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CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2011

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

Mayor
Johnny L. DuPree, Ph.D.

Council - Ward 1	Council - Ward 2	Council - Ward 3	Council - Ward 4	Council - Ward 5
Kim Bradley	*Deborah Denard Delgado*	*Carter Carroll*	*Dave J. Ware, II*	*Henry Naylor*

March 23, 2012

To the Honorable Mayor, Members of the City Council, and
Citizens of the City of Hattiesburg

The Department of Administration is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hattiesburg, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2011. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, and we believe the report is accurate in all material respects.

The Comprehensive Annual Financial Report includes the following: this transmittal letter; the financial section consisting of Management's Discussion and Analysis, the basic financial statements (government-wide and fund statements), notes to the financial statements, combining and individual fund financial statements and schedules, and the independent auditors' report on the financial statement schedules; and a statistical section consisting of several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, presented on a multi-year basis.

Profile of Government

The City of Hattiesburg has a land area of 55.4 square miles and is located strategically in the southeast section of Mississippi. It has historically been designated as the "Hub City," since its location is within a 100-mile radius of Jackson, Mississippi, New Orleans, Louisiana, Mobile, Alabama, and the Mississippi Gulf Coast. Because of its location, it is a regional center of trade, medical services, and educational and industrial activity. The City operates under the Mayor/Council form of government. The policy-making and legislative authority as well as budgetary responsibilities are vested with the five-member City Council, each of whom is elected from one of the five wards into which the City is divided. The Mayor is responsible for the day-to-day operations of City government, and much of his work is accomplished through the delegation of duties to his department directors and chiefs, who are appointed by the Mayor and approved by the City Council. All elected officials serve four-year terms.

Services provided include police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, sanitation, parks and recreation, planning and zoning, and general administrative functions.

Current Economic Conditions

After suffering a decline in sales tax revenues each year since 2006, Hattiesburg ended fiscal year 2011 with a slight increase above fiscal year 2010. There was also an increase in the ending cash balance of the General Fund. Continued efforts to monitor spending and to prepare a more conservative budget contributed to this increase. Hattiesburg has been fortunate, in spite of the economic downturn, in that the City was able to continue to provide essential services to its residents and did not reduce employee man-hours or benefits. Automation of some city services by replacing aging equipment, (i.e., water meters and sanitation trucks), has provided cost savings. Application for and receipt of grant funds for water and sewer projects has enabled the City to undergo some much needed infrastructure renovations.

It is important to note that Hattiesburg has a diverse economy with a mix of industrial, medical, and educational facilities, and that has most likely contributed to lessening the severity of the effects of a recession. This stability is noted in the supplemental information provided which lists top taxpayers for the City, a list which has remained virtually the same over a number of years. The City has a favorable debt margin, and has been awarded two bond rating upgrades over the past three years.

Future Economic Outlook

Hattiesburg has two major planning projects underway, with participation from public and private sources. The Midtown District plan is developing as a mixed-use neighborhood bound by the University of Southern Mississippi and Forrest General Hospital. Design charrettes have been conducted, inviting participation from the community for the various design aspects of streetscapes and façade improvements to existing structures in the area. Another development project, Twin Forks Rising, follows a similar approach, intended to redevelop and revitalize east Hattiesburg.

Downtown Hattiesburg revitalization continues, with plans recently finalized for purchase and renovation of two large buildings for mixed-use residential and commercial occupancy. An increase in 24-hour occupancy of this area will set the stage for further commercial development in the form of restaurants and small businesses providing necessities for residents.

Hattiesburg also stands to benefit from development of the port of Gulfport, as increased use of the port for incoming commodities will necessitate expansion of inland transportation routes, and Hattiesburg is geographically located along existing truck and rail routes.

Financial and Budgetary Information

The City maintains budgetary controls to ensure compliance with legal provisions specified by state statute. Activities of the City are included in budget appropriations approved by the City Council. The legal level of budgetary control is established by major expenditure classification and approved by the Council. Adjustments within a classification may be approved by the Department Director.

The Mayor and Council have established the goal and desire to maintain an ending cash balance in the General Fund of $4 million to cover operating costs and unanticipated emergencies in the months prior to receipt of property tax revenues. This has not been possible over the past couple of years due to economic conditions; however, spending strategies have been adjusted in order to reach that goal. In anticipation of major water and sewer improvements in connection with a revenue bond issue, evaluation of the necessary ending cash balance for the enterprise funds is being conducted to determine an adequate funding level for future operations.

Enterprise Funds

Hattiesburg's enterprise operation is the Water and Sewer Fund. All revenues and costs associated with delivering potable water to the City's residential and commercial customers and treatment of residential and industrial waste are reported in this group of funds. Financial statements for this operation are contained in this report.

Debt Administration

The City maintains the Municipal Bond and Interest Fund to retire debt associated with general obligation bonds. The funding source comes from levy and collection of ad valorem property taxes. Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed value. As of September 30, 2011, the City's remaining margin for further debt issuance stands at $36,729,009. Upon issuance of the City's latest general obligation bonds in 2010, Moody's bond rating service issued an Aa3 rating.

Risk Management

The City is self insured for group health insurance, and is a member of the Municipal Workers Compensation Group and the Municipal Liability Plan, a self-insured plan for member municipalities across the state of Mississippi. The City has a Risk Manager who monitors safety procedures with departments and reviews and reports all accidents and claims to the self-insured group administrators.

Independent Auditors

The City's financial statements have been audited by Nicholson and Company, PLLC, Certified Public Accountants, a firm of licensed certified public accountants. They have concluded that, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City of Hattiesburg's financial statements for the fiscal year ended September 30, 2011 are fairly presented in conformity with GAAP. The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. The independent auditor's report is located at the front of the financial section of this report, and the single audit reports are presented in the single audit section of this report.

Acknowledgments

The preparation of this report was made possible with the assistance of the dedicated staff of the Accounting Division of the Department of Administration. Appreciation is also extended to other City departments for their cooperation in providing information for preparation of this report.

Sincerely,

Connie Everett

Connie Everett
Chief Financial Officer

* * * * * * * * * * * * * * * * *

PUBLIC OFFICIALS

* * * * * * * * * * * * * * * * *

JOHNNY L. DUPREE
MAYOR

COUNCIL MEMBERS

KIM BRADLEY – WARD 1
DEBORAH DENARD DELGADO – WARD 2
CARTER CARROLL – WARD 3
DAVE J. WARE, III – WARD 4
HENRY E. NAYLOR – WARD 5

* * * * * * * * * * * * * * * * *

FINANCIAL SECTION

CARL L. NICHOLSON, JR., CPA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi
Post Office Box 1898
Hattiesburg, Mississippi 39401

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hattiesburg, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE PENDING, on our consideration of the City of Hattiesburg, 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information on pages 8 through 19 and 77 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Nicholson & Company, PLLC

Hattiesburg, Mississippi
March 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2011

The Discussion and Analysis of the City of Hattiesburg's financial performance provides an overview of the City's financial activities of the fiscal year ended September 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the transmittal letter in order to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 were as follows:

- Total net assets for 2011 increased $5,777,263, or 3.6 % from 2010
- Total assets of governmental activities decreased $3,057,997, or 1.75% from 2010
- Total liabilities decreased $1,115,573 or 1.26% from 2010
- In total, equity in pooled cash and cash equivalents increased $2,984,250, or 1.54% from 2010
- 100%Overall, the book value of capital assets increased by $3,027,720, or 1.50% from fiscal year 2010

Using this Annual Financial Report:

This annual report consists of a series of financial statements and notes to those statements are organized so that the reader can understand the City of Hattiesburg 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 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 assets. 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 funds with all other non-major funds presented in total in one column.

Reporting the City of Hattiesburg as a Whole:

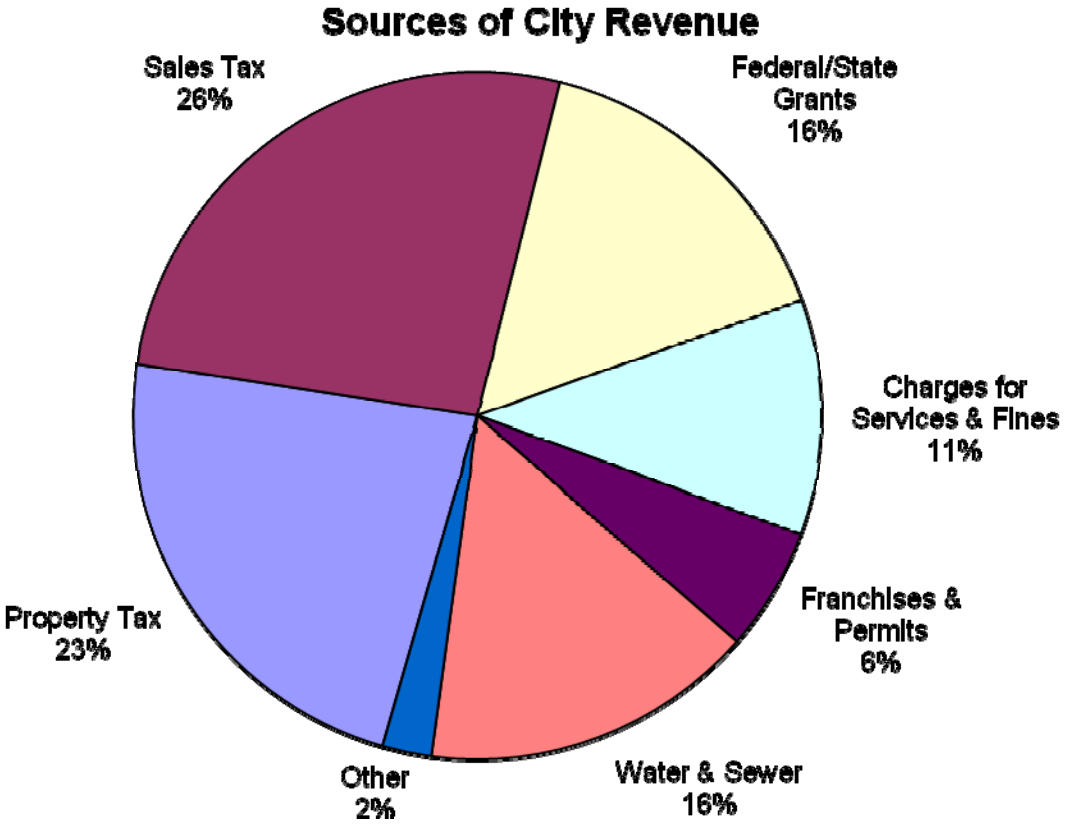
Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets and the change in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services such as police, fire, administration, public services, and all other departments. The business-type activities of the City of Hattiesburg consist of the City's Water & Sewer System.

The government-wide financial statements include not only the City of Hattiesburg itself (known as the *primary government*), but also a legally separate component unit, the Hattiesburg Convention Commission. Financial information presented for the component unit is reported separately from the financial information presented for the primary government itself.



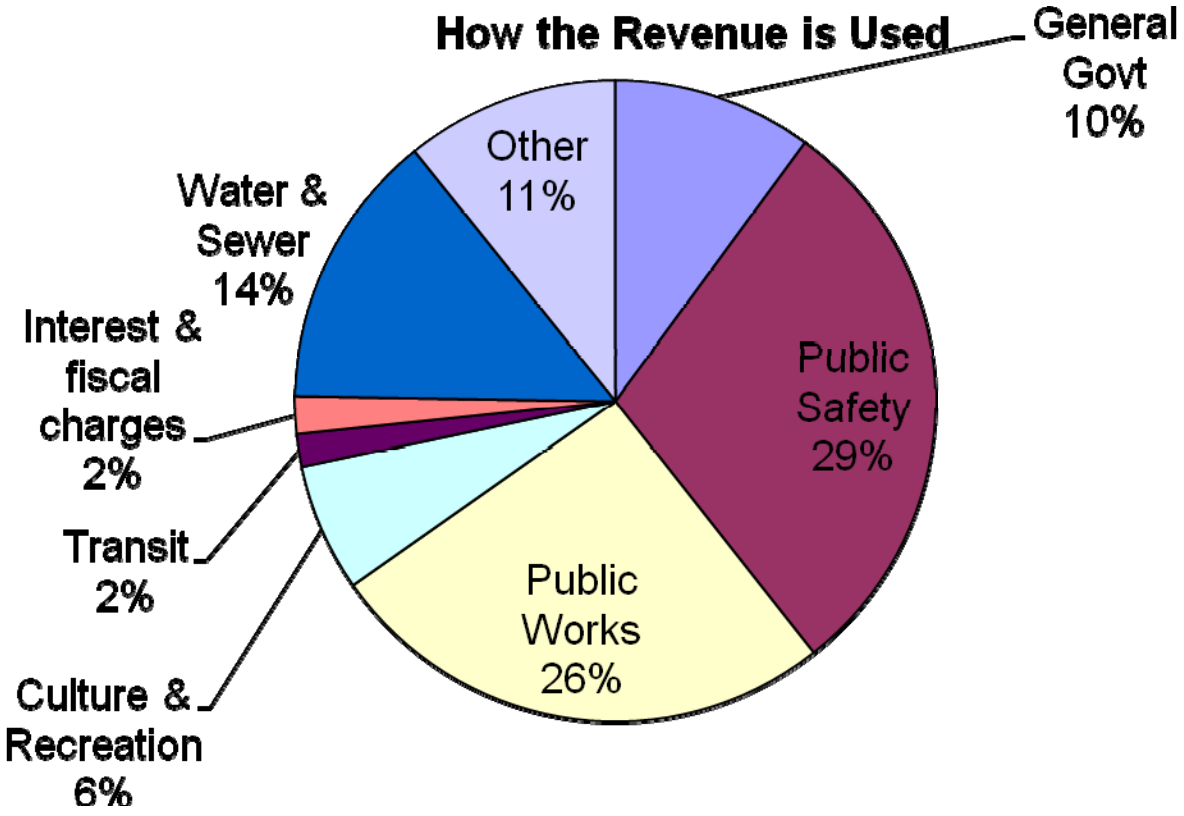
Revenues

Net Revenues exceeded expenses by $6.5 million for the 2011 year. This is an increase of $1.2 million from the net revenues of FY 2010. Much of this increase occurred in the water and sewer system net revenues, derived from capital grants for water plant renovations and lagoon improvements.

Property Tax – One of the major sources of revenue for the City, at 23% of total revenues, property tax revenue reflected an increase of $2.8 million more than FY 2010. This increase was the result of county-wide reappraisal of properties, as required by law to be performed every four years.

Sales Tax – Another major source of revenue for the City is sales tax, at 26% of total revenues. As the national and local economies have suffered over the last couple of years due to the recession, so has sales tax revenue. However, FY 2011 revenue was virtually unchanged from FY 2010, with a .8% increase. This may be an indication that the local economy has stabilized somewhat.

Grants – Operating and capital grant revenues represent 16% of total revenues, and there was a $2.1 million increase in this category of revenue for FY 2011. This is attributable to the Human and Social Assistance category of net expense, or the Community Development Block Grant Program, and the Water & Sewer system grant projects.



Expenses

The City's government-wide expenses were $68.6 million in FY 2010 as well as FY 2011, with only a .02% change. Expenses for Governmental Activities increased $699,497, while expenses for Business-Type Activities decreased $681,008.

The largest categories of expenses are Public Safety at 29%, Public Works at 26% and Water & Sewer at 14%. The Statement of Activities shows total costs of the major spending categories, and net costs. The net cost is derived by subtracting associated program revenues from the expenditure totals for each category. This net cost is the financial burden that must be covered by property taxes, sales taxes, and other miscellaneous revenue.

Reporting on the City Of Hattiesburg's Most Significant Funds:

Fund Financial Statements

The Analysis of the City's major funds begins on page 25. Fund financial reports provide detailed information about the City's major funds. 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. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Hattiesburg, the City's major fund is the General Fund.

Governmental Funds:

Information about the City's major governmental funds is presented on Exhibits C and D. These funds are accounted for using the modified accrual basis of accounting. All Governmental Funds had total revenues of $55,316,546 and net other financing sources (uses) of $6,599,824 (including $1,718,710 in proceeds of long-term debt) and expenditures of $61,979,541.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The General Fund is the primary governmental operating fund, containing expenditures for public safety, public works, economic development, health and welfare, and general government. The Governmental Funds account for 82% of total revenues, with the General Fund alone accounting for 64% of total revenues. The Governmental Funds account for 88% of total expenses, and the General Fund alone accounts for 55% of total expenses.

Total expenditures for the General Fund decreased by $11.1 million, or 22% from FY 2010. This reduction is attributable to reduction in the amount of capital outlay and debt service payments. FY 2010 capital purchases not occurring in FY 2011 were sanitation trucks and refuse containers and a building purchase. Debt service payments were reduced due to payoff of variable interest rate loans with proceeds of a bond issue with a much lower, fixed rate of interest, payments for which will be made from the Debt Service Fund rather than the General Fund. This resulted in an increase in the ending fund balance of the General Fund from $7,076,970 in FY 2010 to $8,078,567 in FY 2011.

Proprietary Funds:

The City of Hattiesburg maintains one type of proprietary fund, an *enterprise fund* that is used to report *business-type activities* in the government-wide financial statements. The City uses enterprise fund accounting in order to account for the Water & Sewer System.

Operating expenses for the Water & Sewer enterprise funds was $716,478, or 8% less in FY 2011 than FY 2010. Most of this reduction occurred due to completion of repair projects by outside contractors in FY 2010, and reduced utilities costs resulting from upgrades to the City's lagoon aeration system.

Operating revenues decreased in FY 2011 from FY 2010 by $511,032. Revenue reductions could be identified in the commercial water & sewer revenues, and measures are being taken in FY 2012 to have commercial water meters tested and replaced as they age, in accordance with the provisions of an energy performance contract approved as part of the meter replacement program begun in FY 2009.

The City of Hattiesburg as a Whole:

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2011.

(See Next Page for Table 1)

TABLE I
CITY OF HATTIESBURG'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
ASSETS						
Current and other assets	$ 38,666,423	$ 39,670,641	$ 10,512,183	$ 7,873,995	$ 49,178,606	$ 47,544,636
Capital assets, net	132,652,421	134,706,200	71,713,429	66,631,930	204,365,850	201,338,130
Total assets	**171,318,844**	**174,376,841**	**82,225,612**	**74,505,925**	**253,544,456**	**248,882,766**
LIABILITIES AND DEFERRED REVENUE						
Long-term liabilities, outstanding:						
Due within one year	4,775,173	5,245,885	2,304,177	2,304,177	7,079,350	7,550,062
Payable after one year	34,429,058	37,292,885	24,792,329	22,185,706	59,221,387	59,478,591
Deferred revenues	17,011,210	16,924,534	-	-	17,011,210	16,924,534
Other liabilities	2,463,722	2,775,842	1,571,212	1,733,425	4,034,934	4,509,267
Total liabilities and deferred revenue	**58,679,163**	**62,239,146**	**28,667,718**	**26,223,308**	**87,346,881**	**88,462,454**
NET ASSETS						
Invested in capital assets, net of related debt	94,987,280	93,714,770	44,616,923	42,142,047	139,604,203	135,856,817
Restricted	5,117,986	7,048,480	-	-	5,117,986	7,048,480
Unrestricted	12,534,415	11,374,445	8,940,971	6,140,570	21,475,386	17,515,015
Total net assets	**$ 112,639,681**	**$ 112,137,695**	**$ 53,557,894**	**$ 48,282,617**	**$ 166,197,575**	**$ 160,420,312**

Table 2 shows the Changes in Net Assets for the year ended September 30, 2011.

