City of Hazlehurst amended its general fund budget one time. 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 2007 were \$2,588,000; final budget amounts were \$2,980,195; and actual revenue collections were \$2,750,004. The primary factors contributing to the decrease of original budgeted revenue compared with final budgeted amounts were decreases in intergovernmental (sales tax), fines and forfeits, and franchise law. General fund operating expenditures were \$2,862,425 compared to budgeted amounts of \$3,427,407.

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2007, the City had over \$11.1 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.)

(Table 3)  
**Capital Assets at September 30, 2007 and 2006**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 219,820	241,096	30,900	30,900	250,720	271,996
Improvements other than buildings	623,513	119,326	-	-	623,513	119,326
Buildings	1,654,187	1,588,808	21,980	24,336	1,676,167	1,613,144
Machinery and equipment	151,565	161,695	31,194	34,364	182,759	196,059
Motor vehicles	295,524	316,189	17,620	1	313,144	316,190
Infrastructure	909,999	959,426	-	-	909,999	959,426
Construction in progress	67,215	19,250	-	82,250	67,215	101,500
Water system	-	-	4,010,162	4,137,200	4,010,162	4,137,200
Sewer system	-	-	3,148,944	3,215,679	3,148,944	3,215,679
<b>Total</b>	<b>\$ <u>3,921,823</u></b>	<b><u>3,405,790</u></b>	<b><u>7,260,800</u></b>	<b><u>7,524,730</u></b>	<b><u>11,182,623</u></b>	<b><u>10,930,520</u></b>

This year's major additions included:

Public Safety equipment	\$ 39,628
Public Works equipment	33,899
Industrial Park improvements	512,295
Railroad Depot renovations	109,151

**Debt**

At September 30, 2007, the City of Hazlehurst had \$1,061,300 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.

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:**

**Debt - continued:**

**(Table 4)**  
**Outstanding Debt at September 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 550,000	614,000	-	-	550,000	614,000
Capital leases payable	39,115	57,676	-	-	39,115	57,676
Notes payable	-	-	431,852	457,058	431,852	457,058
Compensated absences	<u>35,531</u>	<u>27,799</u>	<u>4,802</u>	<u>3,792</u>	<u>40,333</u>	<u>31,591</u>
Total	\$ <u>624,646</u>	<u>699,475</u>	<u>436,654</u>	<u>460,850</u>	<u>1,061,300</u>	<u>1,160,325</u>

The City issued no new debt during the fiscal year ended September 30, 2007.

The City paid \$107,767 in principal on outstanding debt during the year.

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 City believes sales tax revenue will increase in 2008 based on new development in the City.

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,350,290 for the next fiscal year. The rate charged is unchanged from the prior fiscal year.

**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

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**CONTACTING THE CITY'S FINANCE DEPARTMENT - CONTINUED:**

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.

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,126,719	712,450	1,839,169
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	103,641	140,455	244,096
Taxes	8,861	-	8,861
Interest	3,113	2,525	5,638
Due from other governments	105,585	-	105,585
Inventories at cost	-	40,990	40,990
Prepaid expenses	17,018	6,864	23,882
Restricted cash and cash equivalents	-	140,796	140,796
Capital assets:			
Land	219,820	30,900	250,720
Buildings	2,188,735	56,107	2,244,842
Improvements other than buildings	798,140	-	798,140
Machinery and equipment	575,808	272,002	847,810
Motor vehicles	937,803	205,758	1,143,561
Water system	-	6,453,044	6,453,044
Sewer system	-	7,196,620	7,196,620
Infrastructure	1,412,233	-	1,412,233
Construction in progress	<u>67,215</u>	<u>-</u>	<u>67,215</u>
	6,199,754	14,214,431	20,414,185
Less accumulated depreciation	<u>(2,277,931)</u>	<u>(6,953,631)</u>	<u>(9,231,562)</u>
Total capital assets, net	<u>3,921,823</u>	<u>7,260,800</u>	<u>11,182,623</u>
Total assets	\$ <u>5,286,760</u>	<u>8,304,880</u>	<u>13,591,640</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 183,117	54,933	238,050
Accrued liabilities	8,303	4,065	12,368
Deferred revenue	15,722	-	15,722
Accrued interest payable	9,058	-	9,058
Customer deposits	-	140,796	140,796
Due to other governments	-	2,804	2,804
Internal balances	92,490	(92,490)	-
Noncurrent liabilities:			
Due within one year:			
Loans and leases payable	19,218	19,919	39,137
Bonds payable	68,000	-	68,000
Due in more than one year:			
Compensated absences	35,531	4,802	40,333
Loans and leases payable	19,897	411,933	431,830
Bonds payable	<u>482,000</u>	<u>-</u>	<u>482,000</u>
Total liabilities	<u>933,336</u>	<u>546,762</u>	<u>1,480,098</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets (net of related debt)	3,332,708	6,828,948	10,161,656
Restricted for:			
Public safety	36,438	-	36,438
Highways and streets	19,791	-	19,791
Recreation	16,614	-	16,614
Instruction	14,331	-	14,331
Capital outlay	107	-	107
Debt service	26,878	-	26,878
Unrestricted	<u>906,557</u>	<u>929,170</u>	<u>1,835,727</u>
Total net assets	<u>\$ 4,353,424</u>	<u>7,758,118</u>	<u>12,111,542</u>

**CITY OF HAZLEHURST, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 553,657	409,133	-	480,750
Public safety	1,290,693	219,546	-	-
Court	195,615	-	-	-
Public works	935,320	-	-	-
Instruction and recreation	52,570	-	27,835	87,151
Interest on long-term debt	<u>31,107</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>3,058,962</u>	<u>628,679</u>	<u>27,835</u>	<u>567,901</u>
<b>Business-type activities:</b>				
Water and sewer	<u>1,252,987</u>	<u>1,311,590</u>	<u>-</u>	<u>3,300</u>
Total business-type activities	<u>1,252,987</u>	<u>1,311,590</u>	<u>-</u>	<u>3,300</u>
<b>Total government</b>	<b>\$ <u>4,311,949</u></b>	<b><u>1,940,269</u></b>	<b><u>27,835</u></b>	<b><u>571,201</u></b>

**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

(Loss) on disposal of assets

Interfund charges

Transfers

    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.