(See Next Two Pages for Table 2)

TABLE 2
CITY OF HATTIESBURG'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	$ 8,287,847	$ 8,853,022	$ 11,734,715	$ 12,245,747	$ 20,022,562	$ 21,098,769
Operating grants and contributions	5,956,487	5,375,052	-	-	5,956,487	5,375,052
Capital grants and contributions	2,800,969	3,186,741	3,023,224	1,127,211	5,824,193	4,313,952
Total program revenues	**17,045,303**	**17,414,815**	**14,757,939**	**13,372,958**	**31,803,242**	**30,787,773**
General revenues:						
Property taxes	17,261,796	16,978,749	-	-	17,261,796	16,978,749
Other taxes	24,395,787	24,465,639	-	-	24,395,787	24,465,639
Grants and contributions not restricted to specific programs	126,500	-	-	-	126,500	-
Other general revenues	1,441,526	1,562,956	156,932	129,524	1,598,458	1,692,480
Total general revenues	**43,225,609**	**43,007,344**	**156,932**	**129,524**	**43,382,541**	**43,136,868**
Total revenues	**60,270,912**	**60,422,159**	**14,914,871**	**13,502,482**	**75,185,783**	**73,924,641**
PROGRAM EXPENSES						
General government	6,925,636	6,592,285	-	-	6,925,636	6,592,285
Public safety	20,097,532	19,961,821	-	-	20,097,532	19,961,821
Public services	17,767,209	18,248,607	-	-	17,767,209	18,248,607
Other services	5,384,474	6,090,199	-	-	5,384,474	6,090,199
Mass transit	1,145,590	993,835	-	-	1,145,590	993,835
Economic development	4,421,402	150,000	-	-	4,421,402	150,000
Culture and recreation	1,864,618	4,494,146	-	-	1,864,618	4,494,146
Human/social assistance	150,000	567,679	-	-	150,000	567,679
Water & Sewer	-	-	9,582,704	10,263,712	9,582,704	10,263,712
Interest and fiscal charges	1,299,623	1,261,015			1,299,623	1,261,015
Total program expenses	**59,056,084**	**58,359,587**	**9,582,704**	**10,263,712**	**68,638,788**	**68,623,299**

TABLE 2
CITY OF HATTIESBURG'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Increase in net assets before Inclusion of transfers	$ 1,214,828	$ 2,062,572	$ 5,332,167	$ 3,238,770	$ 6,546,995	$ 5,301,342
Transfers	56,890	58,940	(56,890)	(58,940)	-	-
Increase in net assets after inclusion of transfers	**1,271,718**	**2,121,512**	**5,275,277**	**3,179,830**	**6,546,995**	**5,301,342**
Net Assets - Beginning	**112,137,695**	**110,016,183**	**48,282,617**	**45,102,787**	**160,420,312**	**155,118,970**
Prior period adjustment	**(769,732)**	**-**	**-**	**-**	**(769,732)**	**-**
Net assets - Beginning, as restated	**111,367,963**	**110,016,183**	**48,282,617**	**45,102,787**	**159,650,580**	**155,118,970**
Net Assets - Ending	**$ 112,639,681**	**$ 112,137,695**	**$ 53,557,894**	**$ 48,282,617**	**$ 166,197,575**	**$ 160,420,312**

General Fund Budgetary Highlights

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From a budgetary accounting point of view, sales tax collections increased by $156,498, or .79% from Fiscal Year 2010.

The 2011 budget of the General Fund continued to experience the effects of a recessionary economy. Employee raises were postponed for yet another year, as the focus was directed toward preserving the existing workforce and maintaining the current level of employee benefits. The Council's budget priority of city-wide street paving was drastically reduced in an effort to preserve and build cash reserves in the General Fund.

For the eleventh consecutive year, the General Fund property tax rate was set at 31 mills, and the total non-school tax rate was set at 46.92 mills. The automation of the water metering system has produced additional revenue in the form of payroll savings and more accurate measurement of actual water consumption. A scheduled maintenance plan has been implemented to routinely test and replace aging and malfunctioning meters, as per the guidelines of the energy performance contract initiated in 2009.

The automated sanitation trucks have now been in use for a year, and the sanitation department has had a budget reduction of approximately 20%, attributed to personnel savings and maintenance costs. Some personnel were transferred to other divisions, resulting in an overall budget savings to the Public Services Department of approximately 13%.

Removal of long-term debt repayments on 20-year loans secured through the Mississippi Development Bank provided the General Fund with sufficient cash flow to take on short-term lease payments for sanitation equipment. An evaluation of other debt paid from the General Fund in Fiscal Year 2011, borrowed under the provisions of Mississippi Code Section 17-21-51, revealed that those debt payments can be made from the Debt Service Fund. This change will be made effective with the Fiscal Year 2012 budget, thereby making approximately $650,000 available in the General Fund budget for additional equipment purchases.

From a budgetary accounting point of view, the City's original General Fund budget for revenues for Fiscal Year 2011 totaled $45,165,060 (exclusive of projected beginning cash at October 1, 2010 of $1,850,000). The final revenue budget totaled $46,725,527 with actual revenue collections totaling $43,996,359 (94% realized). Amendments to the General Fund revenue budget included increases of $967,445 for federal and state grant funds; $246,500 for local contributions used as grant matching funds; and $61,000 for sale of real estate.

The original FY 2011 General Fund total budget for expenditures was $45,005,704 and the final amended total was $47,238,505. Actual expenditures totaled $42,005,630 (89% of budget expended). The unexpended budget total of $5,232,875 is attributable to unexpended personnel costs for some unfilled positions, including those police officers on active military status, unexpended grant funds for various projects, and unexpended funds for capital purchases which were not completed prior to the end of the fiscal year.

Budgets for other governmental funds were amended to adjust projected beginning fund balances to actual balances on hand at the beginning of the fiscal year. Significant amendments to budgeted expenditures for other governmental funds included increases for purchase of fire trucks, grant-funded road construction projects, and receipt of proceeds from the sale of tax increment financing bonds.

Most of the other amendments to the expenditure budgets were either routine in nature or were adjustments directly tied to grant programs. Budgets are typically amended three to four times each year with the Council members being provided with appropriate supporting documentation pertaining to the proposed amended budgets. All recommendations for budget amendments are compiled by the City's Chief Financial Officer and reviewed by the Mayor and the City Clerk prior to submission to the City Council. The City Council members typically review proposed budget amendments prior to their inclusion on an agenda for approval at a City Council Meeting, and final adjustments to the compilation are made as a result of this review process. Pursuant to legal requirements, cumulative amendments of more than 10% to the original expenditure budgets are published in the local newspaper. The City does not allow budget changes that modify adopted line items within departments without council approval.

Capital Assets and General Long-Term Obligations

Capital Assets

Table 3 provides an overview of the City's Capital Assets net of accumulated depreciation:

Table 3
Capital Assets (Net of Depreciation)

	2011	2010
Land and construction in progress	$ 14,572,783	$ 10,192,042
Buildings and improvements	23,285,696	23,899,051
Infrastructure	159,295,145	159,957,723
Machinery and equipment	7,212,226	7,289,314
Total	**$ 204,365,850**	**$ 201,338,130**

The increase in the "Land and construction in progress" category is the result of ongoing construction on the WIS-Pak facility, construction of a water treatment plant in western Hattiesburg, water plant renovation, and acquisition of land in connection with the 4th Street widening and Long Leaf Trace extension. The decreases to Building and Improvements, Infrastructure, and Machinery & Equipment are the result of depreciation and disposal of surplus equipment.

General Long-Term Debt Obligations

At September 30, 2011, the City of Hattiesburg had $22,578,929 in outstanding General Obligation Bonds and Notes subject to the City's overall general obligation debt limitations. The City's overall legal debt margin at September 30, 2011 was calculated to be $36,729,009, and this number is based on the City's most current property tax rolls in conjunction with existing general obligation debt. In addition to traditional general obligation debt, certain debt issues are secured by tax interceptor agreements with the State of Mississippi. Tax Increment Financing Bonds are secured by the incremental increase in property taxes at various taxing districts. The City has opted to maintain a margin of at least $10 million as a matter of policy. Table 4 summarizes the total outstanding long-term debt obligations of the City.

Table 4
Outstanding Bonds, Notes and Long-Term Obligations at Year End

	2011	2010
Governmental Funds		
General Obligation Bonds	$ 22,394,199	$ 25,201,513
Exempt Industrial Bonds	1,740,000	2,030,000
Tax Increment Financing Bonds	6,740,000	6,845,000
Industrial Development Bonds	110,000	160,000
CAP Loans Payable	252,228	415,731
MS Development Bank Bonded Debt	354,731	376,294
Equipment Leases	6,073,983	5,962,892
Subtotal governmental funds	**37,665,141**	**40,991,430**
Proprietary Fund		
Water and Sewer Revenue Bonds	12,520,000	13,500,000
Water and Sewer General Obligation Bonds	10,245,000	7,140,000
Water and Sewer Industrial Bonds	745,000	1,085,000
General Obligation Notes	3,586,506	2,488,684
Energy Lease Payable	-	276,199
Subtotal proprietary fund	**27,096,506**	**24,489,883**
Compensated Absences	**1,539,090**	**1,547,340**
Total Long-Term Obligations	**$ 66,300,737**	**$ 67,028,653**

General obligation debt was issued in FY 2011 in the amount of $3.6M for water and sewer projects, a list of which included a water treatment plant in west Hattiesburg, expansion of water service lines in south Hattiesburg, replacement of sewer lines in central Hattiesburg, and lagoon rehabilitation. TIF bonds were issued in FY 2011 in the amount of $400,000 for the remainder of funds approved in the development agreement for Turtle Creek Crossing. Note proceeds borrowed under the provisions of Mississippi Code Section 17-21-51 in the amount of $1,425,800 are to be used for dredging work on the south lagoon, to be completed in FY 2012.

The compensated absences liability identified above refers to the total balance of what has been earned as a termination benefit that will be paid over time as people leave or retire.

Current Financial Related Activities:

One of the major revenue sources for the City, sales tax, has suffered over the past three years due to a recessionary economy. For the first time since 2007, sales tax revenue did not decline. In fact, there was a slight increase in FY 2011 compared to FY 2010 of $156,498. This may be an indicator of the local economy stabilizing.

Property tax revenues also increased in FY 2011 of $283,047 from FY 2010, with no millage increase. It is important to note here that FY 2012 may see a decrease in property tax revenues due to Forrest County's adjustment of property values based on property sales information. Sales prices of homes have dipped nationwide, as well as locally, and the FY 2012 revenue budget for property tax revenue was adjusted downward in anticipation of reduced revenue.

Contacting the City's City Clerk:

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. Copies of this report will be on file at both the Hattiesburg Library and the USM Library. If you have any questions about this report or need additional financial information, contact Eddie R. Myers, City Clerk at 545-4502.

FINANCIAL STATEMENTS

EXHIBIT A
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Assets
September 30, 2011

	PRIMARY	
	Governmental Activities	**Business-type Activities**
ASSETS		
Cash and cash equivalents	$ 14,721,662	$ 7,624,581
Cash with fiscal agent	-	293,152
Sales tax receivable	1,542,026	-
Property taxes receivable	15,719,188	-
Accounts receivable - Water and Sewer	-	2,014,615
Accounts receivable - Solid Waste Services	458,283	-
Intergovernmental receivable	1,323,585	620,370
Fines receivable, net	1,434,811	-
Other receivables	962,249	-
Internal balances	56,761	(56,761)
Notes receivable	2,410,000	-
Due from other agencies	7,108	-
Inventory - food and beverage	-	-
Inventory - gas and oil	30,750	-
Deferred charge - bond issuance cost	-	-
Deferred charge - state loan administrative cost	-	16,226
Capital assets:		
Land and construction in progress	7,067,217	7,505,566
Infrastructure, net	96,156,902	63,138,243
Buildings and improvements, net	23,127,227	158,469
Machinery and equipment, net	6,301,075	911,151
Total capital assets	132,652,421	71,713,429
Total assets	$ 171,318,844	$ 82,225,612

The notes to the financial statements are an integral part of this statement.

GOVERNMENT	
Total	Component Unit
$ 22,346,243	$ 3,440,153
293,152	-
1,542,026	346,953
15,719,188	-
2,014,615	-
458,283	-
1,943,955	-
1,434,811	-
962,249	193,878
-	-
2,410,000	-
7,108	-
-	41,396
30,750	-
-	6,403
16,226	-
14,572,783	1,315,877
159,295,145	-
23,285,696	14,166,375
7,212,226	1,434,852
204,365,850	16,917,104
$ 253,544,456	$ 20,945,887

EXHIBIT A
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Assets
September 30, 2011

	PRIMARY	
	Governmental Activities	**Business-type Activities**
LIABILITIES		
Accounts payable	$ 696,909	$ 386,556
Other liabilities	1,339,882	13,426
Due to other agencies	73,632	-
Accrued interest	353,299	141,296
Deferred revenue	17,011,210	-
Long-term liabilities:		
Portion due or payable within one year:		
General obligation bonds	2,821,041	515,000
Revenue bonds	-	1,380,000
Industrial development general obligation bonds	55,000	-
Exempt industrial development general obligation bonds	290,000	-
Tax increment limited obligation bonds	565,000	-
General obligation notes payable	21,563	611,599
CAP loans payable	170,872	-
Capital leases	620,833	-
Compensated absences	230,864	-
Portion due or payable after one year:		
General obligation bonds	19,573,158	9,730,000
Revenue bonds	-	11,885,000
Industrial development general obligation bonds	55,000	-
Exempt industrial development general obligation bonds	1,450,000	-
Tax increment limited obligation bonds	6,175,000	-
General obligation notes payable	333,168	2,974,907
CAP loans payable	81,356	-
Capital leases	5,453,150	-
Compensated absences	1,308,226	-
Customer meter deposits	-	1,029,935
Total liabilities	$ 58,679,163	$ 28,667,719
NET ASSETS		
Invested in capital assets, net of related debt	$ 94,987,280	$ 44,616,923
Restricted for:		
Capital projects	-	-
Debt service	535,670	-
Unrestricted	17,116,731	8,940,970
Total net assets	$ 112,639,681	$ 53,557,893

The notes to the financial statements are an integral part of this statement.

GOVERNMENT Total	Component Unit
$ 1,083,465	$ 146,666
1,353,308	38,016
73,632	18,666
494,595	11,681
17,011,210	-
3,336,041	680,000
1,380,000	-
55,000	-
290,000	-
565,000	-
633,162	-
170,872	-
620,833	-
230,864	-
29,303,158	-
11,885,000	-
55,000	-
1,450,000	-
6,175,000	-
3,308,075	-
81,356	-
5,453,150	-
1,308,226	-
1,029,935	-
$ 87,346,882	$ 895,029
$ 139,604,203	$ 16,237,104
-	665,504
535,670	354,082
26,057,701	2,794,168
$ 166,197,574	$ 20,050,858

EXHIBIT B

CITY OF HATTIESBURG, MISSISSIPPI

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

Activities	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Component Unit
GOVERNMENTAL:								
General government	$ 6,925,636	$ -	$ -	$ -	$ (6,925,636)		$ (6,925,636)	
Public safety	20,097,532	2,156,045	605,205	630,340	(16,705,942)		(16,705,942)	
Public services	17,767,209	2,230,670	2,928,869	1,258,182	(11,349,488)		(11,349,488)	
Other services	5,384,474	3,797,039	-	80,111	(1,507,324)		(1,507,324)	
Mass transit	1,145,590	40,678	624,934	483,456	3,478		3,478	
Culture and recreation	4,421,402	63,415	-	348,880	(4,009,107)		(4,009,107)	
Human/social assistance	1,864,618	-	1,797,479	-	(67,139)		(67,139)	
Economic development	150,000	-	-	-	(150,000)		(150,000)	
Interest and fiscal charges	1,299,623	-	-	-	(1,299,623)		(1,299,623)	
Total governmental activities	59,056,084	8,287,847	5,956,487	2,800,969	(42,010,781)		(42,010,781)	
BUSINESS-TYPE:								
Water and sewer system	9,582,704	11,734,715	-	3,023,224	-	$ 5,175,235	5,175,235	
Total business-type activities	9,582,704	11,734,715	-	3,023,224	-	5,175,235	5,175,235	
Total primary government	$ 68,638,788	$ 20,022,562	$ 5,956,487	$ 5,824,193	(42,010,781)	5,175,235	(36,835,546)	
COMPONENT UNIT:								
Hattiesburg Convention Commission	$ 5,554,412	$ 2,498,194	$ 508,000	$ -				$ (2,548,218)
Total component unit	$ 5,554,412	$ 2,498,194	$ 508,000	$ -				(2,548,218)
GENERAL REVENUES:								
Taxes:								
Property taxes, levied for general purposes					13,544,229	-	13,544,229	-
Property taxes, levied for debt service					3,717,567	-	3,717,567	-
Sales taxes					19,902,590	-	19,902,590	-
Franchise taxes and other licenses and permits					4,377,717	-	4,377,717	-
Special sales tax					115,480	-	115,480	4,254,485
Grants and contributions not restricted to specific programs					126,500	-	126,500	-
Unrestricted investment earnings					149,627	21,264	170,891	2,914
Other local sources					720,052	-	720,052	176,547
Miscellaneous					264,990	135,668	400,658	-
Gain (loss) on sale of assets					21,685	-	21,685	-
TRANSFERS:								
Transfers, component unit					285,171	-	285,171	(285,171)
Transfers, net					56,891	(56,891)	-	-
Total general revenues and transfers					43,282,499	100,041	43,382,540	4,148,775
CHANGES IN NET ASSETS					1,271,718	5,275,276	6,546,994	1,600,557
NET ASSETS - BEGINNING					112,137,695	48,282,617	160,420,312	18,388,211
Prior period adjustment					(769,732)	-	(769,732)	62,090
NET ASSETS - BEGINNING, AS ADJUSTED					111,367,963	48,282,617	159,650,580	18,450,301
NET ASSETS - ENDING					$ 112,639,681	$ 53,557,893	$ 166,197,574	$ 20,050,858

The notes to the financial statements are an integral part of this statement.

EXHIBIT C

CITY OF HATTIESBURG, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 5,573,990	$ 9,147,672	$ 14,721,662
Sales tax receivable	1,542,026	-	1,542,026
Accounts receivable - solid waste services	180,766	-	180,766
Intergovernmental receivable	1,227,350	96,235	1,323,585
Fines receivable, net of allowance	1,434,811	-	1,434,811
Other receivables	843,372	130,422	973,794
Due from other funds	128,974	2,762	131,736
Property taxes receivable	11,892,421	3,826,767	15,719,188
Due from other agencies	7,108	-	7,108
Gas and oil inventory	30,750	-	30,750
Advances to other funds	300,000	-	300,000
Total assets	$ 23,161,568	$ 13,203,858	$ 36,365,426
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 476,386	$ 220,523	$ 696,909
Due to other funds	2,758	72,217	74,975
Other liabilities	1,283,170	56,712	1,339,882
Due to other agencies	73,632	-	73,632
Deferred revenue	13,247,055	3,800,000	17,047,055
Advances from other funds	-	300,000	300,000
Total liabilities	15,083,001	4,449,452	19,532,453
Fund balances:			
Nonspendable:			
Inventories	30,750	-	30,750
Restricted for:			
Fire protection	-	7,692	7,692
Street improvements and repairs	-	1,759,306	1,759,306
Law enforcement	-	185,318	185,318
Airport projects	-	36,667	36,667
Mass transit	-	67,543	67,543
Health and welfare	-	24,768	24,768
Other purposes	-	535,670	535,670
Debt Service	-	4,202,271	4,202,271
Downtown enhancement project	-	402,389	402,389
Parks and recreation projects	-	513,326	513,326

EXHIBIT C
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES (Cont.)			
Committed to:			
Parks and recreation	$ -	$ 213,963	$ 213,963
Fire protection	-	791,635	791,635
Street improvements and repairs	-	2,014	2,014
Law enforcement	-	11,844	11,844
Assigned to:			
General government	67,127	-	67,127
Public safety	298,180	-	298,180
Public services	19,301	-	19,301
Other services	1,536	-	1,536
Unassigned	7,661,673	-	7,661,673
Total fund balances	8,078,567	8,754,406	16,832,973
Total liabilities and fund balances	$ 23,161,568	$ 13,203,858	$ 36,365,426

The notes to the financial statements are an integral part of this statement.

EXHIBIT C.1

CITY OF HATTIESBURG, MISSISSIPPI

Reconcilation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2011

Total *fund balances* for governmental funds (Exhibit C)		$ 16,832,973
Total *net assets* reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 3,621,214	
Construction in progress	3,446,003	
Infrastructure, net of $60,742,590 accumulated depreciation	96,156,902	
Buildings and improvements, net of $14,743,994 accumulated depreciation	23,127,227	
Machinery and equipment, net of $21,001,847 accumulated depreciation	6,301,075	
Total capital assets		132,652,421
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds.		35,845
Fiduciary funds are not included in the government-wide statements, therefore internal balances attributed to those funds are not included.		(11,545)
Receivables not received within thirty (30) days of year end are not reported in the funds.		277,517
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		2,410,000
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net assets.		

EXHIBIT C.1
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

Reconcilation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2011

Balances for these liabilities at September 30, 2011 are:		
Accrued interest on bonds and notes		$ (353,299)
General obligation bonds	$ (22,394,199)	
Industrial development general obligation bonds	(110,000)	
Exempt industrial development general obligation bonds	(1,740,000)	
Tax increment limited obligation bonds	(6,740,000)	
General obligation note payable	(354,731)	
CAP loans payable	(252,228)	
Capital leases	(6,073,983)	
Compensated absences	(1,539,090)	
Total long-term liabilities		(39,204,231)
Total *net assets* of governmental activities (Exhibit A)		$ 112,639,681

EXHIBIT D
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	$ 12,137,552	$ 4,755,087	$ 16,892,639
Sales tax collections	19,902,590	-	19,902,590
Other taxes	23,018	-	23,018
Licenses and permits	4,114,371	-	4,114,371
Fines, forfeitures and penalties	1,648,129	198,387	1,846,516
Interest, rents and concessions	105,710	65,255	170,965
Intergovernmental	2,413,174	6,868,035	9,281,209
Charges for services	2,361,714	210,933	2,572,647
Other revenues	237,879	274,712	512,591
Total revenues	42,944,137	12,372,409	55,316,546
EXPENDITURES			
General government	6,271,409	-	6,271,409
Public safety	18,506,933	125,207	18,632,140
Public services	9,588,508	1,865,643	11,454,151
Other services	1,306,495	3,869,166	5,175,661
Mass transit	-	858,601	858,601
Culture and recreation	-	3,840,540	3,840,540
Human/social assistance	133,724	606,441	740,165
Economic development	150,000	-	150,000
Capital outlay	1,119,944	7,244,150	8,364,094
Debt service:			
Principal payments	1,642,302	3,402,697	5,044,999
Interest and fiscal charges	276,090	1,171,691	1,447,781
Total expenditures	38,995,405	22,984,136	61,979,541
Excess (deficiency) of revenues over expenditures	3,948,732	(10,611,727)	(6,662,995)

EXHIBIT D
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Proceeds from long term debt	$ -	$ 1,718,710	$ 1,718,710
Operating transfers in	426,047	3,428,674	3,854,721
Operating transfers out	(2,914,016)	(4)	(2,914,020)
Other sources	126,741	3,813,672	3,940,413
Total other financing sources (uses)	(2,361,228)	8,961,052	6,599,824
NET CHANGE IN FUND BALANCES	1,587,504	(1,650,675)	(63,171)
Fund balances – beginning	7,076,970	10,588,906	17,665,876
Prior period adjustment	(585,907)	(183,825)	(769,732)
Fund balances – beginning, as adjusted	6,491,063	10,405,081	16,896,144
Fund balances – ending	$ 8,078,567	$ 8,754,406	$ 16,832,973

The notes to the financial statements are an integral part of this statement.

EXHIBIT D.1
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2011

Net change in *fund balances* - total governmental funds (Exhibit D)		$ (63,171)
The change in *net assets* reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($6,037,800) were exceeded by depreciation ($8,030,579) in the current period.		(1,992,779)
Intergovernmental revenue recognized on the full-accrual basis in the statement of activities is increased for revenues received thirty (30) days after year end.		(4,029)
Proceeds from sale of capital assets ($82,685) are reported in the governmental funds. However, in the statement of net assets the gain (loss) is recorded $21,685.		(61,000)
Proceeds from issuance of long-term debt are reported in the governmental funds. However, in the statement of net assets a long-term liability is recorded. Repayments of long-term debt are reported as expenses in the governmental funds but are recorded against the liability in the statement of net assets. The following adjustment combines the net changes for long-term debt:		
Debt issued:		
Notes payable and capital leases payable	$ (1,718,710)	
Repayments:		
To bond, note and lease holders	5,044,999	
Net adjustment for debt		3,326,289

EXHIBIT D.1
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2011

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendible available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following adjustments combines the net changes of the two balances:		
Compensated absenses	$ 8,250	
Accrued interest on bonds and notes	148,158	
Combined adjustment		$ 156,408
Governmental funds report annual note repayment received ($215,833) as the installment receipt of the sale of real estate. In the statement of activities, only the portion of these payments attributable to interest is reported as interest revenue ($125,833).		(90,000)
Change in *net assets* of governmental activities (Exhibit B)		$ 1,271,718

EXHIBIT E

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Net Assets
Proprietary Fund
September 30, 2011

ASSETS

	Combined Water & Sewer System
CURRENT ASSETS	
Cash and cash equivalents	$ 7,624,581
Cash with fiscal agent	293,152
Accounts receivable - trade	2,014,615
Grants receivable	620,370
Total current assets	10,552,718
CAPITAL ASSETS	
Land	315,243
Construction in progress	7,190,323
Infrastructure, net	63,138,243
Buildings and improvements, net	158,469
Machinery and equipment, net	911,151
Total capital assets	71,713,429
OTHER ASSETS	
Deferred charge - state loan administrative cost	16,226
Total other assets	16,226
Total assets	$ 82,282,373

The notes to the financial statements are an integral part of this statement.

LIABILITIES AND NET ASSETS

	Combined Water & Sewer System
CURRENT LIABILITIES	
Due to other funds	$ 56,761
Sales tax payable	13,426
Accounts payable - trash hauling	180,766
Accounts payable - other	205,790
Accrued interest payable	141,296
Revenue bonds - current	1,380,000
General obligation bonds - current	515,000
General obligation note payable - current	611,599
Total current liabilities	3,104,638
NON-CURRENT LIABILITIES	
Revenue bonds	11,885,000
General obligation bonds	9,730,000
General obligation note payable	2,974,907
Customer meter deposits	1,029,935
Total non-current liabilities	25,619,842
Total liabilities	28,724,480
NET ASSETS	
Invested in capital assets, net of related debt	44,616,923
Unrestricted	8,940,970
Total net assets	53,557,893
Total liabilities and net assets	$ 82,282,373

EXHIBIT F

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Revenues, Expenses and Changes In Fund Net Assets
Proprietary Fund
Year Ended September 30, 2011

	Combined Water & Sewer System
OPERATING REVENUES	
Water charges	$ 6,077,959
Sewer charges	5,485,153
Sewer connections	7,664
Turn-on fees	55,900
Taps	108,039
Total operating revenues	11,734,715
OPERATING EXPENSES	
Personal services	2,109,480
Other services and charges	4,130,496
Supplies and expenses	898,978
Depreciation	1,112,337
Total operating expenses	8,251,291
OPERATING INCOME	3,483,424
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	21,264
Interest expense	(1,069,756)
Other revenues	135,668
Intergovernmental revenues	3,023,224
Miscellaneous expenses	(242,509)
Loan amortization expenses	(19,148)
Total non-operating revenues (expenses)	1,848,743
INCOME BEFORE TRANSFERS	5,332,167
OPERATING TRANSFERS	
Operating transfers out	(56,891)
Total operating transfers	(56,891)
CHANGE IN NET ASSETS	5,275,276
TOTAL NET ASSETS, beginning	48,282,617
TOTAL NET ASSETS, ending	$ 53,557,893

The notes to the financial statements are an integral part of this statement.

EXHIBIT G
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2011

	Combined Water & Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 11,955,178
Cash paid to suppliers	(5,204,506)
Cash paid to employees	(2,109,480)
Net cash provided by operating activities	4,641,192
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Other cash receipts	135,668
Transfers to other funds	(56,891)
Net cash provided by noncapital financing activities	78,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments - capital lease	(327,978)
Principal payments - bonds	(1,815,000)
Principal payments - notes	(276,199)
Intergovernmental cash receipts	2,788,837
Acquisition and construction of capital assets	(6,193,836)
Proceeds from general obligation notes	1,425,800
Proceeds from general obligation bonds	3,600,000
Other receipts (payments)	(242,509)
Interest paid on debt	(1,115,117)
Net cash used by capital and related financing activities	(2,156,002)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	21,264
Net cash provided by investing activities	21,264
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,585,231
CASH AND CASH EQUIVALENTS - Beginning of year	5,332,502
CASH AND CASH EQUIVALENTS - End of year	$ 7,917,733
Displayed as:	
Cash and cash equivalents	$ 7,624,581
Cash with fiscal agent	293,152
	$ 7,917,733

EXHIBIT G
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2011

	Combined Water & Sewer System
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
OPERATING INCOME	$ 3,483,424
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation expense	1,112,337
Changes in assets and liabilities:	
Decrease in accounts receivable	160,029
(Decrease) in accounts payable - trash hauling	(383,075)
Increase in accounts payable - other	205,790
Increase in customer meter deposits	59,287
Increase in sales tax payable	1,147
Increase in amount due to governmental funds	2,253
Total adjustments	1,157,768
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,641,192

The notes to financial statements are an integral part of this statement.

EXHIBIT H

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	Police/Fireman Disability & Relief Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 110,024	$ 2,528,402
Cash and investments with fiscal agent	21,632,243	130,408
Property taxes and fees receivable	11,972	-
Sales tax receivable	-	385,201
Total assets	$ 21,754,239	$ 3,044,011
LIABILITIES		
Employee contributions payable	$ -	$ 350,454
Due to other agencies	-	1,728,381
Other liabilities	-	3,923
Amounts held in custody for others	-	961,253
Total liabilities	-	3,044,011
NET ASSETS		
Held in trust for pension benefits and other purposes	$ 21,754,239	$ -

The notes to the financial statements are an integral part of this statement.

EXHIBIT I

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2011

	Police/Fireman Disability & Relief Pension Trust Fund
ADDITIONS	
Contributions:	
Plan members	$ 22,190
Total contributions	22,190
Property tax levy	1,790,843
Investment earnings	4,576,606
Total additions	6,389,639
DEDUCTIONS	
Benefits	3,305,849
Administrative expenses	50,068
Total deductions	3,355,917
CHANGE IN NET ASSETS	3,033,722
NET ASSETS - beginning of the year	18,720,517
NET ASSETS - end of the year	$ 21,754,239

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information

The City of Hattiesburg, Mississippi (the City) was incorporated in 1884 under the laws of the State of Mississippi and presently operates under a Mayor/Council form of government. It is the third largest municipality in the state with nearly 50,000 residents. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the City Council. The following services are provided by the City: Public safety (Police, Fire, and Code Enforcement), Public Works, Engineering, Solid Waste Collection, Water and Sewer, Social and Recreational, Mass Transit, Federal Programs, Urban Development, and General Administrative Services.

The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities.

B. Reporting Entity

The City is a charter city in which citizens elect the mayor at large and five council members by wards. The accompanying financial statements present the City's primary government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit - The Hattiesburg Convention Commission (the Commission) is composed of a seven (7) member board whose members are appointed by the Hattiesburg City Council. The purpose of the Commission is to promote conventions and tourism. The Commission has the authority over all matters relating to the establishment, development, construction, furnishing, and equipping of convention and tourism related facilities. The Commission is primarily funded by a two percent (2%) sales tax on local food, beverage, and alcoholic beverage package retailer permits. The Commission is presented as a governmental fund type.

A separate financial statement of the Commission can be obtained by contacting the Hattiesburg Convention Commission, 1 Convention Center Plaza, Hattiesburg, Mississippi 39401.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TWO
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from a certain legally separate *component unit* for which the primary government is financially accountable.

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

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

D. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty (30) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE THREE
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

> ***General Fund -*** The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

> ***Combined Water and Sewer System Fund -*** The *Combined Water and Sewer System Fund* accounts for the activities of the water and sewer system. The City operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the City reports the following fiduciary trust fund:

> ***Police/Fireman Disability and Relief Pension Trust Fund -*** The *Police/Fireman Disability and Relief Pension Trust Fund* is used to account for resources legally held in trust for use by the City's uniformed police officers and firefighters that were employed prior to July 1, 1987. This fund provides retirement and disability benefits and death benefits to plan members and beneficiaries.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* 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 water and sewer system enterprise fund are charges to customers for sales and services. The water and sewer system also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Assets, liabilities, and net assets or equity

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three (3) months or less from the date of acquisition.

To maximize investment opportunities, the City's cash resources are combined to form a cash pool. Excluded from this pool is the cash of the Water and Sewer Fund, the 1999 Tax Increment Financing Bond and Interest and Construction Funds, the Water and Sewer USA Yeast Bond and Interest and Construction Funds, the Community Development Block Grant Fund for Entitlement and HOME Entitlement, the 2001 Bond Construction Fund, the 1998 Infrastructure Fund, the Group Insurance Trust Fund, the Series 2006 Water and Sewer Bond Funds, and certain other legally restricted funds.

Investments for the City, as well as for its component unit, are reported at cost or amortized cost.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE FIVE
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, sales, and property tax receivables, including those for the component unit, are considered collectible; therefore no reduction has been made for allowance for uncollectibles.

Customer accounts receivable in the enterprise fund are attributable to unpaid balances at year-end for charges for services. Accounts receivable are considered fully collectible by City officials; therefore no allowance for uncollectible accounts has been established.

All taxes are collected and remitted to the City by Forrest and Lamar County governments and are due annually on January 1st.

Property taxes are levied annually as of October 1st on property values assessed as of the same date. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

Inventories and prepaid items

All inventories are valued at the lower of cost using the first-in/first-out (FIFO) method or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, street lights, sewer and water lines, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE SIX
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

Assets	Estimated Useful Lives in Years
Buildings and improvements	20 – 50 years
Infrastructure	18 – 50 years
Machinery and equipment	5 – 10 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, overtime, and holiday pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the government. All vacation, overtime, and holiday pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other services.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE SEVEN
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Net Assets

Net assets represent the difference between assets and liabilities. Net Assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling creditors, grantors, or laws or regulations of other governments.

Fund equity

In fiscal year 2011, the City implemented GASB Statement 54 "Fund Balance reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories in order to more accurately report the nature and extent of the constraints placed on a government's fund balances. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form, such as inventories and prepaid items, or are legally or contractually required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance – the residual amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Council (the City's highest level of decision-making authority) establishes (and modifies or rescinds) fund balance commitments by passage of resolutions that also establish the City's spending policy that prescribes that restricted fund balance amounts are to be spent first, followed by committed, assigned and, lastly, unassigned fund balances.

The City does not have a formal minimum fund balance policy; however, the State of Mississippi Code does not allow deficit fund balances. There are no individual funds reported with deficit fund balances.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE EIGHT
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In August, the City's Chief Financial Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to September 15, the budget is legally enacted through the passage of an ordinance.

3. The City's Chief Financial Officer is authorized to transfer budgeted amounts within departments within the published expenditure categories; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

4. All funds, with the exception of Trust and Agency Funds, are budgeted. (General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds are budgeted.) These budgets are prepared on a cash basis. The comparison of original and final budget to actual for the General Fund is presented in Schedule 1.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Pursuant to the Mississippi State Department of Audit's prescribed format, expenditures are budgeted by department and class as follows: personal services, supplies, other services and charges, capital outlays, transfers, debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final approval of the City Council. Cumulative increases to departmental expenditures in excess of 10% must also be published in the local newspaper.

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances do not lapse at the close of the fiscal year but are carried forward. (If necessary, subsequent year budgets are amended to cover prior year encumbrances.)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Other Information

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New GASB Standards

In fiscal year 2011, the City implemented the following GASB statements:

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the City's financial statements have changed as a result of implementing this Statement.

GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to incorporate the GAAP for state and local governments into the GASB's authoritative literature. There was no change in current practice as a result of implementing this Statement.

GASB Statement No. 56. "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*". The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TEN
YEAR ENDED SEPTEMBER 30, 2011

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

A summary of prior period adjustments reflected on the Government-Wide Statement of Activities and on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds is presented below:

Exhibit B and Exhibit D

Explanation	Amount
Grant receivable accruals from prior years	$ 756,793
Adjustment for deferred grant revenue from prior year	12,939
Total prior period adjustments	$ 769,732

NOTE 3 - DEPOSITS 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 entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. 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 (FDIC).

The carrying amount of the City's deposits with financial institutions reported in the government-wide statements was $22,346,243. The bank balance was $22,917,531. The City's long standing, although not formally adopted, investment policy is based upon all bank accounts being fully collateralized (using the above-described procedures) and interest-bearing with rates updated on a quarterly basis and benchmarked using verifiable appropriate Fed funds rates. Interest is calculated using average balances and recorded monthly.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2011, the City's bank balance was not exposed to custodial credit risk.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont.)

Cash with Fiscal Agents

The carrying amount of the City's cash with fiscal agents held by financial institutions was $293,152.

NOTE 4 - NOTE RECEIVABLE

On June 8, 2010, the City Council authorized the execution of a purchase and sales agreement between the City and the Diocese of Biloxi for the sale of the First Baptist Church property located at 510 West Pine Street to be used by the Sacred Heart Catholic Parish. Pursuant to the terms of this agreement, the City financed the purchase price of $2,500,000 through the issuance of the City's General Obligation Pool Loan Refunding Bonds, Taxable Series 2010 that are to be repaid over a twenty (20) year period with the final bonds maturing July 1, 2030. The purchaser executed a $2,500,000 promissory note that calls for annual payments not to exceed $219,000 at an interest rate not to exceed 5.5% in order to coincide with the scheduled principal, interest and servicing fees attributable to the City's Taxable Series 2010 bonds. The balance receivable attributable to this note as of September 30, 2011 is $2,410,000.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 3,682,214	$ -	$ (61,000)	$ 3,621,214
Construction in progress	3,407,940	2,458,155	(2,420,092)	3,446,003
Total capital assets not being depreciated	7,090,154	2,458,155	(2,481,092)	7,067,217
Capital assets being depreciated:				
Buildings and improvements	37,425,546	445,675	-	37,871,221
Machinery and equipment	24,613,027	2,940,749	(250,854)	27,302,922
Infrastructure	154,286,179	2,613,313	-	156,899,492
Total capital assets being depreciated	216,324,752	5,999,737	(250,854)	222,073,635
Less accumulated depreciation for:				
Buildings and improvements	13,695,996	1,047,998	-	14,743,994
Machinery and equipment	18,412,698	2,840,003	(250,854)	21,001,847
Infrastructure	56,600,012	4,142,578	-	60,742,590
Total accumulated depreciated	88,708,706	8,030,579	(250,854)	96,488,431
Total capital assets being depreciated, net	127,616,046	(2,030,842)	-	125,585,204
Governmental activity capital assets, net	$ 134,706,200	$ 427,313	$ (2,481,092)	$ 132,652,421

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - CAPITAL ASSETS (Cont.)

	Primary Government			
	Beginning Balance	**Additions**	**Retirements**	**Ending Balance**
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 315,243	$ -	$ -	$ 315,243
Construction in progress	2,786,645	4,403,678	-	7,190,323
Total capital assets not being depreciated	3,101,888	4,403,678	-	7,505,566
Capital assets being depreciated:				
Buildings and improvements	321,108	-	-	321,108
Machinery and equipment	5,298,911	-	-	5,298,911
Infrastructure	76,634,561	1,790,158	-	78,424,719
Total capital assets being depreciated	82,254,580	1,790,158	-	84,044,738
Less accumulated depreciation for:				
Buildings and improvements	151,607	11,032	-	162,639
Machinery and equipment	4,209,926	177,834	-	4,387,760
Infrastructure	14,363,005	923,471	-	15,286,476
Total accumulated depreciation	18,724,538	1,112,337	-	19,836,875
Total capital assets being depreciated, net	63,530,042	677,821	-	64,207,863
Business-type activity capital assets, net	$ 66,631,930	$ 5,081,499	$ -	$ 71,713,429

Depreciation Expense was charged to governmental activities as follows:

General government	$ 588,963
Public safety	1,130,578
Public works – which includes the depreciation of infrastructure assets	5,604,598
Health and welfare	26,478
Other services	97,208
Culture and recreation	312,935
Mass transit	269,819
Total depreciation expense	$ 8,030,579

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED SEPTEMBER 30, 2011

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to/from the various City funds at September 30, 2011, consist of the following:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental fund	$ 72,213
General	Water and sewer	56,761
Nonmajor governmental fund	General	2,758
Nonmajor governmental fund	Nonmajor governmental fund	4
Total		$ 131,736

The outstanding balances between funds result mainly from the time lag between the dates that goods and services are provided or reimbursable expenditures occur. These balances are expected to be collected within one (1) year.

Advances to/from other funds for governmental funds at September 30, 2011, consist of the following:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental fund	$ 300,000

The amount payable to the general fund from the nonmajor governmental fund is attributable to working capital loans made to the Community Development Block Grant fund. None of the balance shown is scheduled to be collected in the subsequent year.

Interfund transfers at September 30, 2011, consist of the following:

	Transfers In:		
Transfers out:	**General Fund**	**Nonmajor Governmental**	**Total**
General fund	$ -	$ 2,914,016	$ 2,914,016
Nonmajor governmental funds	369,156	514,658	883,814
Water and sewer	56,891	-	56,891
Total	$ 426,047	$ 3,428,674	$ 3,854,721

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont.)

Interfund transfers are authorized components of the budget and are typically the result of special revenue or debt service funds requiring additional financing sources for budgetary purposes.

NOTE 7 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES

Section 35-57-1 et seq., Mississippi Code 1972, requires that the City levy and collect all taxes for and on behalf of the municipal separate school district. Section 39-3-7, Mississippi Code 1972, authorizes the City to levy and collect a tax not in excess of three mills for the support of any public library system located within the municipality.

For the reported fiscal year the following ad valorem tax levies were made in accordance with the applicable statutory requirements and authorizations:

Entity/Purpose of Levy	Applicable State Law	Mills Levied
School District:		
Operational Support	37-57-105	51.75
School Bonded Indebtedness	37-59-23	6.43
Library (support, upkeep and maintenance of Hattiesburg Public Library System)	39-3-7	1.95

NOTE 8 - PROPRIETARY FUND - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the proprietary fund for year ended September 30, 2011:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
General Obligation Bonds	$ 7,140,000	$ 3,600,000	$ 495,000	$ 10,245,000
Revenue Bonds	14,585,000	-	1,320,000	13,265,000
General Obligation Notes	2,488,684	1,425,800	327,978	3,586,506
Capital Leases	276,199	-	276,199	-
Total	$ 24,489,883	$ 5,025,800	$ 2,419,177	$ 27,096,506

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 - PROPRIETARY FUND - LONG-TERM OBLIGATIONS (Cont.)