Net (Expense) Revenue and  
Change in Net Assets

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
336,226	-	336,226
(1,071,147)	-	(1,071,147)
(195,615)	-	(195,615)
(935,320)	-	(935,320)
62,416	-	62,416
<u>(31,107)</u>	<u>-</u>	<u>(31,107)</u>
<u>(1,834,547)</u>	<u>-</u>	<u>(1,834,547)</u>
<u>-</u>	<u>61,903</u>	<u>61,903</u>
<u>-</u>	<u>61,903</u>	<u>61,903</u>
<u>(1,834,547)</u>	<u>61,903</u>	<u>(1,772,644)</u>
780,119	-	780,119
959,247	-	959,247
46,234	-	46,234
140,533	-	140,533
126,366	-	126,366
16,165	-	16,165
110,001	-	110,001
51,067	38,622	89,689
30,250	-	30,250
(3,602)	-	(3,602)
60,000	(60,000)	-
<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
<u>2,516,380</u>	<u>(221,378)</u>	<u>2,295,002</u>
681,833	(159,475)	522,358
<u>3,671,591</u>	<u>7,917,593</u>	<u>11,589,184</u>
<u>4,353,424</u>	<u>7,758,118</u>	<u>12,111,542</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Hazlehurst Industrial Park Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
 <b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,013,437	-	113,282	1,126,719
Receivables (net of allowance for uncollectibles, where applicable):				
Accounts	94,148	-	-	94,148
Taxes	7,181	-	1,680	8,861
Interest	3,113	-	-	3,113
Due from other funds	2,467	-	8,396	10,863
Due from other governments	86,716	-	18,869	105,585
Prepaid expenses	<u>14,410</u>	<u>-</u>	<u>2,608</u>	<u>17,018</u>
 Total assets	 \$ <u>1,221,472</u>	 <u>-</u>	 <u>144,835</u>	 <u>1,366,307</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 154,908	-	28,209	183,117
Accrued liabilities	8,303	-	-	8,303
Due to other funds	100,886	-	2,467	103,353
Deferred revenue	<u>15,722</u>	<u>-</u>	<u>-</u>	<u>15,722</u>
Total liabilities	<u>279,819</u>	<u>-</u>	<u>30,676</u>	<u>310,495</u>
Fund balances:				
Reserved for:				
Capital projects	-	-	107	107
Debt service	-	-	26,878	26,878
Unreserved, undesignated in:				
General fund	941,653	-	-	941,653
Special revenue funds	<u>-</u>	<u>-</u>	<u>87,174</u>	<u>87,174</u>
 Total fund balances	 <u>941,653</u>	 <u>-</u>	 <u>114,159</u>	 <u>1,055,812</u>
 Total liabilities and fund balances	 \$ <u>1,221,472</u>	 <u>-</u>	 <u>144,835</u>	 <u>1,366,307</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, 2007**

**Total fund balances - governmental funds** **\$ 1,055,812**

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	6,199,754	
Less accumulated depreciation	<u>(2,277,931)</u>	3,921,823

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.

9,493

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	(550,000)	
Governmental lease payable	(39,115)	
Accrued interest payable	(9,058)	
Compensated absences	<u>(35,531)</u>	<u>(633,704)</u>

**Net assets of governmental activities** **\$ 4,353,424**

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, 2007**

	<u>General Fund</u>	<u>Hazlehurst Industrial Park Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes:				
Current year ad valorem	\$ 602,587	-	169,720	772,307
Prior year's ad valorem	6,101	-	1,711	7,812
Interest and penalties on taxes	16,165	-	-	16,165
In lieu of taxes - utility	46,234	-	-	46,234
Franchise fees	140,533	-	-	140,533
Licenses and permits	44,884	-	-	44,884
Intergovernmental	1,177,081	480,750	133,520	1,791,351
Charges for services	364,249	-	-	364,249
Fines and forfeits	211,804	-	3,210	215,014
Interest earned	44,522	268	6,277	51,067
Interfund charges	60,000	-	-	60,000
Other	<u>47,554</u>	<u>-</u>	<u>5,471</u>	<u>53,025</u>
Total revenues	<u>2,761,714</u>	<u>481,018</u>	<u>319,909</u>	<u>3,562,641</u>
<b>EXPENDITURES:</b>				
Current:				
General government	505,852	-	-	505,852
Public safety	1,253,782	-	1,342	1,255,124
Court	195,615	-	-	195,615
Public works	871,352	-	15,932	887,284
Instruction and recreation	-	-	65,736	65,736
Grants, subsidies and other expenditures	28,102	-	-	28,102
Pay to other agencies	-	-	44,625	44,625
Capital projects	-	493,045	87,151	580,196
Debt service:				
Principal	-	-	82,561	82,561
Interest	<u>-</u>	<u>-</u>	<u>32,041</u>	<u>32,041</u>
Total expenditures	<u>2,854,703</u>	<u>493,045</u>	<u>329,388</u>	<u>3,677,136</u>
Excess (deficiency) of revenues over (under) expenditures	(92,989)	(12,027)	(9,479)	(114,495)

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
CONTINUED:  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Hazlehurst Industrial Park Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Operating transfer in	\$ <u>187,973</u>	<u>12,027</u>	<u>-</u>	<u>200,000</u>
Total financing sources(uses)	<u>187,973</u>	<u>12,027</u>	<u>-</u>	<u>200,000</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	94,984	-	(9,479)	85,505
Fund balance at beginning of year	<u>846,669</u>	<u>-</u>	<u>123,638</u>	<u>970,307</u>
Fund balance at end of year	\$ <u>941,653</u>	<u>-</u>	<u>114,159</u>	<u>1,055,812</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, 2007**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 85,505</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
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:		
Expenditures for capital assets	746,737	
Less current year depreciation expense	<u>(204,326)</u>	542,411
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.		(26,378)
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.		4,532
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.		82,561
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:		
Change in accrued interest payable	934	
Change in long-term compensated absences	<u>(7,732)</u>	<u>(6,798)</u>
<b>Change in net assets of governmental activities</b>		<b>\$ <u>681,833</u></b>

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, 2007**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 712,450
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	140,455
Interest	2,525
Due from other funds	92,490
Inventories at cost	40,990
Prepaid expenses	6,864
Total current assets	<u>995,774</u>
Restricted assets:	
Cash and cash equivalents	<u>140,796</u>
Property, plant and equipment:	
Land	30,900
Buildings	56,107
Water system	6,453,044
Sewer system	7,196,620
Machinery and equipment	272,002
Motor vehicles	<u>205,758</u>
	14,214,431
Less accumulated depreciation	<u>(6,953,631)</u>
Net property, plant and equipment	<u>7,260,800</u>
Total assets	\$ <u>8,397,370</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF NET ASSETS - CONTINUED:  
PROPRIETARY FUND  
WATER AND SEWER ENTERPRISE FUND  
SEPTEMBER 30, 2007**