On June 28, 2006, the City entered into a loan agreement with the Mississippi Development Bank for the purpose of providing for the refunding of all of the City's outstanding Water and Sewer System Revenue Bonds (i.e., Series 1995, dated October 1, 1995) and for improvements and expansions to the Water and Sewer System. The $17,000,000 Series 2006 Bond Issue, dated August 1, 2006 is being repaid with semi-annual interest payments (February 1 and August 1) and annual principal maturing on August 1 each year from 2007 through 2024. These bonds are payable solely from and secured by a lien on the net revenues attributable to the Water and Sewer System and are not general obligations of the City.

The Mississippi Development Bank Special Obligation Bonds, Series 2006 (Hattiesburg, Mississippi Combined Water and Sewer System Refunding and Construction Project) Bonds mature and are payable as follows:

Year	Principal	Interest
2012	$ 1,020,000	$ 550,156
2013	1,060,000	509,356
2014	1,110,000	456,356
2015	1,170,000	400,856
2016	1,225,000	342,356
2017 - 2021	6,935,000	912,681
Total	$ 12,520,000	$ 3,171,761

There are rate covenants associated with the Series 2006 Bonds. The principal and interest payments are payable solely from the gross revenues of the System, less operating and maintenance expenses and the payment of existing debt of the System. Not later than sixty (60) days after the end of each fiscal year, the rates, charges and fees are reviewed by the City in order to ascertain that the prior fiscal year's net revenues as defined in the Series 2006 Bond documents were not less than 105% of the aggregate of all debt service payments due on the Series 2006 bonds. These annual reviews have found the City to be in compliance with these prescribed calculations. There are also covenants that address the issuance of parity indebtedness.

On February 19, 2002, the City adopted a bond resolution for the purpose of funding water and sewer improvements. The $2,950,000 Mississippi Development Bank Special Obligation Bonds, Series A – "Hattiesburg, Mississippi Water and Sewer Improvements Project" debt service will be repaid from water and sewer operating revenues. The USA Yeast Company has executed a contract with the City of Hattiesburg that sets water and sewer rates at levels that are designed to cover the projected utility bill and debt service for the Series A bonds.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 - PROPRIETARY FUND - LONG-TERM OBLIGATIONS (Cont.)

The $2,950,000 Mississippi Development Bank Special Obligation Bonds, Series A are payable as follows:

Year	Principal	Interest
2012	$ 360,000	$ 44,700
2013	385,000	23,100
Total	$ 745,000	$ 67,800

In February 2009, the City authorized the issuance of the $7,500,000 General Obligation Bonds, Series 2009 for the implementation of an automated meter reading system, to be serviced with water and sewer operating revenues. The bonds will be amortized over a fifteen (15) year period, with semi-annual interest (February and August) and annual principal and interest (February) at an interest rate of 3.50% - 3.80%. The average annual debt service is $649,045. Presented below is a recap of the debt service requirements for these bonds:

Year	Principal	Interest
2012	$ 395,000	$ 218,824
2013	410,000	205,742
2014	430,000	192,092
2015	450,000	177,793
2016	470,000	163,430
2017 - 2021	2,685,000	588,475
2022 - 2024	1,920,000	210,935
Total	$ 6,760,000	$ 1,757,291

During fiscal year 1997, the City financed construction under the State of Mississippi Department of Environmental Quality's (DEQ) State Revolving Loan Fund (SRF) Programs authorized under Mississippi Code Section 49-17-18, et seq. A cumulative total of $2,191,243 was financed under the City's initial SRF loan #1, $2,165,672 was financed on SRF loan #2, and $1,268,863 was financed on SRF loan #3.

Debt service attributable to notes payable pursuant to the State Revolving Loan Fund Program requires monthly principal and interest payments to be withheld by the State Tax Commission from the City's monthly sales tax diversion checks. The Water and Sewer System will reimburse the General Fund each year for the SRF debt service withholdings from the sales tax revenues, subject to annual appropriations by the Water and Sewer System during the City's budgetary process.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 - PROPRIETARY FUND - LONG-TERM OBLIGATIONS (Cont.)

The monthly repayments for SRF loan #1 are $13,971 for a period of two hundred thirty seven (237) months beginning in December 1997. Presented below is a recap of the principal and interest payments for SRF loan #1:

Year	Principal	Interest
2012	$ 137,242	$ 30,414
2013	143,547	24,109
2014	150,141	17,514
2015	157,039	10,617
2016	150,280	3,401
Total	$ 738,249	$ 86,055

The monthly repayments for SRF loan #2 are $13,845 for a period of two hundred thirty-six (236) months beginning in August 1997. Presented below is a recap of the principal and interest payments for SRF loan #2:

Year	Principal	Interest
2012	$ 132,480	$ 33,655
2013	138,567	27,569
2014	144,932	21,203
2015	151,590	14,545
2016	158,555	7,581
2017	81,987	1,080
Total	$ 808,111	$ 105,633

The monthly repayments for SRF loan #3 are $8,289 for a period of two hundred thirty-six (236) months beginning in June 1999. Presented below is a recap of the principal and interest payments for SRF loan #3:

(See Table on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 - PROPRIETARY FUND - LONG-TERM OBLIGATIONS (Cont.)

Year	Principal	Interest
2012	$ 73,322	$ 26,146
2013	76,691	22,777
2014	80,214	19,254
2015	83,899	15,569
2016	87,753	11,715
2017 - 2019	212,467	11,335
Total	$ 614,346	$ 106,796

All three (3) loans are calculated at 4.5% interest for level monthly payments.

In November 2010, the City issued a total of $3,600,000 water and sewer general obligation bonds ($3,600,000 Hattiesburg, Mississippi General Obligation Water & Sewer Bonds, Series 2010) for improvements to the City's water and sewer system. The interest rates on these bonds range 2.60% to 3.70%, with an average coupon rate of 3.11% and average annual debt service is $246,436. The final scheduled maturity date of these bonds is October 1, 2030. The City intends to use monthly transfers of water and sewer operating revenues to fund the scheduled semi-annual and annual principal and interest payments. Presented below is a recap of the principal and interest payments for the General Obligation Water & Sewer Bonds, Series 2010:

Year	Principal	Interest
2012	$ 120,000	$ 111,584
2013	125,000	107,144
2014	130,000	102,519
2015	135,000	97,709
2016	145,000	92,714
2017 - 2021	820,000	380,709
2022 - 2026	1,015,000	249,744
2027 - 2031	995,000	81,372
Total	$ 3,485,000	$ 1,223,495

During fiscal year 2011, the City borrowed $1,425,800 from BancorpSouth using the five-year general obligation note provisions available to cities and counties as provided by the Mississippi Code for water and sewer improvements. Under the terms of the note, the City will make semiannual interest beginning February 16, 2012 and annual principal payments beginning August 16, 2012 that will approximate $300,000 in total each year, at a 2.19% interest rate.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 - PROPRIETARY FUND - LONG-TERM OBLIGATIONS (Cont.)

Presented below is a recap of the principal and interest payments outstanding for the note:

Year	Principal	Interest
2012	$ 268,555	$ 31,225
2013	276,613	25,344
2014	284,912	19,286
2015	293,458	13,046
2016	302,262	6,620
Total	$ 1,425,800	$ 95,521

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 9 - GOVERNMENTAL FUNDS - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the governmental funds for the year ended September 30, 2011:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
General Obligation Bonds and Notes	$ 25,201,513	$ -	$ 2,807,314	$ 22,394,199
Exempt General Obligation Bonds	2,030,000	-	290,000	1,740,000
Exempt CAP loans	415,731	-	163,503	252,228
Industrial Development General Obligation Bonds	160,000	-	50,000	110,000
Limited Obligation TIF Bonds	6,845,000	400,000	505,000	6,740,000
MDB Limited Obligation Notes Payable	376,294	-	21,563	354,731
Capital leases	5,962,892	1,318,710	1,207,619	6,073,983
Accrued compensated absences (net)	1,547,340	-	8,250	1,539,090
Total	$ 42,538,770	$ 1,718,710	$ 5,053,249	$ 39,204,231

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-TWO
YEAR ENDED SEPTEMBER 30, 2011

NOTE 9 - GOVERNMENTAL FUNDS - LONG-TERM OBLIGATIONS (Cont.)

General Obligation Bonds and Notes - General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City. Debt service for G.O. Obligations is funded primarily by a bond and interest tax levy. Additional funding is provided by rental income, County-shared revenues, and General Fund transfers may be utilized annually pursuant to the budgetary process. The outstanding general obligation bonds and notes of the City were issued during various years from 1998 to 2011, with interest rates ranging from 2.90% to 4.00% (6.00% for the 2002 Series A Taxable Refunding Bonds). The bonds and notes were generally issued as fifteen to twenty (15-20) year and five (5) year maturities, respectively, with principal payments increasing over the life of the bonds for essentially level annual debt service requirements.

Long-term debt requirements for all general obligation bonds and notes outstanding at September 30, 2011, are as follows:

Year	Principal	Interest
2012	$ 2,821,041	$ 703,544
2013	2,945,727	615,313
2014	2,722,431	525,031
2015	2,490,000	446,149
2016	2,515,000	367,388
2017 - 2021	6,435,000	1,062,625
2022 - 2026	1,720,000	370,807
2027 - 2030	745,000	115,200
Total	$ 22,394,199	$ 4,206,057

Exempt Industrial Development General Obligation MBIA Bonds and CAP Loans - On February 1, 1997, the City issued a $5,500,000 General Obligation MBIA Bond for the purpose of financing the Kohler Company Project in the Forrest County Industrial Park. This bond is exempt from the statutory debt limitation calculation as allowed by Section 57-61-37, Subsection 2, Mississippi Code of 1972, as amended. This bond, purchased by the State of Mississippi, was issued to evidence a loan from the Mississippi Department of Economic and Community Development in the amount of $5,500,000 to be used to acquire land and construct an industrial building to be owned by Forrest County Industrial Park Commission (Commission) and subsequently leased to Kohler Company of Wisconsin.

The bond bears no interest and becomes due and payable on February 1st of each year commencing on February 1, 1999 in the principal amounts of:

February 1, 1999	$ 280,000
February 1, 2000-2017	$ 290,000

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 9 - GOVERNMENTAL FUNDS - LONG-TERM OBLIGATIONS (Cont.)

The Commission has assigned to the City all its right, title, and interest in and to the lease rentals derived from Kohler which is approximated at $253,158 annually beginning February 1, 1999 and ending February 1, 2017, for a total of $4,810,000. Also, pursuant to an Interlocal Agreement between Forrest County and the City, Forrest County will pay approximately one-third (1/3) of the remaining obligation of the bond to the City. At September 30, 2011, principal balance outstanding on the bonds is $1,740,000.

In conjunction with the Kohler Project, the City applied for two loans through the Capital Improvements Revolving Loan Program that were approved by the Mississippi Department of Economic and Community Development. Each $1,000,000, 15-year loan bears interest at 4.00%. Proceeds of the loans were used to renovate and expand a building to be leased by Kohler. Long-term debt requirements for the CAP loans are as follows:

Year	Principal	Interest
2012	$ 170,872	$ 6,654
2013	81,356	3,327
Total	$ 252,228	$ 9,981

Industrial Development General Obligation Bonds - On February 19, 2002, the City adopted a bond resolution for the purpose of funding water and sewer improvements. The $450,000 Mississippi Development Bank Special Obligation Bonds, Series B - “Hattiesburg, Mississippi Water and Sewer Improvements Project” debt service is being repaid from water and sewer operating revenues.

The $450,000 Mississippi Development Bank Special Obligation Bonds, Series B are payable as follows:

Year	Principal	Interest
2012	$ 55,000	$ 4,840
2013	55,000	2,475
Total	$ 110,000	$ 7,315

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - GOVERNMENTAL FUNDS - LONG-TERM OBLIGATIONS (Cont.)

Tax Increment Financing Bonds - Tax Increment Financing Bonds (TIF bonds) are not used in calculating the City's statutory debt limits. These debt instruments are utilized to fund infrastructure improvements that are needed in order for commercial developments to occur. Property taxes from the new commercial projects are pledged to pay debt service on the TIF bonds. Both Forrest and Lamar County have pledged county property tax collections on various TIF projects.

Long-term debt requirements for all TIF bonds outstanding at September 30, 2011 are as follows:

Year	Principal	Interest
2012	$ 565,000	$ 299,746
2013	575,000	277,856
2014	540,000	251,964
2015	565,000	227,815
2016	495,000	204,377
2017 - 2021	2,810,000	666,517
2022 - 2026	1,005,000	174,310
2027	185,000	8,325
Total	$ 6,740,000	$ 2,110,910

Mississippi Development Bank Notes - Promissory notes issued by the Mississippi Development Bank (MDB) do not constitute general obligation debts of the City. These notes are secured by the lawfully available revenues of the City's General Fund and also by tax interceptor agreements (sales taxes and other state-shared revenues). Incremental drawdowns are processed in order to provide timely reimbursements to the City as costs are incurred for projects authorized in the closing documents of the respective loans, and these reimbursements are administered by the trustee bank for the MDB Capital Projects and Equipment Program (Hancock Bank). Each drawdown generates a new loan repayment schedule and monthly debt service is paid pursuant to monthly invoices from Hancock Bank that note interest payments that are due in conjunction with the level monthly principal payments that are set based upon each drawdown's amortization period. Most of the Mississippi Development Bank Notes issued in prior years were refunded during fiscal year 2010 from the proceeds of the 2009 and the 2010 General Obligation Refunding Bonds proceeds.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 9 - GOVERNMENTAL FUNDS - LONG-TERM OBLIGATIONS (Cont.)

Long-term debt requirements for the MDB promissory notes payable are as follows:

Year	Principal	Interest
2012	$ 21,563	$ 5,244
2013	21,563	4,720
2014	21,563	4,248
2015	21,563	3,823
2016	21,563	3,441
2017 - 2021	107,815	12,681
2022 - 2026	107,815	7,488
2027 - 2028	31,286	1,620
Total	$ 354,731	$ 43,265

Compensated Absences - Vested or accumulated vacation leave, holiday leave, and accrued overtime that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave, holiday leave, and accrued overtime that are not expected to be liquidated with expendable available financial resources are reported as noncurrent liabilities. In accordance with the provisions of ASC 710-10-20, *Compensation*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Accrued vacation pay	$ 1,486,459
Accrued overtime pay	5,128
Accrued holiday pay	47,503
	$ 1,539,090

NOTE 10 - GOVERNMENTAL FUNDS - CAPITAL LEASE PAYABLE

The City entered into an equipment lease with Trustmark National Bank for the purchase of three (3) fire trucks. The lease-purchase agreement calls for level monthly payments of $14,341 at a 2.74% interest rate to be made over an eighty-four (84) month period beginning August 2011.

(See Table on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 10 - GOVERNMENTAL FUNDS - CAPITAL LEASE PAYABLE (Cont.)

Year	Principal	Interest
2012	$ 144,540	$ 27,547
2013	148,551	23,537
2014	152,672	19,415
2015	156,908	15,179
2016	161,262	10,825
2017 - 2018	307,359	8,135
Total	$ 1,071,292	$ 104,638

The City entered into an equipment lease with Caterpillar Financial Services Corporation for the purchase of a backhoe loader. The terms of the monthly payments in the amount of $1,086 beginning July 2011 at a 2.90% rate to be amortized over an initial five (5) year period with a $35,513 balance due in July 2016, are summarized below:

Year	Principal	Interest
2012	$ 10,706	$ 2,328
2013	11,020	2,014
2014	11,344	1,690
2015	11,677	1,356
2016	40,488	787
Total	$ 85,235	$ 8,175

The City entered into an equipment lease with First Continental Leasing for the purchase of a tractor. The terms of the monthly payments in the amount of $1,412 beginning April 2011 at a 3.32% rate to be amortized over an initial five (5) year period with a $68,311 balance due in April 2016, are summarized below:

Year	Principal	Interest
2012	$ 12,840	$ 4,108
2013	13,273	3,676
2014	13,721	3,228
2015	14,183	2,766
2016	75,582	1,394
Total	$ 129,599	$ 15,172

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 10 - GOVERNMENTAL FUNDS - CAPITAL LEASE PAYABLE (Cont.)

The City entered into an equipment lease with Hancock Bank for the purpose of installing a system of emergency generators throughout the City to allow for uninterrupted water and sewer utility services during emergency situations as well as for City buildings, including City Hall, the fire stations and community centers to remain operational. The lease proceeds are drawn down incrementally as periodic payments are made to the Mississippi Power Company for the procurement and installation of the equipment. As of September 30, 2011, a total of $3,972,039 in payments had been made to the vendor with corresponding lease proceeds in the form of draw downs being funded to the City from Hancock Bank based upon certification from the City as to the progress billings. The installation of the system was completed during fiscal year 2010, and annual principal and interest payments are scheduled for March 1 each year at an interest rate of 4.33%, to be amortized over a ten (10) year period with annual principal and interest payments of $494,674. Presented below are the principal and interest payments on the lease attributable to the cumulative draw downs net of principal paid in fiscal year 2007 ($364,993) as of September 30, 2011:

Year	Principal	Interest
2012	$ 398,284	$ 96,390
2013	415,928	78,746
2014	434,353	60,321
2015	453,595	41,079
2016	473,689	20,984
Total	$ 2,175,849	$ 297,520

During fiscal year 2010, the City implemented an automated solid waste collection system that allows for mechanized sanitation trucks to pick up residential garbage and yard waste using two color coded collection containers assigned to each residential location. Capital lease transactions were utilized to finance the purchase of both the sanitation trucks and the containers as components of an automated system. The terms of the sanitation trucks lease executed with BancorpSouth Equipment Finance call for monthly payments in the amount of $34,543 beginning July 2010 at a 3.34% rate to be amortized over an initial four (4) year period with a $540,000 balance due on July 15, 2014, as summarized below:

Year	Principal	Interest
2012	$ 367,366	$ 47,149
2013	379,825	34,689
2014	831,800	19,085
Total	$ 1,578,991	$ 100,923

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 10 - GOVERNMENTAL FUNDS - CAPITAL LEASE PAYABLE (Cont.)

The sanitation containers lease transaction was executed with Trustmark National Bank, with level monthly payments of $20,261 at a 2.70% interest rate being made over a sixty (60) month period beginning September 2010 as summarized below:

Year	Principal	Interest
2012	$ 253,467	$ 24,770
2013	260,395	17,841
2014	267,514	10,723
2015	251,641	3,409
Total	$ 1,033,017	$ 56,743

NOTE 11 - SCHEDULE OF STATUTORY DEBT LIMITATIONS

The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of $36,729,009 (the smaller of the two computed margins) as of September 30, 2011:

		15% Test	20% Test
Assessed value as of September 30, 2011 ($395,386,255) times applicable percentage	[a]	$ 59,307,938	$ 79,077,251
Present debt subject to debt limits as of September 30, 2011:			
Total bonds and notes other than water and sewer		31,591,157	31,591,157
Less: Bonds exempt from debt limitation calculations		(9,012,228)	(9,012,228)
Add: Water & sewer debt other than revenue bonds		n/a	14,576,506
General obligation debt subject to applicable tests	[b]	22,578,929	37,155,435
Margin for additional debt [a] minus [b]		$ 36,729,009	$ 41,921,816

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 12 - RELATED ORGANIZATION

The following related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the organization.

Hattiesburg Tourism Commission - The Commission consists of seven (7) members appointed by the Mayor and ratified by the City Council. Funding is from a special tax levied upon the gross proceeds from hotel and motel overnight room rentals.

NOTE 13 - JOINT VENTURES

The City of Hattiesburg is a participant with Forrest County in a joint venture authorized by Section 57-31-1, Mississippi Code Annotated (1972), to operate the Forrest County Industrial Park Commission. The joint venture was created to develop and operate an industrial park complex for citizens of Forrest County and the City of Hattiesburg. The Commission is governed by a ten (10) member board. The governing authorities of the City of Hattiesburg and the Forrest County Board of Supervisors each appoint five (5) members. Each entity is obligated to provide equal funding for the ongoing financial support of the Commission. A separate financial statement of the Forrest County Industrial Park Commission can be obtained by contacting the Commission at Post Office Box 1898, Hattiesburg, Mississippi 39403.

The City of Hattiesburg is a participant with Forrest County, Jones County, and the State of Mississippi to operate the Hattiesburg/Laurel Regional Airport Authority authorized by Section 61-3-5, Mississippi Code Annotated (1972). The joint venture, governed by a five (5) member board of commissioners, was created to maintain and develop the Authority for the City and aforementioned counties. Each governmental entity appoints one (1) board member. A separate financial statement of the Hattiesburg/Laurel Regional Airport Authority can be obtained by contacting the Authority at 1002 Terminal Drive, Moselle, Mississippi 39459.