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 54,933
Accrued liabilities	4,065
Current portion of long-term liabilities	19,919
Due other governments	<u>2,804</u>
Total current liabilities	<u>81,721</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>140,796</u>
Long-term liabilities:	
Notes payable	411,933
Compensated absences	<u>4,802</u>
Total long-term liabilities	<u>416,735</u>
Total liabilities	\$ <u><u>639,252</u></u>

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 6,828,948
Unrestricted	<u>929,170</u>
Total net assets	\$ <u><u>7,758,118</u></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, 2007**

<b>OPERATING REVENUES:</b>	
Water sales	\$ 1,029,331
Sewer rentals	243,601
Tap fees and connection fees	23,431
Miscellaneous receipts	<u>15,227</u>
Total operating revenues	<u>1,311,590</u>
<b>OPERATING EXPENSES:</b>	
Personal services	471,836
Supplies	119,708
Other services and charges	360,899
Bad debts	7,049
Depreciation	<u>352,463</u>
Total operating expenses	<u>1,311,955</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(365)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest on investments	38,622
Interest on note and fiscal charges	(1,032)
Operating transfer out	<u>(200,000)</u>
Total non-operating revenues (expenses)	<u>(162,410)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(162,775)
Capital contributions	<u>3,300</u>
<b>CHANGE IN NET ASSETS</b>	(159,475)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>7,917,593</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 7,758,118</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, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 1,326,066
Cash paid to suppliers and employees	<u>(1,060,242)</u>
Net cash provided by operating activities	<u>265,824</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Operating transfer out	<u>(200,000)</u>
Net cash used by noncapital financing activities	<u>(200,000)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Principal paid on notes payable	(25,206)
Acquisition of fixed assets	(88,533)
Contributed capital	3,300
Increase in amount due from other funds	(4,823)
Decrease in amount due from other governments	84,360
Increase in amount due to other governments	2,804
Interest paid on notes payable	<u>(1,032)</u>
Net cash used for capital and related financing activities	<u>(29,130)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Earnings on invested proceeds	<u>38,399</u>
Net cash provided by investing activities	<u>38,399</u>

Net increase in cash 75,093

Cash and cash equivalents - beginning of year (including \$132,031  
in restricted accounts) 778,153

Cash and cash equivalents - end of year (including \$140,796  
(in restricted accounts) \$ 853,246

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF CASH FLOWS - CONTINUED:  
PROPRIETARY FUND TYPE  
WATER AND SEWER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

Operating loss	\$ <u>(365)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	352,463
(Increase) decrease in:	
Accounts receivable	5,711
Prepaid expenses	606
Inventory	(11,354)
Increase (decrease) in:	
Accounts payable	(90,986)
Accrued liabilities	(26)
Compensated absences	1,010
Customer deposits	<u>8,765</u>
Total adjustments	<u>266,189</u>
Net cash provided by operating activities	\$ <u>265,824</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, 2007**

**ASSETS**

Cash and cash equivalents	\$ <u>10,313</u>
Total assets	\$ <u>10,313</u>

**NET ASSETS**

Held in trust for unemployment benefits	\$ <u>10,313</u>
Total net assets	\$ <u>10,313</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, 2007**

**ADDITIONS:**

Interest earnings \$ 476

Total additions 476

**DEDUCTIONS**

-

Change in net assets held in trust 476

Net assets, beginning of year 9,837

Net assets, end of year \$ 10,313

The accompanying notes are an integral part of this statement.

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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, 2007**

**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 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

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

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

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 **Hazlehurst Industrial Fund** is a capital project. It accounts for the improvements made to the Industrial Park infrastructure.

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, 2007**

**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 is maintained at a department level. Budgets

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**D. BUDGETARY AND LEGAL COMPLIANCE - CONTINUED:**

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, 2007**

**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	-
Timber bridges	30	-

**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 2007, 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 \$40,333 has been made in the Statement of Net Assets for vacation time available at September 30, 2007. No liability is recorded for nonvesting accumulating rights to receive sick pay.

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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.

**M. RECLASSIFICATION**

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

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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, 2007 was set at 78.63 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 3.424
Debt service fund	.463
Parks and playground fund	.250
Public library	.250
Schools (Hazlehurst Municipal Separate School District)	<u>3.476</u>
	<u>\$ 7.863</u>

Cash and investments are comprised of the following at September 30, 2007:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 1,013,437	-	-	-	1,013,437
Nonmajor governmental funds	<u>113,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,282</u>
Total governmental activities	<u>1,126,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126,719</u>
Business-type activities:					
Water and sewer enter- prise fund	<u>712,450</u>	<u>-</u>	<u>140,796</u>	<u>-</u>	<u>853,246</u>
Total business- type activities	<u>712,450</u>	<u>-</u>	<u>140,796</u>	<u>-</u>	<u>853,246</u>
Government-wide total	1,839,169	-	140,796	-	1,979,965
Fiduciary fund	<u>-</u>	<u>-</u>	<u>10,313</u>	<u>-</u>	<u>10,313</u>
Total cash and investments	<u>\$ 1,839,169</u>	<u>-</u>	<u>151,109</u>	<u>-</u>	<u>1,990,278</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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, 2007 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,075,278	1,250,432
Certificates of deposit	<u>915,000</u>	<u>915,000</u>
Total deposits	\$ <u>1,990,278</u>	<u>2,165,432</u>

The difference of \$175,154 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, 2007, \$1,865,432 of the City's bank balance of \$2,165,432 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds	
Guaranty Pool	\$ <u>1,865,432</u>
Total	\$ <u>1,865,432</u>

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2007 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:

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 4 - RECEIVABLES - CONTINUED:**

	<u>General Funds</u>	<u>Water and Sewer Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Accounts	\$ 115,147	166,329	-	281,476
Taxes	7,181	-	1,680	8,861
Interest	<u>3,113</u>	<u>2,525</u>	-	<u>5,638</u>
Gross receivables	125,441	168,854	1,680	295,975
 Less: allowance for uncollectible accounts	 <u>(11,506)</u>	 <u>(25,874)</u>	 -	 <u>(37,380)</u>
 Net total receivables	 <u>\$ 113,935</u>	 <u>142,980</u>	 <u>1,680</u>	 <u>258,595</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activities for the year ended September 30, 2007 were as follows:

	<u>Balance at October 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2007</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 241,096	-	(21,276)	219,820
Construction in progress	<u>19,250</u>	<u>67,215</u>	<u>(19,250)</u>	<u>67,215</u>
Total	<u>260,346</u>	<u>67,215</u>	<u>(40,526)</u>	<u>287,035</u>
Depreciable assets:				
Buildings	2,079,582	109,153	-	2,188,735
Improvements other than buildings	285,846	512,294	-	798,140
Machinery and equipment	561,210	14,598	-	575,808
Motor vehicles	926,097	62,728	(51,022)	937,803
Infrastructure	<u>1,412,233</u>	-	-	<u>1,412,233</u>
Total	<u>5,264,968</u>	<u>698,773</u>	<u>(51,022)</u>	<u>5,912,719</u>
 Total capital assets	 <u>5,525,314</u>	 <u>765,988</u>	 <u>(91,548)</u>	 <u>6,199,754</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 5 - CAPITAL ASSETS - CONTINUED:**

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2007</u>
Less accumulated depreciation for:				
Buildings	\$ (490,774)	(43,775)	-	(534,549)
Improvements other than buildings	(166,520)	(8,105)	-	(174,625)
Machinery and equipment	(399,515)	(24,728)	-	(424,243)
Motor vehicles	(609,908)	(78,290)	45,919	(642,279)
Infrastructure	<u>(452,807)</u>	<u>(49,428)</u>	-	<u>(502,235)</u>
Total accumulated depreciation	<u>(2,119,524)</u>	<u>(204,326)</u>	<u>45,919</u>	<u>(2,277,931)</u>
Total governmental activities capital assets, net	\$ <u>3,405,790</u>	<u>561,662</u>	<u>(45,629)</u>	<u>3,921,823</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 11,089
Public safety	78,997
Public works	82,817
Instruction and recreation	<u>31,423</u>
 Total depreciation expense - governmental activities	 \$ <u>204,326</u>

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2007</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 30,900	-	-	30,900
Construction in progress	<u>82,250</u>	-	<u>(82,250)</u>	-
Total	<u>113,150</u>	-	<u>(82,250)</u>	<u>30,900</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 5 - CAPITAL ASSETS - CONTINUED:**

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2007</u>
Business-type activities - continued:				
Depreciable assets:				
Buildings	\$ 56,107	-	-	56,107
Machinery and equipment	272,002	-	-	272,002
Motor vehicles	186,709	19,049	-	205,758
Water system	6,407,510	45,534	-	6,453,044
Sewer system	<u>7,090,420</u>	<u>106,200</u>	-	<u>7,196,620</u>
Total	<u>14,012,748</u>	<u>170,783</u>	-	<u>14,183,531</u>
Total capital assets	<u>14,125,898</u>	<u>170,783</u>	<u>(82,250)</u>	<u>14,214,431</u>
Less accumulated depreciation for:				
Buildings	(31,771)	(2,355)	-	(34,126)
Machinery and equipment	(237,638)	(3,170)	-	(240,808)
Motor vehicles	(186,708)	(1,429)	-	(188,137)
Water system	(2,270,310)	(172,573)	-	(2,442,883)
Sewer system	<u>(3,874,741)</u>	<u>(172,936)</u>	-	<u>(4,047,677)</u>
Total accumulated depreciation	<u>(6,601,168)</u>	<u>(352,463)</u>	-	<u>(6,953,631)</u>
Total business-type activities capital assets, net	\$ <u>7,524,730</u>	<u>(181,680)</u>	<u>(82,250)</u>	<u>7,260,800</u>

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

Water and sewer	\$ <u>352,463</u>
Total depreciation expense - business- type activities	\$ <u>352,463</u>

**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,

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 6 - CAPITAL LEASE OBLIGATIONS - CONTINUED:**

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, 2007 as follows:

	<u>Governmental Activities</u>
Asset:	
Motor vehicles	\$ 187,434
Less accumulated depreciation	<u>(106,837)</u>
Total	\$ <u>80,597</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, 2007:

	<u>Governmental Activities</u>
Fiscal year ending September 30:	
2008	\$ 20,602
2009	<u>20,602</u>
Total	41,204
Less amount representing interest	<u>(2,089)</u>
Present value of net minimum lease payments	\$ <u>39,115</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, 2007:

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:**

	Beginning Balance October 1, <u>2006</u>	Additions/ <u>Proceeds</u>	Reductions/ <u>Payments</u>	Ending Balance September <u>30, 2007</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 614,000	-	(64,000)	550,000	68,000
Capital lease obligations	57,676	-	(18,561)	39,115	19,218
Compensated absences	<u>27,799</u>	<u>7,732</u>	-	<u>35,531</u>	-
Governmental activities total	<u>699,475</u>	<u>7,732</u>	<u>(82,561)</u>	<u>624,646</u>	<u>87,218</u>
Business-type activities:					
Notes payable	457,058	-	(25,206)	431,852	19,919
Compensated absences	<u>3,792</u>	<u>1,010</u>	-	<u>4,802</u>	-
Business-type activities total	<u>460,850</u>	<u>1,010</u>	<u>(25,206)</u>	<u>436,654</u>	<u>19,919</u>
Government-wide total	\$ <u>1,160,325</u>	<u>8,742</u>	<u>(107,767)</u>	<u>1,061,300</u>	<u>107,137</u>

Debt service requirements at September 30, 2007 were as follows:

**Governmental Activities**

Fiscal Year Ended <u>September 30, 2007</u>	General <u>Obligation Bonds</u>		Capital <u>Lease Obligations</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	82,000	13,041	-	-	82,000	13,041
2013-2014	<u>177,000</u>	<u>13,582</u>	-	-	<u>177,000</u>	<u>13,582</u>
	\$ <u>550,000</u>	<u>114,799</u>	<u>39,115</u>	<u>2,089</u>	<u>589,115</u>	<u>116,888</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:**

**Business-Type Activities**

<u>Fiscal Year Ended September 30, 2007</u>	<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	22,456	10,323	22,456	10,323
2013-2017	122,948	40,945	122,948	40,945
2018-2022	142,818	21,075	142,818	21,075
2023-2025	<u>60,244</u>	<u>2,164</u>	<u>60,244</u>	<u>2,164</u>
	<u>\$ 431,852</u>	<u>122,235</u>	<u>431,852</u>	<u>122,235</u>

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, 2007 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%.