The City of Hattiesburg is a participant with Forrest County and the City of Petal in a joint venture authorized by Section 39-3-38, Mississippi Code Annotated (1972) to operate the Library of Hattiesburg, Petal, and Forrest County. The joint venture was created to provide free public library service to the citizens of Forrest County and the Cities of Hattiesburg and Petal. The library is governed by a fifteen (15) member board appointed by the governments involved as follows: City of Hattiesburg - six (6) members; Forrest County – six (6) members; and City of Petal - three (3) members. Each entity is obligated by contract to levy not less than 1.25 mills as authorized by Sections 39-3-35 and 39-3-37, Mississippi Code Annotated (1972), for the ongoing financial support of the library. A separate financial statement of the library can be obtained by contacting the Library at 329 Hardy Street, Hattiesburg, Mississippi 39401.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Emergency Management District provides emergency services to the City of Hattiesburg and Forrest County. The entity is controlled by an eight (8) member council. The Council is chosen as follows by the following authorities: Mayor of Hattiesburg – one (1); Forrest County Board of Supervisors – one (1); Sheriff of Forrest County – one (1); AAA Ambulance – one (1); Hattiesburg Police Chief – one (1); Hattiesburg Fire Chief – one (1); the University of Southern Mississippi – one (1); and Forrest General Hospital – one (1). Operating funds are provided by state grants, E-911 charges and direct contributions.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The City is party to various legal proceedings which normally occur in governmental operations. While the City cannot predict the results of any litigation, legal counsel for the City of Hattiesburg believes that it has meritorious defenses for those actions, proceedings and claims, or they are without merit or are of such kind, or involve such amounts, that unfavorable dispositions not covered by insurance resulting from such litigation would not materially affect the financial statements of the City of Hattiesburg, Mississippi.

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.

In September 2011, the City Council awarded a contract in the amount of $2,165,000 for the construction of new cells at the City's North Lagoon waste water treatment facility, to be paid from the City's 2010 Water and Sewer General Obligation Bond Construction Fund.

Significant encumbrances as of September 30, 2011, included $115,110 for the purchase of vehicles for the police department and $408,385 for the purchase of a trolley for the mass transit system.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Plan Description - The City of Hattiesburg 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, Mississippi 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF HATTIESBURG, MISSISSIPPI

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NOTE 16 - DEFINED BENEFIT PENSION PLANS (Cont.)

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary (adjusted to 9.00% effective July 1, 2010) and the City of Hattiesburg is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Hattiesburg contributions to PERS for the years ended September 30, 2011, 2010 and 2009 were $2,499,657, $2,601,366, and $2,556,272, respectively, equal to the required contributions for each year.

NOTE 17 - PENSION PLAN FOR POLICEMEN AND FIREMEN

Plan Description - The City of Hattiesburg contributes to the Police and Fire Disability and Relief Fund (PFDR), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to July 1, 1987, participate in PFDR. Firefighters and police officers employed subsequent to July 1, 1987 are members of the Public Employees' Retirement System of the State as previously described.

All assets existing in the City's Police and Firemen's Disability and Relief Fund at July 1, 1987, were transferred to PERS. Those assets were placed into an investment pool with the assets from the other Police and Firemen's Disability and Relief Fund, and the City's book value of its share of these assets was set at the market value of the transferred assets as of July 1, 1987. In June of each year, the monthly statement from the PERS contains a pro-rata distribution of the City's earnings from the investment pool. Prior to the yearly distribution of such earnings, the City's balance sheet is reconciled monthly which, at that point in time, reflects the balance at the beginning of the Plan year (July 1) plus tax collections and payroll contributions, less pension benefits paid, refunds and administrative fee. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PFDR. That information can be obtained by contacting PERS at the address and telephone number mentioned above.

The PFDR retirement allowance is payable under this plan to any member who retires and has completed at least twenty (20) years of creditable service, regardless of age. The retirement benefits are calculated in an amount equal to 50% of the employee’s average compensation, plus 1.7% of average compensation for each year of credited service over 20 with an aggregate amount not to exceed 66-2/3%. Disability and death benefits are also provided under the plan.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - PENSION PLAN FOR POLICEMEN AND FIREMEN (Cont.)

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

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the System (but not used for funding purposes) as of September 30, 2011. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.00% per year compounded annually including price inflation at 3.50%, (b) projected salary increases of 4.25% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of up to 1.75% per year compounded annually, attributable to merit and seniority. Additionally, local and private legislation, enacted by the Mississippi Legislature, has authorized annual cost of living adjustments (COLA) of 2.50% per year, not to exceed 30% of annual pension benefits.

Statements Nos. 25 and 27 of the Governmental Accounting Standards Board(GASB) set forth certain items of information to be disclosed in the financial statements of the system and the employer. One such item is a distribution of the number of employees by type of membership, as presented below:

Group	Number
Retired participants and beneficiaries currently receiving benefits	157
Terminated participants and beneficiaries entitled to benefits but not receiving benefits	0
Active participants	4
Inactive participants	1
Total	162

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 17 - PENSION PLAN FOR POLICEMEN AND FIREMEN (Cont.)

Active member information based upon the most current actuarial study consists of the following:

Active members		4
Annual payroll	$	210,050
Average annual payroll	$	52,513
Average age in years		54
Average service in years		29.8

Retired lives based upon the most current actuarial study consists of the following:

Type of Benefit Payment	Number	Annual Benefits	Average Benefit	Average Age
Retirement	114	$ 2,680,558	$ 23,514	62.5
Disability	8	101,855	12,732	63.6
Survivor	35	500,928	14,312	69.8
Total	157	$ 3,283,341	$ 20,913	64.2

At September 30, 2011, the actuarial accrued liability was determined as follows:

		$ in Thousands
Actuarial Accrued Liability (AAL):		
Retirees and beneficiaries currently receiving benefits	$	36,621
Active members		1,653
Total actuarial accrued liability		38,274
Actuarial value of assets		21,940
Unfunded actuarial accrued liability	$	16,334

During the year ended September 30, 2011, the plan experienced a net change of $(505,000) in the Actuarial Accrued Liability.

The schedule of funding progress, presented as required supplementary information at Schedule 2 following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 17 - PENSION PLAN FOR POLICEMEN AND FIREMEN (Cont.)

Funding Policy - The funding policy for PFDR provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown on the next page, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a remaining amortization period of twenty-three (23) years. The asset valuation method used is a 5-year smoothed market method. The City has the option to set property tax rates to allow for extended contributions beyond 2020 under a funding policy adopted by the PERS Board of Trustees in February 2011. Under this new policy, contributions, expressed as a property tax millage rate, are established beginning in fiscal year 2012 that will generate an ultimate asset reserve level equal to a reasonable percentage (initially 100% - 150%) of the next year's projected benefit payment. At that point, employer contributions will be set equal to the fiscal year's projected benefit payments and adjusted as necessary to maintain the assets at the established reserve level. The millage rates certified as of September 30, 2011 under the Pre-2011 and Post-2011 Funding Policy rates are 6.13 mills and 3.82 mills, respectively. The actual tax levy set for the pension fund for policemen and firemen as of September 30, 2011 was 4.82 mills.

During the year ended September 30, 2011, contributions totaling $1,798,126 ($1,775,936 employer and $22,190 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of September 30, 2010. The employer contributions consisted of $27,020 for normal cost and administrative expenses and $1,748,916 for amortization of the unfunded actuarial accrued liability, and the employer's annual required contributions (ARC) was determined to be $1,579,521(consisting of $23,715 normal ARC and $1,555,806 accrued liability ARC). Presented below is a schedule of annual required contributions for the past ten (10) years:

Fiscal Year 10/1 – 9/30	Valuation Date 9/30	Annual Required Contribution	Percentage Contributed
2002-03	2002	$ 932,743	120.9%
2003-04	2003	935,623	125.2%
2004-05	2004	1,105,770	114.6%
2005-06	2005	1,229,031	111.4%
2006-07	2006	1,228,267	119.5%
2007-08	2007	1,172,541	129.9%
2008-09	2008	1,115,275	141.1%
2009-10	2009	1,411,127	124.7%
2010-11	2010	1,519,076	116.9%
2011-12	2011	1,579,521	

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 17 - PENSION PLAN FOR POLICEMEN AND FIREMEN (Cont.)

Trend Information – Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information, for which three (3) years is required, is presented as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentqge of APC Contributed
2009	$ 1,115,275	$ 1,573,185	141.1%
2010	1,411,127	1,759,993	124.7%
2011	1,519,076	1,775,936	116.9%

In addition to this, the Statement of Plan Net Assets is included in the combining Exhibit H and the Statement of Changes in Plan Net Assets is included in Exhibit I. Actuarial information for the year ended September 30, 2011, can be obtained by contacting the City of Hattiesburg's Chief Financial Officer.

NOTE 18 - BUDGETARY BASIS VS. GAAP

The accompanying Budgetary Comparison Schedule – General Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the results of operations for the year is included at the end of the statement.

NOTE 19 - HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina caused extensive damage to the southeastern United States, including the City of Hattiesburg. The City has worked with federal and state officials as well as with the City's property insurance providers throughout fiscal years 2007, 2008, 2009, 2010, and 2011 in an effort to recover damages resulting from the storm. Project worksheets have been completed on virtually all of the City's unreimbursed expenses, and the City is continuing to work with governmental agencies in an effort to secure substantial reimbursement for these expenses. The City has opted to include future reimbursements attributable to these amounts into the operating budgets for future years as they are received.

NOTE 19 - HURRICANE KATRINA (Cont.)

There are certain recovery projects that are expected to continue on into future fiscal years. These include repairs to streets damaged as a result of the extraordinary hauling of heavy debris using heavy equipment during the fall months of 2005, repairs to signals and signs, and damages incurred at various City buildings and facilities. The final resolutions of these reimbursement requests are subject to ongoing discussions between the City and FEMA officials.

NOTE 20 - SIGNIFICANT TRANSACTIONS INVOLVING DISCRETELY PRESENTED COMPONENT UNIT

The City entered into a contract with the Hattiesburg Convention Commission (discretely presented component unit) and the Hattiesburg Tourism Commission during fiscal year 2010 for the management of the Hattiesburg Zoo at Kamper Park. During fiscal year 2011, the City paid $799,124 in management fees, and the contract calls for monthly payments totaling $725,793 for 2012, and $645,150 for 2013. In March 2013, the contract allows for the City and the Hattiesburg Convention Commission to review the terms of this agreement, with the City and the Convention Commission both having the option to negotiate changes or not to renew. The City also remitted a total of $163,553 from the Kamper Park/Zoo Improvement Fund during fiscal year 2011 to the Convention Commission for improvement projects at the Zoo. Additionally, a total of $285,171 in assets attributable to completed projects at the Zoo was recorded as a transfer from the component unit to the City during fiscal year 2011.

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated subsequent events after the financial statement date of September 30, 2010 through March 23, 2012, that is the date the financial statements were available to be issued. The following subsequent events were noted:

In September 2011, the City Council authorized a $100,000 downpayment on the purchase of InterAct Public Safety software that will allow for the City to achieve interoperability with other law enforcement agencies as well as allowing for improved accountability, efficiencies and access to information by law enforcement personnel. The total cost of the system is projected to be $785,528, and the City anticipates the utilization of lease-purchase financing, with monthly principal and interest payments projected to begin during fiscal year 2013 after the installation of the system.

In December 2011, the City Council authorized the issuance of tax increment financing (TIF) bonds in the amount of $715,000 for the Turtle Creek Commons project. These are taxable bonds that were issued pursuant to the project's 2006 TIF Plan document. These bonds are to be amortized over a ten (10) year period from the incremental property tax increase attributable to this project's TIF district as specified in the TIF Plan.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2011

NOTE 21 - SUBSEQUENT EVENTS (Cont.)

During fiscal year 2011, the City implemented certain remedial measures designed to improve the waste water treatment capabilities of the City's South Lagoon. In November 2011, the City authorized the execution of a sludge removal project contract at the South Lagoon in the amount of $1,399,985 to be paid from the Water and Sewer Construction Fund from the proceeds of the City's Series 2011 Water and Sewer General Obligation Note. The City has attempted to coordinate these efforts with State and Federal regulatory agencies in order to comply with applicable environmental requirements at the lagoon. Whereas these measures are designed to bring about substantial improvements in the City's efforts to maintain environmental compliance, management is also in the process of developing long-term solutions that have not yet been finalized.

In December 2011, the City paid a net fine in the amount of $8,125 to Mississippi Department of Environmental Quality as a result of findings concerning the City's wastewater treatment facilities. The City also approved a new wastewater treatment agreement with the U.S.A. Yeast Company after voiding the existing contract during fiscal year 2011. Under the terms of the new agreement, upgrades will be made to the Company's manufacturing process, and the City will apply for $5 million in grant funding through the Mississippi Development Authority in support of the project. The South Lagoon, in particular, has been singled out as the cause of a periodic stench, and the City had voided the wastewater treatment contract with U.S.A Yeast after determining the Company was a contributing factor in damages to the infrastructure system at the South Lagoon.

In November 2011, the City adopted an intent resolution for the issuance of water and sewer revenue bonds in an amount not to exceed $12,500,000 for improvements to the water and sewer system. The bonds are to be issued in early 2012 with principal and interest payments scheduled to begin in fiscal year 2013. The bonds are to be amortized over a twenty (20) year period from water and sewer operating revenues. The City implemented water and sewer rate adjustments in September 2011 that accommodate this new debt in conjunction with existing debt and operating expenses. The rate adjustments call for a 10% water rate increase effective October 2011, with sewer rates being set at 90% of water billings. There is also a rate increase authorized that will be effective for October 2012 that includes a 5% water rate increase with sewer rates being set at 100% of water billings at that time.

In February 2012, the City Council adopted a resolution requesting the Legislature of the State of Mississippi to enact local and private legislation to authorize the City to enter into an agreement for a term not to exceed thirty (30) years for the operation and/or leasing of all or portions of its wastewater collection, storage, transportation, treatment or other systems. The legislation, if enacted, also prescribes the necessary request for proposal procedures to be followed pursuant to applicable sections of the Mississippi Code 1972 in order to award a contract, operating agreement, or lease as authorized by the proposed local and private law.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1
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CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2011

	Original Budget	Final Budget
REVENUES		
Intergovernmental:		
Federal grants	$ 2,982,320	$ 3,690,642
State grants	755,567	1,014,690
State - shared revenue	20,006,953	20,057,953
County - shared revenue	83,000	178,159
General property taxes	11,850,000	11,850,000
Other taxes	25,000	25,000
Licenses and permits	4,431,600	4,441,600
Charges for services:		
Public safety	160,000	209,363
Streets	11,130	11,130
Sanitation	2,140,000	2,140,000
Fines and forfeitures	1,502,000	1,502,000
Miscellaneous	202,100	448,600
Non-revenue receipts	438,500	499,500
Total revenues	44,588,170	46,068,637
EXPENDITURES		
General government	7,332,432	8,159,662
Public safety	20,392,616	20,995,116
Public services	10,564,635	11,268,008
Human/social assistance	150,000	145,440
Economic development	150,000	150,000
Other services	1,570,986	1,675,244
Debt service	1,931,019	1,931,019
Total expenditures	42,091,688	44,324,489
OTHER FINANCING SOURCES (USES)		
Transfers in	576,890	656,890
Transfers out	(2,914,016)	(2,914,016)
Total other financing sources (uses)	(2,337,126)	(2,257,126)

Actual	Variance with Final Budget Favorable (Unfavorable)
$ 2,169,824	$ (1,520,818)
75,000	(939,690)
20,356,308	298,355
100,210	(77,949)
12,146,268	296,268
23,018	(1,982)
4,165,395	(276,205)
136,262	(73,101)
18,221	7,091
2,207,199	67,199
1,641,351	139,351
173,128	(275,472)
318,735	(180,765)
43,530,919	(2,537,718)
6,524,148	1,635,514
18,880,544	2,114,572
10,047,917	1,220,091
133,940	11,500
150,000	-
1,436,691	238,553
1,918,392	12,627
39,091,632	5,232,857
465,445	(191,445)
(2,914,016)	-
(2,448,571)	(191,445)

SCHEDULE 1
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2011

	Original Budget	Final Budget
NET CHANGE IN FUND BALANCES	$ 159,356	$ (512,978)
Fund balances - beginning (Non-GAAP Budgetary Basis)	1,850,000	2,693,974
Fund balances - ending (Non-GAAP Budgetary Basis)	$ 2,009,356	$ 2,180,996
ADJUSTMENTS:		
To adjust for sales tax accrual		
To adjust for other receivables/accruals		
Fund balances - ending (GAAP Basis)		

Actual	Variance with Final Budget Favorable (Unfavorable)
$ 1,990,716	$ 2,503,694
2,693,974	
4,684,690	
(21,532)	
3,415,409	
$ 8,078,567	

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budgetary cash basis, and variances between the final budget and the actual data.

NOTE 2 - BUDGET AMENDMENTS AND REVISIONS

The budget is adopted by the City Council through the passage of an ordinance. Amendments can be made on the approval of the Council. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

SCHEDULE 2

CITY OF HATTIESBURG, MISSISSIPPI

Policemen & Firement Retirement System
Analysis of Funding Progress
Year Ended September 30, 2011

($ in Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) – (1)	(5) Annual Covered Payroll	(6) Unfunded AAL As A Percentage Of Covered Payroll (4) / (5)
9/30/02	$ 25,657	$ 34,881	73.6%	$ 9,224	$ 1,478	624.1%
9/30/03	25,803	35,410	72.9%	9,607	1,140	842.7%
9/30/04	25,229	37,084	68.0%	11,855	793	1495.0%
9/30/05	24,095	36,792	65.5%	12,697	695	1826.9%
9/30/06	24,458	37,377	65.4%	12,919	510	2533.1%
9/30/07	25,345	37,638	67.3%	12,293	442	2781.2%
9/30/08	25,543	37,347	68.4%	11,804	289	4084.4%
9/30/09	24,340	39,166	62.1%	14,826	308	4813.6%
9/30/10	22,892	38,779	59.0%	15,887	260	6110.4%
9/30/11	21,940	38,274	57.3%	16,334	210	7778.1%

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE POLICEMEN & FIREMEN RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - ACTUARIAL ASSUMPTIONS

Presented below are the actuarial assumptions used for the most recent three (3) years presented in the analysis of funding progress:

Actuarial Assumptions 2009	
Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	25 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%

Actuarial Assumptions 2010	
Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	24 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE POLICEMEN & FIREMEN RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
PAGE TWO
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - ACTUARIAL ASSUMPTIONS (Cont.)