\$ 550,000

**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.

\$ 39,115

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:**

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. Payments including interest at 3.00% are due monthly through September 30, 2024. \$ 431,852

**NOTE 8 - INTERFUND TRANSACTIONS AND BALANCES**

The following interfund receivables and payables are included in the fund financial statements at September 30, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Police seizure fund	\$ 2,000
	Fire prevention fund	467
Water and sewer enterprise fund	General fund	92,490
Municipal parks fund	General fund	6,417
Library fund	General fund	501
Debt service fund	General fund	<u>1,478</u>
		\$ <u>103,353</u>

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, 2007 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General fund	Water and sewer enterprise fund	\$ <u>200,000</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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, 2006 - June 30, 2007 was 11.30% of annual covered payroll which increased to 11.85% for the period July 1, 2007 - September 30, 2007. 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 2007, the City's annual pension cost of \$167,661 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).

Three-Year Trend Information for PERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2005	\$ 127,796	100%	-
9/30/2006	146,117	100%	-
9/30/2007	167,661	100%	-

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 10 - CONTINGENCIES**

Litigation

The City is involved in various litigation. It is not possible at the present time to estimate an ultimate outcome or liability, if any, of the City with respect to the various proceedings. The City's legal counsel believes the resolution of these matters will not materially affect its financial condition

Federal Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss other than workers' compensation. Settled claims resulting from these commercially covered risks have not exceeded commercial coverage in any of the past three fiscal years.

Risk of loss related to workers' compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide 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.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER THAN MD&A**

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	with Final
			(Budgetary	Budget
			Basis)	Positive
				(Negative)
<b>REVENUES:</b>				
Taxes:				
Ad valorem, penalties and interest	\$ 683,000	614,000	626,431	12,431
In lieu of taxes - utility	-	-	46,234	46,234
Franchise fees	150,000	165,000	141,313	(23,687)
Licenses and permits	25,000	45,000	44,884	(116)
Intergovernmental	1,074,000	1,242,835	1,218,129	(24,706)
Charges for services	206,000	363,360	353,521	(9,839)
Fines and forfeits	320,000	320,000	212,762	(107,238)
Interest earned	32,000	32,000	43,555	11,555
Water department administration fees	60,000	60,000	60,000	-
Miscellaneous	38,000	38,000	47,554	9,554
Total revenues	<u>2,588,000</u>	<u>2,880,195</u>	<u>2,794,383</u>	<u>(85,812)</u>
<b>EXPENDITURES:</b>				
General government	363,588	530,000	514,390	15,610
Public safety:				
Police	736,077	836,826	802,239	34,587
Fire	277,570	318,255	290,182	28,073
Communications	167,365	174,202	161,366	12,836
Court	303,392	327,500	195,565	131,935
Public works	786,622	966,624	873,821	92,803
Capital outlay	358,000	248,000	-	248,000
Grants, subsidies and other expenditures	23,386	26,000	24,862	1,138
Total expenditures	<u>3,016,000</u>	<u>3,427,407</u>	<u>2,862,425</u>	<u>564,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(428,000)</u>	<u>(547,212)</u>	<u>(68,042)</u>	<u>479,170</u>
Other financing use:				
Operating transfer in	-	100,000	187,973	87,973
Total financing uses	-	100,000	187,973	87,973
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(428,000)	(447,212)	119,931	567,143
Fund balance at beginning of year	<u>627,853</u>	<u>627,853</u>	<u>627,853</u>	-
Fund balance at end of year	\$ <u>99,853</u>	<u>180,641</u>	<u>747,784</u>	<u>567,143</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - CONTINUED:  
YEAR ENDED SEPTEMBER 30, 2007**

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

<b>Fund balance - budgetary basis</b>	<b>\$ 747,784</b>
Add accrued revenue:	
Ad valorem taxes	7,181
Franchise fees	27,410
Intergovernmentals	86,716
Police fines	36,489
Sanitation fees	30,249
Interest	3,113
Add prepaid expenses	14,410
Accounts payable paid 30 days or more after year end	<u>(11,699)</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>941,653</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>General government:</b>				
Personal services	\$ 242,278	270,000	266,377	3,623
Supplies	9,000	10,000	9,313	687
Other services and charges	112,310	240,000	231,639	8,361
Capital outlay	-	10,000	7,061	2,939
Total general government	<u>363,588</u>	<u>530,000</u>	<u>514,390</u>	<u>15,610</u>
<b>Public safety:</b>				
Police:				
Personal services	573,027	596,826	582,847	13,979
Supplies	60,650	75,000	72,077	2,923
Other services and charges	70,150	100,000	92,221	7,779
Capital outlay	32,250	65,000	55,094	9,906
Total police	<u>736,077</u>	<u>836,826</u>	<u>802,239</u>	<u>34,587</u>
Fire:				
Personal services	191,715	230,000	222,445	7,555
Supplies	25,900	25,900	17,205	8,695
Other services and charges	59,955	59,955	49,934	10,021
Capital outlay	-	2,400	598	1,802
Total fire	<u>277,570</u>	<u>318,255</u>	<u>290,182</u>	<u>28,073</u>
Communications:				
Personal services	166,365	173,202	160,608	12,594
Other services and charges	1,000	1,000	758	242
Total communications	<u>167,365</u>	<u>174,202</u>	<u>161,366</u>	<u>12,836</u>
Total public safety	<u>1,181,012</u>	<u>1,329,283</u>	<u>1,253,787</u>	<u>75,496</u>
<b>Court:</b>				
Personal services	71,992	90,000	85,400	4,600
Supplies	1,500	4,000	2,870	1,130
Other services and charges	229,900	232,000	107,295	124,705
Capital outlay	-	1,500	-	1,500
Total court	<u>303,392</u>	<u>327,500</u>	<u>195,565</u>	<u>131,935</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES - CONTINUED:  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Public works:</b>				
Personal services	\$ 258,240	268,882	241,130	27,752
Supplies	75,700	75,700	63,628	12,072
Other services and charges	412,682	572,042	532,985	39,057
Capital outlay	<u>40,000</u>	<u>50,000</u>	<u>36,078</u>	<u>13,922</u>
Total public works	<u>786,622</u>	<u>966,624</u>	<u>873,821</u>	<u>92,803</u>
<b>Capital outlay</b>	<u>358,000</u>	<u>248,000</u>	<u>-</u>	<u>248,000</u>
<b>Grants, subsidies and other expenditures</b>	<u>23,386</u>	<u>26,000</u>	<u>24,862</u>	<u>1,138</u>
<b>    Total expenditures</b>	\$ <u>3,016,000</u>	<u>3,427,407</u>	<u>2,862,425</u>	<u>564,982</u>

**COMBINING FINANCIAL STATEMENTS**

**CITY OF HAZLEHURST, MISSISSIPPI**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

			Special Revenue
	Fire Prevention <u>Fund</u>	Police Seizure <u>Fund</u>	Municipal Aid Street <u>Fund</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 14,654	24,251	28,516
Receivables (net of allowance for uncollectibles, where applicable):			
Taxes	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>14,654</u>	<u>24,251</u>	<u>28,516</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ -	-	8,725
Due to other funds	<u>467</u>	<u>2,000</u>	<u>-</u>
Total liabilities	<u>467</u>	<u>2,000</u>	<u>8,725</u>
Fund balances:			
Reserved for:			
Capital projects	-	-	-
Debt service	-	-	-
Unreserved, undesignated in:			
Special revenue funds	<u>14,187</u>	<u>22,251</u>	<u>19,791</u>
Total fund balances	<u>14,187</u>	<u>22,251</u>	<u>19,791</u>
Total liabilities and fund balances	\$ <u>14,654</u>	<u>24,251</u>	<u>28,516</u>

<u>Funds</u>				
<u>Municipal Parks Fund</u>	<u>Library Fund</u>	<u>Railroad Depot Renovation Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
7,768	13,394	107	24,592	113,282
436	436	-	808	1,680
6,417	501	-	1,478	8,396
-	-	18,869	-	18,869
<u>2,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,608</u>
<u>17,229</u>	<u>14,331</u>	<u>18,976</u>	<u>26,878</u>	<u>144,835</u>
615	-	18,869	-	28,209
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,467</u>
<u>615</u>	<u>-</u>	<u>18,869</u>	<u>-</u>	<u>30,676</u>
-	-	107	-	107
-	-	-	26,878	26,878
<u>16,614</u>	<u>14,331</u>	<u>-</u>	<u>-</u>	<u>87,174</u>
<u>16,614</u>	<u>14,331</u>	<u>107</u>	<u>26,878</u>	<u>114,159</u>
<u>17,229</u>	<u>14,331</u>	<u>18,976</u>	<u>26,878</u>	<u>144,835</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<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>
<b>REVENUES:</b>			
Taxes:			
Current year ad valorem	\$ -	-	-
Prior year's ad valorem	-	-	-
Intergovernmental	20,822	-	10,968
Fines and forfeits	-	3,210	-
Interest earned	793	975	1,281
Other	-	-	-
Total revenues	<u>21,615</u>	<u>4,185</u>	<u>12,249</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	409	933	-
Public works	-	-	15,932
Instruction and recreation	-	-	-
Pay to other agencies	-	-	-
Capital projects	-	-	-
Debt service:			
Principal	18,561	-	-
Interest	<u>2,042</u>	-	-
Total expenditures	<u>21,012</u>	<u>933</u>	<u>15,932</u>
Excess (deficiency) of revenues over (under) expenditures	603	3,252	(3,683)
Other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	603	3,252	(3,683)
Fund balance at beginning of year	<u>13,584</u>	<u>18,999</u>	<u>23,474</u>
Fund balance at end of year	<u>\$ 14,187</u>	<u>22,251</u>	<u>19,791</u>

<u>Funds</u>				
<u>Municipal Parks Fund</u>	<u>Library Fund</u>	<u>Railroad Depot Renovation Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
44,092	44,092	-	81,536	169,720
445	445	-	821	1,711
3,786	3,786	87,151	7,007	133,520
-	-	-	-	3,210
754	740	106	1,628	6,277
<u>5,471</u>	-	-	-	<u>5,471</u>
<u>54,548</u>	<u>49,063</u>	<u>87,257</u>	<u>90,992</u>	<u>319,909</u>
-	-	-	-	1,342
-	-	-	-	15,932
63,196	2,540	-	-	65,736
-	44,625	-	-	44,625
-	-	87,151	-	87,151
-	-	-	64,000	82,561
-	-	-	<u>29,999</u>	<u>32,041</u>
<u>63,196</u>	<u>47,165</u>	<u>87,151</u>	<u>93,999</u>	<u>329,388</u>
(8,648)	1,898	106	(3,007)	(9,479)
-	-	-	-	-
(8,648)	1,898	106	(3,007)	(9,479)
<u>25,262</u>	<u>12,433</u>	<u>1</u>	<u>29,885</u>	<u>123,638</u>
<u>16,614</u>	<u>14,331</u>	<u>107</u>	<u>26,878</u>	<u>114,159</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
FIRE PREVENTION FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Intergovernmental	\$ 22,000	22,000	20,822	(1,178)
Interest earned	<u>-</u>	<u>-</u>	<u>793</u>	<u>793</u>
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>21,615</u>	<u>(385)</u>
<b>EXPENDITURES:</b>				
Public safety:				
Supplies	-	10,000	410	9,590
Other services and charges	<u>-</u>	<u>21,000</u>	<u>20,602</u>	<u>398</u>
Total expenditures	<u>-</u>	<u>31,000</u>	<u>21,012</u>	<u>9,988</u>
Excess (deficiency) of revenues over (under) expenditures	22,000	(9,000)	603	9,603
Other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	22,000	(9,000)	603	9,603
Fund balance at beginning of Year	<u>13,584</u>	<u>13,584</u>	<u>13,584</u>	<u>-</u>
Fund balance at end of year	\$ <u>35,584</u>	<u>4,584</u>	<u>14,187</u>	<u>9,603</u>

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

Fund balance - budgetary basis	\$ 14,187
Adjustment to GAAP basis	<u>-</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>14,187</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
POLICE SEIZURE FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<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>		
<b>REVENUES:</b>				
Intergovernmental	\$ 15,000	15,000	3,210	(11,790)
Interest earned	<u>-</u>	<u>-</u>	<u>975</u>	<u>975</u>
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>4,185</u>	<u>(10,815)</u>
<b>EXPENDITURES:</b>				
Supplies	<u>15,000</u>	<u>15,000</u>	<u>933</u>	<u>14,067</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>933</u>	<u>14,067</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	3,252	3,252
Other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expen- ditures and other uses	-	-	3,252	3,252
Fund balance at beginning of year	<u>18,999</u>	<u>18,999</u>	<u>18,999</u>	<u>-</u>
Fund balance at end of year	\$ <u>18,999</u>	<u>18,999</u>	<u>22,251</u>	<u>3,252</u>