Actuarial Assumptions 2011	
Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	23 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%

SUPPLEMENTARY INFORMATION

SCHEDULE 3

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

	Special Revenue Funds (Schedule 4)	Debt Service Funds (Schedule 6)
ASSETS		
Cash and cash equivalents	$ 4,033,968	$ 4,182,435
Due from other funds	2,758	4
Intergovernmental receivables	96,235	-
Other receivables	127,422	-
Property taxes receivable	1,006,935	2,819,832
Total assets	$ 5,267,318	$ 7,002,271
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 201,973	$ -
Due to other funds	72,213	-
Other liabilities	56,712	-
Deferred revenue	1,000,000	2,800,000
Advances from other funds	300,000	-
Total liabilities	1,630,898	2,800,000
Fund balances:		
Restricted for:		
Law enforcement	7,692	-
Street improvements and repairs	1,759,306	-
Law enforcement	185,318	-
Airport projects	36,667	-
Mass transit	67,543	-
Health and welfare	24,768	-
Other purposes	535,670	-
Debt service	-	4,202,271
Downtown enhancement project	-	-
Parks and recreation projects	-	-
Committed to:		
Parks and recreation	213,963	-
Fire protection	791,635	-
Street improvements and repairs	2,014	-
Law enforcement	11,844	-
Total fund balances	3,636,420	4,202,271
Total liabilities and fund balances	$ 5,267,318	$ 7,002,271

Capital Project Funds (Schedule 8)	Total Nonmajor Governmental Funds (Exhibit C)
$ 931,269	$ 9,147,672
-	2,762
-	96,235
3,000	130,422
-	3,826,767
$ 934,269	$ 13,203,858
$ 18,550	$ 220,523
4	72,217
-	56,712
-	3,800,000
-	300,000
18,554	4,449,452
-	7,692
-	1,759,306
-	185,318
-	36,667
-	67,543
-	24,768
-	535,670
-	4,202,271
402,389	402,389
513,326	513,326
-	213,963
-	791,635
-	2,014
-	11,844
915,715	8,754,406
$ 934,269	$ 13,203,858

SCHEDULE 4
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue Funds (Schedule 5)	Debt Service Funds (Schedule 7)
REVENUES		
General property taxes	$ 1,037,520	$ 3,717,567
Fines, forfeitures and penalties	198,387	-
Interest, rents and concessions	13,037	49,827
Intergovernmental	6,185,856	238,987
Charges for services	210,933	-
Other revenues	28,413	215,833
Total revenues	7,674,146	4,222,214
EXPENDITURES		
Public safety	125,207	-
Public services	1,865,643	-
Other services	3,632,493	200,653
Mass transit	858,601	-
Culture and recreation	3,840,540	-
Human/social assistance	606,441	-
Capital outlay	4,272,696	-
Debt service:		
Principal payments	224,193	3,178,504
Interest and fiscal charges	14,798	1,156,893
Total expenditures	15,440,612	4,536,050
Excess (deficiency) of revenues over expenditures	(7,766,466)	(313,836)

Capital Project Funds (Schedule 9)	Total Nonmajor Governmental Funds (Exhibit D)
$ -	$ 4,755,087
-	198,387
2,391	65,255
443,192	6,868,035
-	210,933
30,466	274,712
476,049	12,372,409
-	125,207
-	1,865,643
36,020	3,869,166
-	858,601
-	3,840,540
-	606,441
2,971,454	7,244,150
-	3,402,697
-	1,171,691
3,007,474	22,984,136
(2,531,425)	(10,611,727)

SCHEDULE 4
PAGE 2 OF 2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue Funds (Schedule 5)	Debt Service Funds (Schedule 7)
OTHER FINANCING SOURCES (USES)		
Proceeds from long term debt	$ 1,318,710	$ -
Operating transfers in	2,914,016	514,658
Other sources	3,813,559	-
Operating transfers out	-	-
Total other financing sources (uses)	8,046,285	514,658
NET CHANGE IN FUND BALANCES	279,819	200,822
Fund balances - beginning	3,540,426	4,001,449
Prior period adjustment	(183,825)	-
Fund balances - beginning, as adjusted	3,356,601	4,001,449
Fund balances - ending	$ 3,636,420	$ 4,202,271

Capital Project Funds (Schedule 9)	Total Nonmajor Governmental Funds (Exhibit D)
$ 400,000	$ 1,718,710
-	3,428,674
113	3,813,672
(4)	(4)
400,109	8,961,052
(2,131,316)	(1,650,675)
3,047,031	10,588,906
-	(183,825)
3,047,031	10,405,081
$ 915,715	$ 8,754,406

SCHEDULE 5

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheets
Nonmajor Special Revenue Funds
September 30, 2011

	PARKS & RECREATION	MUNICIPAL FIRE PROTECTION	SPECIAL STREET	POLICE FORFEITURES	AIRPORT IMPROVEMENT	MUNICIPAL ROAD & BRIDGE
ASSETS						
Cash and cash equivalents	$ 134,861	$ 820,091	$ 150,256	$ 222,145	$ 4,709	$ 1,607,767
Due from other funds	-	137	-	2,621	-	-
Intergovernmental receivables	-	-	-	-	80,111	16,124
Other receivables	3,294	-	-	2,567	1,847	13,226
Property taxes receivable	805,543	-	-	-	-	-
Total assets	$ 943,698	$ 820,228	$ 150,256	$ 227,333	$ 86,667	$ 1,637,117
LIABILITIES AND FUND BALANCES						
Accounts payable	$ 85,790	$ 20,901	$ -	$ -	$ -	$ 26,053
Due to other funds	8,947	-	-	-	50,000	-
Other liabilities	21	-	-	30,171	-	-
Deferred revenue	800,000	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	894,758	20,901	-	30,171	50,000	26,053
Fund Balances:						
Restricted for:						
Fire protection	-	7,692	-	-	-	-
Street improvements and repairs	-	-	148,988	-	-	1,610,318
Law enforcement	-	-	-	185,318	-	-
Airport projects	-	-	-	-	36,667	-
Mass transit	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Committed to:						
Parks and recreation	48,940	-	-	-	-	-
Fire protection	-	791,635	-	-	-	-
Street improvements and repairs	-	-	1,268	-	-	746
Law enforcement	-	-	-	11,844	-	-
Total fund balances	48,940	799,327	150,256	197,162	36,667	1,611,064
Total liabilities and fund balances	$ 943,698	$ 820,228	$ 150,256	$ 227,333	$ 86,667	$ 1,637,117

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	GROUP INSURANCE	TOTAL
$ 17,797	$ 218,220	$ 322,452	$ 535,670	$ 4,033,968
-	-	-	-	2,758
-	-	-	-	96,235
63,609	-	42,879	-	127,422
201,392	-	-	-	1,006,935
$ 282,798	$ 218,220	$ 365,331	$ 535,670	$ 5,267,318
$ 3,047	$ 25,776	$ 40,406	$ -	$ 201,973
12,208	901	157	-	72,213
-	26,520	-	-	56,712
200,000	-	-	-	1,000,000
-	-	300,000	-	300,000
215,255	53,197	340,563	-	1,630,898
-	-	-	-	7,692
-	-	-	-	1,759,306
-	-	-	-	185,318
-	-	-	-	36,667
67,543	-	-	-	67,543
-	-	24,768	-	24,768
-	-	-	535,670	535,670
-	165,023	-	-	213,963
-	-	-	-	791,635
-	-	-	-	2,014
-	-	-	-	11,844
67,543	165,023	24,768	535,670	3,636,420
$ 282,798	$ 218,220	$ 365,331	$ 535,670	$ 5,267,318

SCHEDULE 6

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended September 30, 2011

	PARKS & RECREATION	MUNICIPAL FIRE PROTECTION	SPECIAL STREET	POLICE FORFEITURES	AIRPORT IMPROVEMENT	MUNICIPAL ROAD & BRIDGE
REVENUES						
General property taxes	$ 829,238	$ -	$ -	$ -	$ -	$ -
Fines, forfeitures and penalties	-	2,645	-	195,742	-	-
Interest, rents and concessions	1,156	8,328	1,393	29	225	796
Intergovernmental	74,646	235,949	53,052	-	80,111	3,073,481
Charges for services	34,815	95,652	-	12,089	-	-
Other revenues	21	548	-	227	27,617	-
Total revenues	939,876	343,122	54,445	208,087	107,953	3,074,277
EXPENDITURES						
Public safety	-	98,423	-	26,784	-	-
Public services	-	-	-	-	-	1,865,643
Other services	-	-	-	-	-	-
Mass transit	-	-	-	-	-	-
Culture and recreation	3,113,910	-	-	-	-	-
Human/social assistance	-	-	-	-	-	-
Capital outlay	98,048	1,111,106	-	147,790	84,327	1,039,190
Debt service:						
Principal payments	-	215,318	-	-	-	8,875
Interest and fiscal charges	-	11,941	-	-	-	2,857
Total expenditures	3,211,958	1,436,788	-	174,574	84,327	2,916,565
Excess (deficiency) of revenues over expenditures	(2,272,082)	(1,093,666)	54,445	33,513	23,626	157,712
				-		
OTHER FINANCING SOURCES						
Proceeds from long-term debt	-	1,095,000	-	-	-	223,710
Operating transfers in	2,039,016	-	-	-	-	-
Parks and recreation	(650)	-	-	14,801	-	-
Total other financing sources	2,038,366	1,095,000	-	-	-	223,710
				-		
NET CHANGE IN FUND BALANCES	(233,716)	1,334	54,445	48,314	23,626	381,422
Fund balances - beginning	282,656	797,993	95,811	148,848	13,041	1,229,642
Prior period adjustment	-	-	-	-	-	-
Fund balances - beginning, as adjusted	282,656	797,993	95,811	148,848	13,041	1,229,642
Fund balances - ending	$ 48,940	$ 799,327	$ 150,256	$ 197,162	$ 36,667	$ 1,611,064

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	GROUP INSURANCE	TOTAL
$ 208,282	$ -	$ -	$ -	$ 1,037,520
-	-	-	-	198,387
32	457	-	621	13,037
923,107	-	1,745,510	-	6,185,856
40,678	27,699	-	-	210,933
-	-	-	-	28,413
1,172,099	28,156	1,745,510	621	7,674,146
-	-	-	-	125,207
-	-	-	-	1,865,643
-	-	-	3,632,493	3,632,493
858,601	-	-	-	858,601
-	726,630	-	-	3,840,540
-	-	606,441	-	606,441
444,412	136,142	1,211,681	-	4,272,696
-	-	-	-	224,193
-	-	-	-	14,798
1,303,013	862,772	1,818,122	3,632,493	15,440,612
(130,914)	(834,616)	(72,612)	(3,631,872)	(7,766,466)
-	-	-	-	1,318,710
140,000	735,000	-	-	2,914,016
-	168	-	3,799,240	3,813,559
140,000	735,168	-	3,799,240	8,046,285
9,086	(99,448)	(72,612)	167,368	279,819
58,457	264,471	281,205	368,302	3,540,426
-	-	(183,825)	-	(183,825)
58,457	264,471	97,380	368,302	3,356,601
$ 67,543	$ 165,023	$ 24,768	$ 535,670	$ 3,636,420

SCHEDULE 7

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheets
Nonmajor Debt Service Funds
September 30, 2011

	1999 TIF BOND AND INTEREST	CITY BOND AND INTEREST	2002 TIF BOND AND INTEREST SOUTHERN POINTE	2004 TIF BOND AND INTEREST HOME DEPOT	2003 TIF BOND AND INTEREST CHAUVET SQUARE	2007 TIF BOND AND INTEREST TURTLE CROSSING	2008 TIF BOND AND INTEREST LINCOLN CENTER	TOTAL
ASSETS								
Cash and cash equivalents	$ 69,439	$ 3,529,802	$ 67,147	$ 124,886	$ 93,784	$ 199,665	$ 97,712	$ 4,182,435
Due from other funds	-	-	-	-	-	4	-	4
Property taxes receivable	-	2,819,832	-	-	-	-	-	2,819,832
Total assets	$ 69,439	$ 6,349,634	$ 67,147	$ 124,886	$ 93,784	$ 199,669	$ 97,712	$ 7,002,271
LIABILITIES AND FUND BALANCES								
Deferred revenue	$ -	$ 2,800,000	$ -	$ -	$ -	$ -	$ -	$ 2,800,000
Total liabilities	-	2,800,000	-	-	-	-	-	2,800,000
Fund balances:								
Restricted for:								
Debt service	69,439	3,549,634	67,147	124,886	93,784	199,669	97,712	4,202,271
Total fund balances	69,439	3,549,634	67,147	124,886	93,784	199,669	97,712	4,202,271
Total liabilities and fund balances	$ 69,439	$ 6,349,634	$ 67,147	$ 124,886	$ 93,784	$ 199,669	$ 97,712	$ 7,002,271

SCHEDULE 8

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended September 30, 2011

	1999 TIF BOND AND INTEREST	CITY BOND AND INTEREST	2002 TIF BOND AND INTEREST SOUTHERN POINTE	2004 TIF BOND AND INTEREST HOME DEPOT	2003 TIF BOND AND INTEREST CHAUVET SQUARE	2007 TIF BOND AND INTEREST TURTLE CROSSING	2008 TIF BOND AND INTEREST LINCOLN CENTER	TOTAL
REVENUES								
General property taxes	$ 63,750	$ 2,966,570	$ 52,152	$ 60,492	$ 214,360	$ 294,875	$ 65,368	$ 3,717,567
Interest, rents and concessions	72	2,517	46,762	94	97	200	85	49,827
Other revenues	-	215,833	-	-	-	-	-	215,833
Intergovernmental	35,000	80,786	-	25,682	-	97,519	-	238,987
Total revenues	98,822	3,265,706	98,914	86,268	214,457	392,594	65,453	4,222,214
EXPENDITURES								
Other services	-	200,618	35	-	-	-	-	200,653
Debt service:								
Principal payments	80,000	2,593,504	80,000	70,000	85,000	240,000	30,000	3,178,504
Interest and fiscal charges	17,590	828,382	11,738	15,173	107,585	153,575	22,850	1,156,893
Total expenditures	97,590	3,622,504	91,773	85,173	192,585	393,575	52,850	4,536,050
Excess (deficiency) of revenues over expenditures	1,232	(356,798)	7,141	1,095	21,872	(981)	12,603	(313,836)
OTHER FINANCING SOURCES								
Operating transfers in	-	514,654	-	-	-	4	-	514,658
Total other financing sources	-	514,654	-	-	-	4	-	514,658
NET CHANGE IN FUND BALANCES	1,232	157,856	7,141	1,095	21,872	(977)	12,603	200,822
Fund balances - beginning	68,207	3,391,778	60,006	- 123,791	71,912	200,646	85,109	4,001,449
Fund balances - ending	$ 69,439	$ 3,549,634	$ 67,147	$ 124,886	$ 93,784	$ 199,669	$ 97,712	$ 4,202,271

SCHEDULE 9

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheets
Nonmajor Capital Project Funds
September 30, 2011

	2009 DOWNTOWN LIGHTING PROJECT	MISSISSIPPI DEVELOPMENT BANK PROJECT	2001 BOND CONSTRUCTION	2011 TURTLE CROSSING CONSTRUCTION	KAMPER PARK/ ZOO IMPROVEMENTS	TOTAL
ASSETS						
Cash and cash equivalents	$ 402,389	$ 106,623	$ 187,169	$ 4	$ 235,084	$ 931,269
Other receivables	-	3,000	-	-	-	3,000
Total assets	$ 402,389	$ 109,623	$ 187,169	$ 4	$ 235,084	$ 934,269
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	$ 18,550	$ -	$ -	$ -	$ 18,550
Due to other funds	-	-	-	4	-	4
Total liabilities	-	18,550	-	4	-	18,554
Fund balances:						
Restricted for:						
Downtown enhancement project	402,389	-	-	-	-	402,389
Parks and recreation projects	-	91,073	187,169	-	235,084	513,326
Total fund balances	402,389	91,073	187,169	-	235,084	915,715
Total liabilities and fund balances	$ 402,389	$ 109,623	$ 187,169	$ 4	$ 235,084	$ 934,269

SCHEDULE 10

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended September 30, 2011

	2009 DOWNTOWN LIGHTING PROJECT	MISSISSIPPI DEVELOPMENT BANK PROJECT	2001 BOND CONSTRUCTION	2011 TURTLE CROSSING CONSTRUCTION	KAMPER PARK/ ZOO IMPROVEMENTS	TOTAL
REVENUES						
Interest, rents and concessions	$ 1,596	$ 98	$ 241	$ 4	$ 452	$ 2,391
Intergovernmental	-	443,192	-	-	-	443,192
Other revenues	30,466	-	-	-	-	30,466
Total revenues	32,062	443,290	241	4	452	476,049
EXPENDITURES						
Capital outlay	1,986,674	432,799	18,853	364,600	168,528	2,971,454
Other services	620	-	-	35,400	-	36,020
Total expenditures	1,987,294	432,799	18,853	400,000	168,528	3,007,474
Excess (deficiency) of revenues over expenditures	(1,955,232)	10,491	(18,612)	(399,996)	(168,076)	(2,531,425)
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	-	-	-	400,000	-	400,000
Other sources (uses)	-	-	-	-	113	113
Operating transfers out	-	-	-	(4)	-	(4)
Total other financing sources (uses)	-	-	-	399,996	113	400,109
NET CHANGE IN FUND BALANCES	(1,955,232)	10,491	(18,612)	-	(167,963)	(2,131,316)
Fund balances - beginning	2,357,621	80,582	205,781	-	403,047	3,047,031
Fund balances - ending	$ 402,389	$ 91,073	$ 187,169	$ -	$ 235,084	$ 915,715

SCHEDULE 11
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Departmental Expenditures - Budgetary Basis
General Fund
Year Ended September 30, 2011

	PERSONAL SERVICES	SUPPLIES & EXPENSES
GENERAL GOVERNMENT		
City Council	$ 183,084	$ 2,650
Mayor/Administration	497,576	11,208
Municipal Clerk	138,489	3,850
Accounting Division	244,040	3,741
Purchasing Division	126,262	5,681
City Attorney	90,633	-
Human Resources Division	174,985	5,928
Loss Control Division	99,050	3,638
Planning Division	432,119	28,006
Data Processing	372,786	52,737
Metro Planning	191,868	3,787
General Government Building	-	20,245
General Government - Other	3,033	1,003
Intermodal Facility	-	8,096
Federal Grant Administration	127,051	2,917
City Court	878,274	11,016
Total General Government	3,559,250	164,503
PUBLIC SAFETY		
Police Department	8,120,321	774,888
Police and Fire Training	30,132	187,449
Fire Department	6,119,459	300,361
Land Use Code	482,152	27,394
Contractual Services	147,649	-
Total Public Safety	14,899,713	1,290,092
PUBLIC SERVICE		
Traffic Maintenance	323,652	112,191
Street Division	1,576,814	461,136
Street Lights	-	-
Engineering	308,038	16,856
Shop Division	411,114	40,934
Garage and Office	285,804	11,295
Drainage Division	146,201	57,763
Construction Division	547,325	77,357
Sanitation Division	1,218,519	301,240
Street Cleaning Division	36,331	18,797
Public Works – Health Division	384,899	127,661
Total Public Service	5,238,697	1,225,230

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
$ 116,116	$ 86,664	$ -	$ 388,514
65,926	-	-	574,710
32,957	995	-	176,291
950	1,175	-	249,906
760	-	-	132,703
7,685	-	-	98,318
2,764	-	-	183,677
2,328	-	-	105,016
23,188	-	-	483,313
157,789	199,345	-	782,657
10,233	-	-	205,888
107,636	-	-	127,881
1,176,198	-	-	1,180,234
55,937	-	-	64,033
3,086	682,743	-	815,797
65,920	-	-	955,210
1,829,473	970,922	-	6,524,148
437,057	232,763	-	9,565,029
104,751	-	-	322,332
252,026	142,584	-	6,814,430
54,248	-	-	563,794
1,467,310	-	-	1,614,959
2,315,392	375,347	-	18,880,544
39,303	7,275	-	482,421
337,854	-	-	2,375,804
1,042,211	-	-	1,042,211
232,503	36,176	-	593,573
40,994	2,200	-	495,242
15,695	5,674	-	318,468
563,289	129,236	-	896,489
103,927	176,663	-	905,272
808,233	-	-	2,327,992
15,326	-	-	70,454
2,653	24,778	-	539,991
3,201,988	382,002	-	10,047,917

SCHEDULE 11
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Departmental Expenditures - Budgetary Basis
General Fund
Year Ended September 30, 2011

	PERSONAL SERVICES	SUPPLIES & EXPENSES
HEALTH AND WELFARE		
Human/Social Assistance	$ -	$ -
Total Health and Welfare	-	-
ECONOMIC DEVELOPMENT		
Economic Development	-	-
Total Economic Development	-	-
OTHER SERVICES		
Animal Control	91,914	17,756
Airport	85,045	60,234
Cemetery	562,198	78,486
Parking Operations	165,015	5,048
Total Other Services	904,172	161,524
DEBT SERVICE	-	-
TOTAL DEPARTMENTAL EXPENDITURES	$ 24,601,832	$ 2,841,349

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
$ 133,940	$ -	$ -	$ 133,940
133,940	-	-	133,940
150,000	-	-	150,000
150,000	-	-	150,000
115,048	-	-	224,718
47,276	5,000	-	197,555
40,607	117,621	-	798,912
35,443	10,000	-	215,506
238,374	132,621	-	1,436,691
-	-	1,918,392	1,918,392
$ 7,869,167	$ 1,860,892	$ 1,918,392	$ 39,091,632

SCHEDULE 12

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Other Fiduciary Funds, Assets, and Liabilities
Agency Funds
September 30, 2011

	Payroll Withholding Fund
ASSETS	
Cash and cash equivalents	$ 352,070
Property taxes and fees receivable	-
Sales tax receivable	-
Total assets	$ 352,070
LIABILITIES	
Employee contributions payable	$ 350,454
Due to other agencies	-
Other liabilities	1,616
Amounts held in custody for others	-
Total liabilities	$ 352,070

Tax Collectors Fund	Hattiesburg Special Sales Tax	Industrial Park Fund	Total
$ 1,215,079	$ -	$ 961,253	$ 2,528,402
130,408	-	-	130,408
-	385,201	-	385,201
$ 1,345,487	$ 385,201	$ 961,253	$ 3,044,011
$ -	$ -	$ -	$ 350,454
1,343,180	385,201	-	1,728,381
2,307	-	-	3,923
-	-	961,253	961,253
$ 1,345,487	$ 385,201	$ 961,253	$ 3,044,011

SCHEDULE 13

CITY OF HATTIESBURG, MISSISSIPPI

Schedule Of Surety Bonds For Municipal Officials
Year Ended September 30, 2011

Name	Position	Insurance Company	Amount
Kim Bradley	Council Member	Brierfield Insurance Co.	$ 100,000
Deborah Denard Delgado	Council Member	Brierfield Insurance Co.	100,000
Carter Carroll	Council Member	Brierfield Insurance Co.	100,000
Dave J. Ware III	Council Member	Brierfield Insurance Co.	100,000
Henry E. Naylor	Council Member	Brierfield Insurance Co.	100,000
Eddie R. Myers	City Clerk	Brierfield Insurance Co.	100,000
Frazier Bolton	Police Chief	Brierfield Insurance Co.	50,000

SCHEDULE 14

CITY OF HATTIESBURG, MISSISSIPPI

Full Cost Accounting
Solid Waste Management Services
Year Ended September 30, 2011

EXPENSES - Sanitation Cost Center (General Fund):	
Personnel costs	$ 1,218,519
Supplies	301,240
Other services and charges	808,232
Total expenses (other than capital outlay) Sanitation Cost Center	2,327,991
Interest on capital leases - sanitation trucks and containers	90,714
Depreciation expense	469,342
Allocation of certain expenses in Other Cost Centers:	
50% of shop cost center - Repair and maintenance	247,621
Indirect cost allocation - 10% of administration cost centers	273,922
Total calculated expenses - full cost basis	$ 3,409,590
Number of tons of solid waste collected and disposed of by City:	
Sanitation trucks:	
Garbage (tons)	10,445 tons
Trash (tons)	7,367 tons
Total tons solid waste	17,812 tons
Distribution of residential and non-residential costs:	
Residential (84%)	$ 2,864,056
Non-residential (16%)	545,534
Total distribution	$ 3,409,590

NOTES:

Pursuant to Section 17-17-347 of the Mississippi Code, this schedule is presented to provide a full cost accounting of sanitation services. “Residential” solid waste service includes routine household garbage and yard waste collections and disposal. Additionally, duplexes and smaller apartments with individual water meters are also considered to be “residential” customers. “Non-residential” would include garbage and trash service to City-owned facilities, overgrown lot and demolition debris, waste generated by tree crews or other city departments. The City “Commercial” solid waste service was discontinued in the fall months of 2000. The distribution of “Residential” and “Non-residential” at 84/16 is based upon regularly scheduled direct labor hours. Unusual occurrences, such as severe storm damage or demolition of large structures will cause significant fluctuations both in labor hours and debris removal costs. Calculations in this schedule include changes in methodology first utilized in fiscal year 1996 as a result of State Department of Audit performance audit recommendations.