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

Fund balance - budgetary basis	\$ 22,251
Adjustment to GAAP basis	<u>-</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>22,251</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL AID STREET FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Intergovernmental	\$ 11,000	11,000	10,967	(33)
Interest earned	<u>-</u>	<u>-</u>	<u>1,281</u>	<u>1,281</u>
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>12,248</u>	<u>1,248</u>
<b>EXPENDITURES:</b>				
Public works:				
Supplies	33,000	33,000	15,931	17,069
Other services and charges	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>33,000</u>	<u>34,000</u>	<u>15,931</u>	<u>18,069</u>
Excess (deficiency) of revenues over (under) expenditures	(22,000)	(23,000)	(3,683)	19,317
Fund balance at beginning of year	<u>23,474</u>	<u>23,474</u>	<u>23,474</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,474</u>	<u>474</u>	<u>19,791</u>	<u>19,317</u>

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

<b>Fund balance - budgetary basis</b>	<b>\$ 19,791</b>
Adjustment to GAAP basis	<u>-</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>19,791</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL PARKS FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Ad valorem taxes	\$ 44,625	41,125	44,212	3,087
Prior year ad valorem taxes	-	-	445	445
Intergovernmental	-	3,500	3,786	286
Interest earned	-	200	754	554
Miscellaneous	<u>2,000</u>	<u>6,000</u>	<u>5,471</u>	<u>(529)</u>
Total revenues	<u>46,625</u>	<u>50,825</u>	<u>54,668</u>	<u>3,843</u>
<b>EXPENDITURES:</b>				
Instruction and recreation:				
Personal services	28,004	36,000	33,668	2,332
Supplies	5,921	7,000	5,349	1,651
Other services and charges	<u>12,700</u>	<u>32,000</u>	<u>26,731</u>	<u>5,269</u>
Total expenditures	<u>46,625</u>	<u>75,000</u>	<u>65,748</u>	<u>9,252</u>
Excess (deficiency) of revenues over (under) expenditures	-	(24,175)	(11,080)	13,095
Other financing sources:				
Operating transfer in	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(14,175)	(11,080)	3,095
Fund balance at beginning of year	<u>24,650</u>	<u>24,650</u>	<u>24,650</u>	<u>-</u>
Fund balance at end of year	<u>\$ 24,650</u>	<u>10,475</u>	<u>13,570</u>	<u>3,095</u>
<b>EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:</b>				
Fund balance - budgetary basis			<b>\$ 13,570</b>	
Adjustment to GAAP basis:				
Add accrued ad valorem taxes			436	
Prepaid expenses			<u>2,608</u>	
Fund balance - GAAP basis			<b>\$ 16,614</b>	

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
LIBRARY FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Ad valorem taxes	\$ 41,125	41,125	43,656	2,531
Prior year ad valorem taxes	-	-	445	445
Intergovernmental	3,500	3,500	3,786	286
Interest earned	<u>-</u>	<u>-</u>	<u>740</u>	<u>740</u>
Total revenues	<u>44,625</u>	<u>44,625</u>	<u>48,627</u>	<u>4,002</u>
<b>EXPENDITURES:</b>				
Capital outlay	-	-	2,539	(2,539)
Pay to other agencies	<u>44,625</u>	<u>44,625</u>	<u>44,625</u>	<u>-</u>
Total expenditures	<u>44,625</u>	<u>44,625</u>	<u>47,164</u>	<u>(2,539)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,463	1,463
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	1,463	1,463
Fund balance at beginning of year	<u>12,432</u>	<u>12,432</u>	<u>12,432</u>	<u>-</u>
Fund balance at end of year	\$ <u>12,432</u>	<u>12,432</u>	<u>13,895</u>	<u>1,463</u>

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

<b>Fund balance - budgetary basis</b>	<b>\$ 13,895</b>
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	<u>436</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>14,331</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
RAILROAD DEPOT RENOVATION FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<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>
<b>REVENUES:</b>				
Intergovernmental	\$ 788,412	788,412	84,057	(704,355)
Interest earned	<u>-</u>	<u>-</u>	<u>106</u>	<u>106</u>
Total revenues	<u>788,412</u>	<u>788,412</u>	<u>84,163</u>	<u>(704,249)</u>
<b>EXPENDITURES:</b>				
Capital outlay - construction cost	<u>788,412</u>	<u>788,412</u>	<u>89,095</u>	<u>699,317</u>
Total expenditures	<u>788,412</u>	<u>788,412</u>	<u>89,095</u>	<u>699,317</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(4,932)	(4,932)
Fund balance at beginning of year	<u>5,039</u>	<u>5,039</u>	<u>5,039</u>	<u>-</u>
Fund balance at end of year	\$ <u>5,039</u>	<u>5,039</u>	<u>107</u>	<u>(4,932)</u>

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

<b>Fund balance - budgetary basis</b>	<b>\$ 107</b>
Adjustment to GAAP basis:	
Add intergovernmental receivable - MDOT	18,869
Less: accounts payable paid after October 30, 2007	<u>(18,869)</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>107</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
HAZLEHURST INDUSTRIAL PARK FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<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>		
<b>REVENUES</b>				
Intergovernmental	\$ 500,000	500,000	500,000	-
Interest earned	-	-	268	268
	<u>500,000</u>	<u>500,000</u>	<u>500,268</u>	<u>268</u>
<b>EXPENDITURES</b>				
Capital outlay - capital project	<u>500,000</u>	<u>512,295</u>	<u>512,295</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(12,295)	(12,027)	268
Other financing sources:				
Operating transfers in	<u>-</u>	<u>12,295</u>	<u>12,027</u>	<u>(268)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

<b>Fund balance - budgetary basis</b>	\$ -
Adjustment to GAAP basis:	<u>-</u>
<b>Fund balance - GAAP basis</b>	\$ <u><u>-</u></u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Ad valorem taxes	\$ 83,332	83,332	81,755	(1,577)
Prior year ad valorem taxes	1,000	1,000	821	(179)
Intergovernmental	-	-	7,007	7,007
Interest earned	-	-	<u>1,628</u>	<u>1,628</u>
Total revenues	<u>84,332</u>	<u>84,332</u>	<u>91,211</u>	<u>6,879</u>
<b>EXPENDITURES:</b>				
Principal retirement	64,000	64,000	64,000	-
Interest and fiscal charges	<u>30,520</u>	<u>30,520</u>	<u>29,999</u>	<u>521</u>
Total expenditures	<u>94,520</u>	<u>94,520</u>	<u>93,999</u>	<u>521</u>
Excess (deficiency) of revenues over (under) expenditures	(10,188)	(10,188)	(2,788)	7,400
Other financing sources	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(10,188)	(10,188)	(2,788)	7,400
Fund balance at beginning of Year	<u>28,858</u>	<u>28,858</u>	<u>28,858</u>	-
Fund balance at end of year	\$ <u>18,670</u>	<u>18,670</u>	<u>26,070</u>	<u>7,400</u>

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

<b>Fund balance - budgetary basis</b>	<b>\$ 26,070</b>
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	<u>808</u>
<b>Fund balance - GAAP basis</b>	<b>\$ <u>26,878</u></b>

**SUPPLEMENTAL INFORMATION**

## CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF OPERATIONS - ACTUAL AND BUDGET  
WATER AND SEWER ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgetary Basis <u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
<b>OPERATING REVENUES</b>	\$ <u>1,314,946</u>	<u>1,350,832</u>	<u>(35,886)</u>
<b>EXPENSES:</b>			
Personal services	470,826	477,500	6,674
Supplies	119,297	141,800	22,503
Other services and charges	<u>364,075</u>	<u>668,532</u>	<u>304,457</u>
Total expenses	<u>954,198</u>	<u>1,287,832</u>	<u>333,634</u>
Operating income before non-operating income	<u>360,748</u>	<u>63,000</u>	<u>297,748</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest on investments	38,622	-	38,622
Interest and fiscal charges	<u>-</u>	<u>(15,000)</u>	<u>15,000</u>
Total non-operating revenues (expenses)	<u>38,622</u>	<u>(15,000)</u>	<u>53,622</u>
<b>INCOME</b>	399,370	<u>48,000</u>	<u>351,370</u>
Bad debt expense	(7,049)		
Depreciation expense	(352,463)		
Capital contributions	3,300		
Increase in receivables	(3,356)		
Increase in prepaids	(606)		
Decrease in compensated absences	(1,011)		
Increase in accounts payable paid after October 30	2,340		
Transfer out	<u>(200,000)</u>		
<b>CHANGE IN NET ASSETS</b>	\$ <u>(159,475)</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

RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS  
TO FUND COLLECTIONS  
YEAR ENDED SEPTEMBER 30, 2007

<u>ADJUSTED ASSESSED VALUATION</u>	<u>Assessed Value</u>	<u>Tax</u>
<u>City:</u>		
Realty	\$ 11,968,863	
Personal - other than auto	2,897,650	
Public utilities	1,528,211	
Personal - auto (remitted by County)	<u>3,357,813</u>	
Total city @ 43.87 mills	<u>19,752,537</u>	866,544
Less: Homestead exemption allowed		<u>(82,148)</u> 784,396
<u>Separate School District:</u>		
Realty	11,968,863	
Personal - other than auto	2,897,650	
Public utilities	1,528,211	
Personal - auto (remitted by County)*	<u>-</u>	
Total SSD @ 34.76 mills	<u>16,394,724</u>	569,881
Less: Homestead exemption allowed		<u>(107,567)</u> 462,314
Add: Actual Homestead reimbursement		66,418
Deduct: County Tax Collector's commissions		<u>(2,946)</u>
<b><u>TOTAL TO BE ACCOUNTED FOR</u></b>		<b><u>\$ 1,310,182</u></b>

\* Remitted directly to SSD by County

## CITY OF HAZLEHURST, MISSISSIPPI

RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS  
TO FUND COLLECTIONS  
YEAR ENDED SEPTEMBER 30, 2007

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>	
<b><u>CREDITS</u></b>				
Collections allocated to:				
General Fund	\$ 602,587	51,839	654,426	
Parks and Recreation Fund	44,092	3,786	47,878	
Library Commission	44,092	3,786	47,878	
City Bond Fund	81,535	7,007	88,542	
SSD Maintenance	406,710	-	406,710	
SSD Bond and Interest	<u>49,192</u>	<u>-</u>	<u>49,192</u>	
Totals	<u>1,228,208</u>	<u>66,418</u>		1,294,626
<b><u>BALANCE REPRESENTED BY</u></b>				
Unpaid realty			43	
Unpaid personal			13,852	
Unaccounted for - over settled			<u>1,661</u>	
				<u>15,556</u>
<b><u>TOTAL ACCOUNTED FOR</u></b>				<b>\$ <u>1,310,182</u></b>

**CITY OF HAZLEHURST, MISSISSIPPI****SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2007**

<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	St. Paul Companies
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
Emily T. Mitchell	Clerk - Water Department	50,000	Brierfield Insurance Company

## CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Original Issue</u>	<u>Balance Outstanding October 1, 2006</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2007</u>
			<u>Issued</u>	<u>Redeemed</u>	
<b>GENERAL OBLIGATION BONDS:</b>					
General Obligation Bonds of 1999	\$ 985,000	614,000	-	(64,000)	550,000
<b>NOTE:</b>					
Mississippi Department of Economic and Community Development Capital Improvement Loan Program - Water Tank	517,534	457,058	-	(25,206)	431,852
<b>CAPITAL LEASE:</b>					
Trustmark National Bank - Firetruck	109,637	<u>57,676</u>	<u>-</u>	<u>(18,561)</u>	<u>39,115</u>
		<u>\$ 1,128,734</u>	<u>-</u>	<u>(107,767)</u>	<u>1,020,967</u>

**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  
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, 2007, which collectively comprise the City of Hazlehurst, Mississippi's basic financial statements and have issued our report thereon dated January 31, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hazlehurst, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hazlehurst, Mississippi's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hazlehurst, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Hazlehurst, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Hazlehurst, Mississippi's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Hazlehurst, Mississippi's internal control.

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

#### Compliance and Other Matters

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

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.

January 31, 2008

**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, 2007, and have issued our report thereon dated January 31, 2008. We have 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 Controller General of the United States.

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

The results of 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 noncompliance 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.

January 31, 2008