SINGLE AUDIT SECTION

SCHEDULE 15
PAGE 1 OF 6

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grant Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Programs From:			
Governor's Department of Housing and Urban Development			
CDBG Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	MC-28-0006	$ 948,393
ARRA - CDBG Entitlement Grant	14.253	MY-28-0006	23,031
Total - CDBG Entitlement Cluster			971,424
HOME Investment Partnerships Program	14.239	MC-28-0201	774,191
Pass-Through Programs From:			
Mississippi Development Authority			
Katrina Supplemental Community Development Block Grant	14.219	R-110-205-02-GZ	874,962
Katrina Supplemental Community Development Block Grant	14.219	R-103-205-01-KED	1,613,922
			2,488,884
Emergency Shelter Grants Program	14.231	ESG-205-10	75,000
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-10-SP-MS-0101	48,950
Total U.S. Department of Housing and Urban Development			4,358,449

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grant Expenditures
U.S. Department of the Interior/National Park Service			
Pass-Through Program From:			
Mississippi Department of Archives and History			
Historic Preservation Fund Grants-in-Aid:			
Hurricane Relief Grant for Historic Preservation	15.904		$ (103,050)
Total U.S. Department of the Interior/National Park Service			(103,050)
U.S. Department of Justice			
Pass-Through Programs From:			
Office of Justice Programs			
Violence Against Women Act - ARRA	16.526	09-EFS6-003	12,390
Violence Against Women Act	16.526	10-WF-AX-0050	5,790
			18,180
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2008-JP-FX-0045	39,728
Edward Byrne Memorial Formula Grant	16.579	10-DJ-BX-0403	63,009
Public Safety Partnership and Community Policing Grant	16.710	2007CKWX0247	21,989

SCHEDULE 15
PAGE 3 OF 6

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grant Expenditures
U.S. Department of Justice (Cont.)			
Pass-Through Programs From:			
Office of Justice Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0654	$ 32,167
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1348	24,650
			56,817
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2009MOBX0033	52,545
Total U.S. Department of Justice			252,268
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-0031-0018-2011	80,111
Federal Transit Administration			
Federal Transit Cluster:			
ARRA - Federal Transit Capital Investment Grants	20.500	MS-96-X001	483,456
Federal Transit Formula Grants:			
Mass Transit Preventative	20.507	MS-90-0079/0082	261,236
Mass Transit Operating	20.507	MS-90-4079/4082	178,415
Mass Transit Capital	20.507	MS-90-X076	-
Total - Federal Transit Formula Grants			439,651
Total - Federal Transit Cluster			923,107

SCHEDULE 15
PAGE 4 OF 6

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grant Expenditures
U.S. Department of Transportation (Cont.):			
Pass-Through Programs From:			
Mississippi Department of Transportation			
Highway Planning and Construction:			
Urban Youth Corps. Transportation Enhancement Project	20.205	STP-9999-00(915)/106227-114000	$ 28,822
ARRA - Highway Planning and Construction	20.205	STP-0210-00(021)/105245-702000	348,880
Chain Park Trail Construction	20.205	STP-0210-00(016)/105245-701000	45,362
Interchange Landscaping Project	20.205	STP-0080.01-(012)/105122-701000	14,595
Safe Routes to Schools Project (Rowan)	20.205	SRSP-0210-00(020)	7,007
Traffic Signal Upgrade - ITS	20.205	ITS-6098-00(008)LPA/105758-801000	386,760
Downtown Congestion Study	20.205	TCSP-0210-00(011)/104452-101000	55,602
Metropolitan Planning Organization	20.205	MS-80-0002/105365 & 106001-103100	185,283
Total - Highway Planning and Construction			1,072,311
Pass-Through Programs From:			
Office of Highway Safety			
Alcohol Countermeasures Incentives	20.605	11-K8-2151	56,540
Total U.S. Department of Transportation			2,132,069
U.S. Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-95441009	684,509
Total U.S. Environmental Protection Agency			684,509

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grant Expenditures
U.S. Department of Eneregy			
ARRA - Conservation Block Grant Program	81.128	DE-SC0002758	$ 536,400
Total U.S. Department of Energy			536,400
U.S. Department of Homeland Security			
Pass-Through Program From:			
Mississippi Office of Homeland Security			
Homeland Security Cluster:			
Citizens' Corps Grant	97.004	09CC205	3,785
Homeland Security Grant Program	97.067	08HS205	40,000
Homeland Security Grant Program	97.067	S9HS205T	7,121
Homeland Security Grant Program	97.067	09HS205T	49,080
Homeland Security Grant Program	97.067	S8HS205T	8,874
Homeland Security Grant Program	97.067	E8HS205T	29,859
			134,934
Total - Homeland Security Cluster			138,719
Pass-Through Programs From:			
Mississippi Emergency Management Agency			
Federal Disaster Assistance Funding	97.036	FEMA-1604-DR-MS	(482,857)
Federal Disaster Assistance Funding	97.036	FEMA-1794-DR-MS	91,408
			(391,449)

SCHEDULE 15
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CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grant Expenditures
U.S. Department of Homeland Security (Cont.):			
Pass-Through Programs From:			
Mississippi Emergency Management Agency			
Hazard Mitigation Grant - Emergency Warning System	97.039	HMGP-1604-200	$ 112,527
Hazard Mitigation Grant - Saferooms	97.039	HMGP-1604-220	187,683
Pass-Through Program From:			
Forrest County, Mississippi			
Hazard Mitigation Grant - Emergency Generators	97.039	HMGP-1604-0010-42	29,367
			329,577
Pass-Through Program From:			
Mississippi Office of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-07488	64,760
Total U.S. Department of Homeland Security			141,607
Total Federal Financial Assistance			$ 8,002,252

CITY OF HATTIESBURG

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City for the year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Hattiesburg, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Hattiesburg.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures - Expenditures reported on the Schedule are presented on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-87*, Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting - The accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred but not yet billed. Thus, federal programs presenting negative amounts on the Schedule are the result of prior year estimates being overstated and/or reimbursements due back to grantor agencies.

Pass-Through Entity Identifying Numbers - Pass-through entity identifying numbers are presented when available.

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Schedule 16

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

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements and have issued our report thereon dated DATE. 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 Hattiesburg, 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 Hattiesburg, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-1 to be a material weakness.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, others within the organization, the City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
March 23, 2012

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Schedule 17

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

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

Compliance

We have audited the City of Hattiesburg, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hattiesburg, Mississippi's major federal programs for the year ended September 30, 2011. The City of Hattiesburg, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hattiesburg, Mississippi's management. Our responsibility is to express an opinion on the City of Hattiesburg, Mississippi's compliance based on our audit.

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

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

As described in item 2011-2 in the accompanying schedule of findings and questioned costs, the City of Hattiesburg, Mississippi did not comply with requirements regarding cash management applicable to the Highway Planning and Construction grant program. Compliance with such requirements is necessary, in our opinion, for the City of Hattiesburg, Mississippi to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Hattiesburg, Mississippi , complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a material weakness.

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

To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

This report is intended solely for the information and use of management, others within the organization, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
March 23, 2012

SCHEDULE 18
PAGE 1 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	
CDBG Entitlement Cluster	Unqualified
HOME Investment Partnership Program	Unqualified
Highway Planning and Construction Cluster	Qualified
Federal Transit Cluster	Unqualified
Energy Efficiency and Conservation Block Grant Program	Unqualified
Hazard Mitigation Grant	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	CDBG Entitlement Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.253	ARRA – CDBG Entitlement Grant

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

Section I - Summary of Auditor's Results (Cont.)

Federal Awards (Cont.)

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program
	Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
	Federal Transit Cluster
20.500	Federal Transit Capital Investment Grants ARRA
20.507	Federal Transit Formula Grants
81.128	Energy Efficiency and Conservation Block Grant Program
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? No

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

Section II - Financial Statement Findings

Significant Deficiency – Material Weakness

Finding 2011-1 **Finding:**

The City's internal control policies and procedures applicable to federal and state grant activities should be designed to provide reasonable assurance that all applicable requirements of grants and contracts are met. These policies and procedures require accurate and timely communications between grant administrators, engineers, various City operating departments and the Accounting Department. During 2011, the City inadvertently allowed grant reimbursement requests to be processed prior to payments being made to contractors and vendors.

Recommendation:

The City should design and implement internal control procedures that will allow for accurate and timely communication between grant administrators, engineers, various City operating departments, and the Accounting Department so that requirements applicable to grants and contractual agreements are followed, and implement procedures that will ascertain the coordination of funding requests that will allow for compliance with those requirements.

Auditee's Response:

The City will implement internal control procedures that will ascertain the coordination of funding requests that will allow for compliance with applicable grant and contractual requirements.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

Section III - Federal Awards Findings and Questioned Costs

Significant Deficiency – Material Weakness

Finding 2011-2 **Finding:**

CFDA No. 20.205 Highway Planning and Construction Cluster
U.S. Department of Transportation
Grant Number – ITS-6098-00(008) LPA/105758-801000
Passed through the Mississippi Department of Transportation

Compliance Requirement:

Cash Management – Compliance with applicable regulations pertaining to timely payments to contractors and vendors from grant proceeds.

During fiscal year ended September 30, 2011, the City failed to comply with Federal law and regulations and standards identified in 2 CFR section 215.22 and Treasury regulations at 31 CFR part 205, Federal awarding regulations, and the terms and conditions of award documents that prescribe procedures to be followed pertaining to cash management requirements applicable to federal grant programs. The City inadvertently allowed reimbursement requests to be processed prior to payments to vendors for traffic signal system improvements, and subsequently failed to make timely payments to vendors after the receipt of these funding requests thus resulting in a questioned cost attributable to interest earnings.

Questioned Cost:

The above-noted transactions generated interest earnings in the amount of $12 from federal grant funds received.

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Recommendation:

The City should implement procedures that will ascertain that project engineers, the Engineering Department, and the Accounting Department understand the pertinent cash management requirements applicable to each grant, and implement procedures that will ascertain the coordination of funding requests that will allow for compliance with those requirements.

Auditee's Response:

The City will implement procedures that will ascertain the coordination of funding requests that will allow for compliance with applicable cash management requirements.

CITY OF HATTIESBURG, MISSISSIPPI

CORRECTIVE ACTION PLAN

Year Ended September 30, 2011

Mayor
Johnny L. DuPree, Ph.D.

Council - Ward 1	Council - Ward 2	Council - Ward 3	Council - Ward 4	Council - Ward 5
Kim Bradley	*Deborah Denard Delgado*	*Carter Carroll*	*Dave J. Ware, II*	*Henry Naylor*

Finding 2011-2

Program:	Highway Planning and Construction Cluster
CFDA No.:	20.205
Federal Agency:	U.S. Department of Transportation
Passed Through:	Mississippi Department of Transportation
Award Year:	Fiscal Year 2010-2011
Compliance Requirement:	Cash Management
Questioned Costs:	$12

Department's Response:

The Department of Administration concurs with the finding.

Corrective Action Plan:

Response from the Department of Administration:

Administration will emphasize the importance of the coordination of all aspects of grant administration, including applicable cash management requirements.

Name of Responsible Person: Eddie R. Myers, Director of Administration/City Clerk

Name of Department Contact: Lisa Hanson

Expected date of Completion: February 1, 2012

City of Hattiesburg PO Box 1898 Hattiesburg, MS 39403-1898

CITY OF HATTIESBURG, MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2011

Mayor
Johnny L. DuPree, Ph.D.

Council - Ward 1	Council - Ward 2	Council - Ward 3	Council - Ward 4	Council - Ward 5
Kim Bradley	*Deborah Denard Delgado*	*Carter Carroll*	*Dave J. Ware, II*	*Henry Naylor*

Summary Schedule of Prior Audit Findings
September 30, 2011

The following is an update of the prior audit finding and is prepared in accordance with the Office of Management and Budget Circular A-133, Section .315(b).

2010-1 Summary of prior audit finding - State Procurement Laws Should be Followed
CFDA 20.5000 ARRA – Federal Transit Capital Investment Grants

Status - FULLY CORRECTED

The City's purchasing department has attended training to become fully aware of state purchasing laws as they are related to ARRA purchases. All ARRA purchases are now pre-approved by the purchasing department to ensure that applicable state laws are being followed.

2010-2 Summary of prior audit finding - Controls over Grant Reporting Should be Strengthened
CFDA 14.253 ARRA CDBG Entitlement Grant
CFDA 16.804 ARRA Recovery Act Edward Byrne Memorial Justice Assistance Grant
CFDA 20.500 ARRA Transit Capital Investment Grants

Status - FULLY CORRECTED

City Employees responsible for ARRA grant reporting have reviewed the applicable requirements for reporting compliance and have implemented a control whereby an appropriate, knowledgeable person reviews and approves the reporting.

2010-3 Summary of prior audit finding - ARRA Funded Contract Documents Should Include Specific Required Language
CFDA 14.253 ARRA CDBG Entitlement Grant

Status - FULLY CORRECTED

The City's ARRA contracts with consultants, contractors, and others have been reviewed and where necessary have been amended to include the proper ARRA-specific language. Additionally, future contracts are reviewed by the purchasing department to ensure that the proper language is included.

Contact: Lisa Hanson, Comptroller

STATISTICAL INFORMATION

TABLE 1

CITY OF HATTIESBURG, MISSISSIPPI

NET ASSETS BY COMPONENTS [1]
LAST SEVEN FISCAL YEARS

	FISCAL YEAR						
	2011	2010	2009	2008	2007	2006	2005
GOVERNMENTAL ACTIVITIES:							
Invested in capital assets, net of related debt	$ 94,987,280	$ 93,714,770	$ 94,294,279	$ 94,307,180	$ 93,482,416	$ 85,543,514	$ 79,339,867
Restricted for:							
Capital projects	915,715	3,047,031	3,161,144	277,340	421,986	355,132	236,730
Debt service	4,202,271	4,001,449	3,634,390	2,831,189	2,361,894	1,711,307	1,556,481
Unrestricted	12,534,415	11,374,445	8,926,370	10,695,572	12,335,482	11,324,642	7,549,683
Governmental activities net assets	$ 112,639,681	$ 112,137,695	$ 110,016,183	$ 108,111,281	$ 108,601,778	$ 98,934,595	$ 88,682,761
BUSINESS-TYPE ACTIVITIES:							
Invested in capital assets, net of related debt	$ 44,616,923	$ 42,142,047	$ 37,239,290	$ 32,131,585	$ 26,516,342	$ 22,705,571	$ 34,161,132
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	8,940,970	6,140,570	7,863,497	10,522,245	13,847,699	15,874,687	2,540,385
Business-type activities net assets	$ 53,557,893	$ 48,282,617	$ 45,102,787	$ 42,653,830	$ 40,364,041	$ 38,580,258	$ 36,701,517
PRIMARY GOVERNMENT:							
Invested in capital assets, net of related debt	$ 139,604,203	$ 135,856,817	$ 131,533,569	$ 126,438,765	$ 119,998,758	$ 108,249,085	$ 113,500,999
Restricted for:							
Capital projects	915,715	3,047,031	3,161,144	277,340	421,986	355,132	236,730
Debt service	4,202,271	4,001,449	3,634,390	2,831,189	2,361,894	1,711,307	1,556,481
Unrestricted	21,475,385	17,515,015	16,789,867	21,217,817	26,183,181	27,199,329	10,090,068
Primary government net assets	$ 166,197,574	$ 160,420,312	$ 155,118,970	$ 150,765,111	$ 148,965,819	$ 137,514,853	$ 125,384,278

(1) Information not available for the last ten years of reporting, but will be accuulated over time as it becomes available.

TABLE 2

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET ASSETS [1]
LAST SEVEN FISCAL YEARS

	FISCAL YEAR						
	2011	2010	2009	2008	2007	2006	2005
GOVERNMENTAL ACTIVITIES:							
General government	$ 6,925,636	$ 6,592,285	$ 6,414,171	$ 6,415,817	$ 5,518,515	$ 5,266,006	$ 5,032,688
Public safety	20,097,532	19,961,821	19,507,269	18,985,991	17,937,458	15,474,025	14,670,081
Public services	17,767,209	18,248,607	19,790,101	20,398,976	16,846,291	20,251,044	14,417,361
Other services	5,384,474	6,089,579	5,594,820	5,727,212	5,596,293	4,921,694	4,052,402
Mass transit	1,145,590	993,835	925,506	1,054,153	753,752	718,518	602,119
Cultural and recreation	4,421,402	4,494,146	4,175,345	4,247,864	3,902,787	3,818,198	2,560,224
Human/social assistance	1,864,618	567,679	569,049	617,544	635,505	831,362	658,356
Economic development	150,000	150,000	150,000	159,502	196,000	196,000	210,280
Interest and fiscal charges	1,299,623	1,261,015	1,427,014	1,718,149	1,740,731	1,664,988	1,364,028
Total governmental activities expenses	59,056,084	58,358,967	58,553,275	59,325,208	53,127,332	53,141,835	43,567,539
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer System	9,582,704	10,263,712	8,302,628	8,318,670	7,433,290	7,000,869	6,070,204
Total primary government expenses	$ 68,638,788	$ 68,622,679	$ 66,855,903	$ 67,643,878	$ 60,560,622	$ 60,142,704	$ 49,637,743
PROGRAM REVENUES:							
Governmental Activities:							
Charges for services	$ 8,287,847	$ 8,853,022	$ 8,467,560	$ 7,773,432	$ 2,693,409	$ 3,008,496	$ 2,781,965
Operating grants and contributions	5,956,487	5,375,052	7,624,535	6,262,995	10,480,188	11,175,693	7,528,426
Capital grants and contributions	2,800,969	3,186,741	2,355,657	5,098,683	4,179,064	5,681,530	5,880,728
Total governmental activities program revenues	17,045,303	17,414,815	18,447,752	19,135,110	17,352,661	19,865,719	16,191,119
Business-Type Activities:							
Charges for services	11,734,715	12,245,747	9,907,131	9,197,894	8,537,545	8,660,771	8,075,288
Total program revenues	28,780,018	29,660,562	28,354,883	28,333,004	25,890,206	28,526,490	24,266,407

TABLE 2
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET ASSETS [1]
LAST SEVEN FISCAL YEARS

	FISCAL YEAR						
	2011	2010	2009	2008	2007	2006	2005
Net Revenues (Expenses):							
Governmental activities	$ (42,010,781)	$ (40,944,772)	$ (40,105,523)	$ (40,190,098)	$ (35,774,671)	$ (33,276,116)	$ (27,376,420)
Business-type activities	5,175,235	3,109,246	1,604,503	879,224	1,104,255	1,659,902	2,005,084
Total primary government net (expenses)	(36,835,546)	(37,835,526)	(38,501,020)	(39,310,874)	(34,670,416)	(31,616,214)	(25,371,336)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:							
Governmental Activities:							
Property taxes	17,261,796	16,978,749	15,273,539	13,753,217	15,103,579	12,216,587	12,223,041
Sales taxes	19,902,590	19,746,092	20,520,329	22,350,027	22,446,221	24,717,190	17,873,911
Franchise and other taxes	4,493,197	4,719,547	4,538,419	4,602,087	4,324,217	4,089,915	3,592,591
Grants and contributions (not restricted)	126,500		25	1,600	1,325	1,325	2,825
Unrestricted investment earnings	149,627	357,369	382,761	757,656	1,003,549	895,411	498,403
Miscellaneous revenues	1,348,789	1,264,527	1,295,352	1,231,625	936,361	1,607,522	582,419
Total governmental activities	43,282,499	43,066,284	42,010,425	42,696,212	43,815,252	43,527,950	34,773,190
Business-type Activities:							
Unrestricted investment earnings	21,264	17,758	34,590	240,797	637,473	215,478	52,480
Miscellaneous revenues	78,777	52,826	809,864	1,169,768	42,055	3,361	165,694
Total business-type activities	100,041	70,584	844,454	1,410,565	679,528	218,839	218,174
Total primary government	43,382,540	43,136,868	42,854,879	44,106,777	44,494,780	43,746,789	34,991,364
CHANGE IN NET ASSETS:							
Governmental activities	1,271,718	2,121,512	1,904,902	2,506,114	8,040,581	10,251,834	7,396,770
Business-type activities	5,275,276	3,179,830	2,448,957	2,289,789	1,783,783	1,878,741	2,223,258
Total primary government	$ 6,546,994	$ 5,301,342	$ 4,353,859	$ 4,795,903	$ 9,824,364	$ 12,130,575	$ 9,620,028

(1) Information not available for the last ten years of reporting, but will be accuulated over time as it becomes available.

TABLE 3

CITY OF HATTIESBURG, MISSISSIPPI

FUND BALANCES [1]
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund:										
Nonspendable	$ 30,750	$ 252,349	$ 82,057	$ 65,400	$ 53,763	$ 21,533	$ 252,104	$ 292,526	$ 20,686	$ 200,898
Assigned	386,144	-	-	-	-	-	-	-	-	-
Unassigned	7,661,673	-	-	-	-	-	-	-	-	-
Unreserved	-	6,824,621	7,739,081	8,484,316	10,165,200	8,910,441	6,138,963	6,613,676	5,465,362	4,771,727
Total general fund	8,078,567	7,076,970	7,821,138	8,549,716	10,218,963	8,931,974	6,391,067	6,906,202	5,486,048	4,972,625
% Change from Prior Year	14.2%	-9.5%	-8.5%	-16.3%	14.4%	39.8%	-7.5%	25.9%	10.3%	37.7%
Other Governmental Funds:										
Debt service funds										
Restricted	4,202,271	4,001,449	2,718,167	3,683,691	3,569,062	3,536,711	2,465,587	2,139,449	1,879,905	1,461,685
Special revenue funds										
Restricted	2,616,964	-	-	-	-	-	-	-	-	-
Committed	1,019,456	-	-	-	-	-	-	-	-	-
Unreserved	-	3,540,426	3,634,390	2,831,189	2,361,894	1,711,307	1,556,481	1,348,064	1,153,197	1,058,024
Capital projects funds										
Restricted	915,715	3,047,031	3,161,144	277,340	379,848	286,497	429,947	(710,590)	5,074,208	7,399,076
Total other governmental funds	8,754,406	10,588,906	9,513,701	6,792,220	6,310,804	5,534,515	4,452,015	2,776,923	8,107,310	9,918,785
Total governmental funds	$ 16,832,973	$ 17,665,876	$ 17,334,839	$ 15,341,936	$ 16,529,767	$ 14,466,489	$ 10,843,082	$ 9,683,125	$ 13,593,358	$ 14,891,410
% Change from Prior Year	-4.7%	1.9%	13.0%	-7.2%	14.3%	33.4%	12.0%	-28.8%	-8.7%	122.5%

(1) This schedule reports using the modified accrual basis of accounting. See Table 4 for changes in fund balances from year to year.

(2) Under GASB Statement No. 54 the balance sheet reporting categories are based upon a hierarchy of classifications based upon the constraints on resources reported in the funds. With the City's implementation of this reporting format in fiscal year 2011, prior year components of fund balances are presented based upon prior reporting classifications on this table for special revenue funds as unreserved. The City's debt service and capital project fund balances are, however, presented as restricted due to the underlying statutory spending requirements in Mississippi applicable to debt repayment resources and debt proceeds.

TABLE 4

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
REVENUE:										
Property taxes	$ 16,892,639	$ 16,978,749	$ 15,273,539	$ 13,753,217	$ 15,103,579	$ 12,327,064	$ 12,173,753	$ 12,481,682	$ 10,848,352	$ 10,652,879
Sales taxes	19,925,608	19,746,092	20,381,753	22,350,027	22,446,221	24,717,190	17,873,911	16,862,144	15,152,998	15,654,754
Licenses and permits	4,114,371	4,305,480	4,296,709	4,188,526	3,901,213	3,697,193	2,831,557	3,317,134	2,822,965	2,578,742
Fines and forfeitures	1,846,516	2,009,057	1,589,861	1,554,656	1,065,269	1,018,354	971,467	1,105,848	1,054,032	941,015
Interest, rents, concessions	170,965	170,191	211,214	582,741	807,617	598,136	261,132	386,754	523,465	677,237
Intergovernmental	9,281,209	9,354,293	10,291,647	8,073,409	8,570,904	10,692,038	10,054,395	4,481,157	7,024,299	3,806,004
Charges for services	2,572,647	2,650,845	2,763,676	2,359,464	1,667,251	1,804,014	1,762,323	1,742,228	1,848,685	1,685,187
Other revenues	512,591	251,219	888,749	4,389,090	2,798,041	3,956,796	676,246	934,067	178,505	139,894
Total revenues	55,316,546	55,465,926	55,697,148	57,251,130	56,360,095	58,810,785	46,604,784	41,311,014	39,453,301	36,135,712
% Change from prior year	-0.3%	-0.4%	-2.7%	1.6%	-4.2%	26.2%	12.8%	4.7%	9.2%	1.7%
EXPENDITURES:										
General government	6,271,409	6,081,588	5,679,589	5,674,985	5,235,266	5,246,079	4,897,698	4,850,407	4,716,913	4,493,432
Public safety	18,632,140	18,436,079	18,269,998	17,309,920	16,319,725	14,299,637	14,227,840	13,640,172	12,428,574	12,359,931
Public services	11,454,151	12,698,983	13,739,073	14,567,346	12,494,900	16,326,824	10,651,948	9,264,327	8,544,755	8,805,775
Other services	5,175,661	5,924,909	5,463,648	5,619,828	5,692,145	4,866,672	4,019,276	4,222,829	3,503,582	1,240,979
Mass transit	858,601	773,695	719,882	787,422	677,515	652,909	554,888	506,310	565,838	471,134
Cultural and recreation	3,840,540	4,125,885	3,877,083	3,783,572	3,547,792	3,546,341	3,010,508	2,828,225	2,659,198	2,407,405
Human/Social assistance	740,165	545,507	547,544	595,945	604,661	1,005,953	437,146	355,586	1,194,559	238,196
Economic development	150,000	150,000	150,000	159,502	196,000	196,000	210,280	200,370	196,000	144,000
Capital outlays	8,364,094	12,058,220	7,299,488	9,160,136	17,111,494	13,270,430	14,498,353	14,027,343	9,745,037	4,195,841
Debt service:										
Principal	5,044,999	17,181,940	11,440,741	10,462,369	4,215,614	3,407,540	3,470,925	3,166,611	2,875,718	2,482,714
Interest and fiscal charges	1,447,781	1,101,913	1,376,530	1,744,949	1,690,106	1,625,228	1,383,084	1,300,556	1,291,180	1,260,872
Total expenditures	61,979,541	79,078,719	68,563,576	69,865,974	67,785,218	64,443,613	57,361,946	54,362,736	47,721,354	38,100,279
% Change from prior year	-21.6%	15.3%	-1.9%	3.1%	5.2%	12.3%	5.5%	13.9%	25.3%	0.9%
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(6,662,995)	(23,612,793)	(12,866,428)	(12,614,844)	(11,425,123)	(5,632,828)	(10,757,162)	(13,051,722)	(8,268,053)	(1,964,567)
OTHER FINANCING SOURCES (USES):										
Proceeds from long-term debt	1,718,710	18,836,240	10,112,970	6,733,377	8,394,533	5,019,686	7,559,737	3,781,219	1,770,000	8,950,000
Transfers from other funds	3,854,721	4,609,574	4,671,908	4,862,491	5,416,316	4,333,268	4,482,512	4,132,919	3,882,614	3,841,314
Transfers to other funds	(2,914,020)	(3,678,323)	(3,977,272)	(3,939,037)	(4,411,343)	(3,346,379)	(3,222,425)	(2,635,861)	(2,609,360)	(2,794,451)
Other sources	3,940,413	4,176,339	4,051,725	3,770,182	4,088,895	3,249,660	3,097,295	3,863,212	3,490,917	165,408
Net other financing sources	6,599,824	23,943,830	14,859,331	11,427,013	13,488,401	9,256,235	11,917,119	9,141,489	6,534,171	10,162,271
NET CHANGE IN FUND BALANCES	$ (63,171)	$ 331,037	$ 1,992,903	$ (1,187,831)	$ 2,063,278	$ 3,623,407	$ 1,159,957	$ (3,910,233)	$ (1,733,882)	$ 8,197,704
Debt service as % of non-capital expenditures	13.8%	37.5%	26.5%	25.2%	13.2%	10.9%	12.8%	12.5%	12.3%	12.4%

TABLE 5

CITY OF HATTIESBURG, MISSISSIPPI

GOVERNMENTAL FUNDS - TAX REVENUES BY SOURCE [1]
LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Sales Taxes (City's Share)	Total - Property and Sales Taxes	Gross Sales Subject to Sales Taxes (Per State Tax Commission)
2011	$ 16,892,639	$ 19,902,590	$ 36,795,229	$ 1,662,704,275
2010	16,978,749	19,746,092	36,724,841	1,647,257,153
2009	15,273,539	20,381,753	35,655,292	1,706,858,672
2008	13,753,217	22,350,027	36,103,244	1,823,222,841
2007	15,103,579	22,446,221	37,549,800	1,892,188,843
2006	12,327,064	24,717,190	37,044,254	1,642,486,919
2005	12,173,753	17,873,911	30,047,664	1,479,451,805
2004	12,481,682	16,862,144	29,343,826	1,397,922,230
2003	10,848,352	15,152,998	26,001,350	1,248,352,898
2002	10,652,879	15,654,754	26,307,633	1,261,693,015
% Change in Dollars over the 10 Year Period	58.6%	27.1%	39.9%	31.8%

(1) This schedule reports using the modified accrual basis of accounting.

Gross Sales Subject to Sales By County - Forrest	(%)	Gross Sales Subject to Sales By County - Lamar	(%)	Component Unit - 2% Food & Beverage Tax
$ 877,852,622	53%	$ 784,851,653	47%	$ 4,254,485
866,344,980	53%	780,912,173	47%	4,625,748
899,713,933	53%	807,144,739	47%	4,627,244
978,033,753	54%	845,189,088	46%	4,566,654
1,043,502,246	55%	848,686,597	45%	4,345,317
814,593,191	50%	827,893,728	50%	3,916,424
836,057,117	57%	643,394,688	43%	3,145,585
807,788,636	58%	590,133,594	42%	2,910,575
744,424,173	60%	503,928,725	40%	2,597,330
754,492,423	60%	507,200,592	40%	2,491,315
16.4%		54.7%		70.8%

TABLE 6

CITY OF HATTIESBURG, MISSISSIPPI

DIRECT AND OVERLAPPING PROPERTY TAX RATES - FORREST AND LAMAR COUNTIES
LAST TEN FISCAL YEARS [1]

FORREST COUNTY:		City of Hattiesburg				Hattiesburg School District				
Year Ended Sept. 30,	Tax Roll Year	Operations	City Bond & Interest	Other (Library & Pension Fund)	City - Total	Hattiesburg School District Operations	School Bond & Interest Taxes	Total-Schools	Forrest County Taxes	Total
2002	2001	33.50	7.58	6.47	47.55	56.22	6.84	63.06	54.67	165.28
2003	2002	33.50	7.58	6.47	47.55	58.30	7.08	65.38	54.58	167.51
2004	2003	33.50	7.58	6.47	47.55	58.30	7.34	65.64	53.98	167.17
2005	2004	33.50	7.58	6.47	47.55	58.30	7.34	65.64	55.44	168.63
2006	2005	33.50	7.58	6.47	47.55	58.30	7.54	65.84	56.96	170.35
2007	2006	33.50	7.58	6.47	47.55	58.30	7.54	65.84	56.82	170.21
2008	2007	33.50	7.58	6.47	47.55	58.30	7.54	65.84	60.86	174.25
2009	2008	33.50	7.58	6.47	47.55	58.30	7.54	65.84	60.86	174.25
2010	2009	33.50	7.15	6.27	46.92	51.75	6.43	58.18	55.09	160.19
2011	2010	33.50	7.15	6.27	46.92	54.13	7.52	61.65	55.09	163.66

LAMAR COUNTY:		City of Hattiesburg				Hattiesburg School District				
Year Ended Sept. 30,	Tax Roll Year	Operations	City Bond & Interest	Other (Library & Pension Fund)	City - Total	Hattiesburg School District Operations	School Bond & Interest Taxes	Total-Schools	Lamar County Taxes	Total
2004	2003	33.50	7.58	6.47	47.55	58.30	7.34	65.64	52.14	165.33
2005	2004	33.50	7.58	6.47	47.55	58.30	7.34	65.64	52.14	165.33
2006	2005	33.50	7.58	6.47	47.55	58.30	7.54	65.84	51.37	164.76
2007	2006	33.50	7.58	6.47	47.55	58.30	7.54	65.84	51.37	164.76
2008	2007	33.50	7.58	6.47	47.55	58.30	7.54	65.84	50.87	164.26
2009	2008	33.50	7.58	6.47	47.55	58.30	7.54	65.84	50.87	164.26
2010	2009	33.50	7.15	6.27	46.92	51.75	6.43	58.18	50.86	155.96
2011	2010	33.50	7.15	6.27	46.92	54.13	7.52	61.65	50.86	159.43

(1) Information not available for Lamar County for the last ten years of reporting, but will be accuulated over time as it becomes available.

TABLE 7

CITY OF HATTIESBURG, MISSISSIPPI

COMPUTATION OF LEGAL DEBT MARGIN USING MOST CURRENT TAX ROLLS
SEPTEMBER 30, 2011

		15% Test	20% Test
Property tax base valuation as prepared by Tax Assessors during the summer months of 2011 for property taxes to be collected in fiscal year 2012		$ 395,386,255	$ 395,386,255
Times Applicable %		X 15%	X 20%
Product of Tax Base Times Applicable Percentage	(a)	59,307,938	79,077,251
Present General Obligation Debt Subject to Statutory Debt Limits:			
General obligation bonds outstanding at September 30, 2010		31,591,157	31,591,157
Less: exempt bonds		(9,012,228)	(9,012,228)
Add: water & sewer general obligation bonds		n/a	14,576,506
Total general obligation debt outstanding	(b)	22,578,929	37,155,435
Margin for Additional General Obligation Debt - (a) minus (b)		$ 36,729,009	$ 41,921,816

The City is subject to the limitations of indebtedness prescribed by MS Code Section 21-33-303. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bonded indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in that Code Section. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of municipal debt excluded from the authorized debt limit tests. Excluded from this test would be tax increment financing bonds, water and sewer revenue bonds, debt secured by tax intercept agreements (sales tax collections, as opposed to the property tax base) and leases subject to annual appropriations.

The municipality is limited to the smaller of the two calculated percentages, and as of September 30, 2011 the 15% test would apply with a calculated margin for additional general obligation debt in the amount of $36,729,009.

TABLE 8

CITY OF HATTIESBURG, MISSISSIPPI

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Year Ended Sept. 30,	Population	Assessed Value	Bonded General Obligation Debt	Less: Bonded Debt Service Funds Available	Net Bonded General Obligation Debt	Ratio of G.O. Bonded Debt to Assessed Values	Net General Obligation Debt Per Capita
2002	45,538	$ 260,045,410	$ 28,650,000	$ 1,058,024	$ 27,591,976	10.61%	$ 605.91
2003	45,779	268,186,182	25,135,000	1,153,197	23,981,803	8.94%	523.86
2004	45,988	285,319,298	22,870,000	1,113,006	21,756,994	7.63%	473.10
2005	47,598	310,609,766	20,590,000	1,321,947	19,268,053	6.20%	404.81
2006	47,598	331,105,907	18,690,000	1,569,644	17,120,356	5.17%	359.69
2007	47,598	350,838,275	16,660,000	2,207,580	14,452,420	4.12%	303.64
2008	47,598	351,031,031	14,640,000	2,297,231	12,342,769	3.52%	259.31
2009	48,012	409,111,676	26,138,549	3,048,077	23,090,472	5.64%	480.93
2010	53,582	409,750,752	34,652,244	3,366,824	31,285,420	7.64%	583.88
2011	45,989	395,386,255	32,952,977	3,529,802	29,423,175	7.44%	639.79

TABLE 9

CITY OF HATTIESBURG, MISSISSIPPI

WATER AND SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Year Ended Sept. 30,	Gross Revenues	Expenses	Net Revenues Available for Debt Service	Required Ratio Based Upon Applicable % Times Prescribed Annual P & I	Debit Service Requirement Calculated with Applicable %	Coverage Ratio
2002	$ 6,661,270	$ 4,423,520	$ 2,237,750	115% of P & I for FY 2002	$ 1,783,457	1.25
2003	7,061,287	4,818,082	2,243,205	115% of P & I for FY 2003	1,789,989	1.25
2004	8,262,525	4,999,288	3,263,237	115% of P & I for FY 2004	1,785,389	1.83
2005	8,127,768	4,967,317	3,160,451	115% of P & I for FY 2005	1,782,026	1.77
2006	8,831,622	6,316,769	2,514,853	105% of P & I for FY 2007 (1)	1,652,024	1.52
2007	8,495,274	6,481,746	2,013,528	105% of P & I for FY 2007	1,652,024	1.22
2008	9,107,728	5,796,631	3,311,097	105% of P & I for FY 2007	1,571,214	2.11
2009	9,907,131	6,797,027	3,110,104	105% of P & I for FY 2008	1,573,356	1.98
2010	12,245,747	7,006,259	5,239,488	105% of P & I for FY 2009	1,568,356	3.34
2011	11,734,715	8,937,208	2,797,507	105% of P & I for FY 2010	1,572,156	1.78

(1) Calculations from fiscal year 2006 forward based upon 105% of prior fiscal years debt service requirements for the 2006 bonds.

TABLE 10

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST SEVEN FISCAL YEARS (1)

	2011 Employees	2010 Employees	2009 Employees	2008 Employees	2007 Employees	2006 Employees	2005 Employees
Governmental Activities:							
The General Fund:							
City Council	6	6	6	6	6	7	7
Department of Administration	37	36	32	32	33	32	33
Urban Planning:							
Planning	10	11	11	14	14	11	13
Intermodoal Facility	-	-	-	-	3	-	-
MPO	4	5	5	4	3	4	4
Federal Programs Administraton	2	2	-	-	-	-	-
Code Enforcement	12	13	13	13	11	10	10
Public Safety:							
City Courts	27	25	26	27	24	21	25
Police - Officers	120	124	132	122	129	99	102
Police Department - Non-Sworn	64	61	69	69	70	50	58
Fire Department - Firefighters	119	114	118	106	111	124	118
Fire Department - Other than Firefighters	5	6	6	5	4	6	6
Other	1	1	1	1	1	1	1
Public Services:							
Traffic Maintenance	8	9	9	7	7	7	9
Streets	46	38	40	40	40	38	43
Engineering	7	5	7	8	8	9	8
Shop	11	12	13	11	13	11	12
Construction	15	15	14	12	13	15	16
Sanitation	34	51	58	60	58	56	61
Other Public Services	31	28	29	33	32	32	33
Animal Control	4	3	4	3	3	4	4
Cemetery and Forestry	18	17	17	17	16	17	18
Parking Operations	8	8	9	9	9	9	10
Total General Fund	589	590	619	599	608	563	591
Other Governmental Funds:							
Parks and Recreation	32	38	69	63	66	65	67
Community Centers	13	15	14	14	13	13	13
Mass Transit	15	14	14	14	13	14	14
CDBG	6	6	5	6	6	5	6
Total Governmental Activities	655	663	721	696	706	660	691
Business-type Activities:							
Water and Sewer System:							
Customer Accounts	7	7	7	7	7	7	7
Water - Plant and Transmission	32	37	38	41	45	44	46
Sewers and Lagoons	24	24	26	27	25	24	24
Total Business-type Activities	63	68	71	75	77	75	77
Total Primary Government	718	731	792	771	783	735	768

(1) Information based upon last payroll processed in the month of September. Information not available for last ten years of reporting but will be accumulated over time as it becomes available. This schedule is based upon full-time and part-time employees for whom checks were processed as of the last September payroll.

TABLE 11

CITY OF HATTIESBURG, MISSISSIPPI

DEMOGRAPHIC STATISTICS

Year	Hattiesburg	Forrest County	Hattiesburg MSA
1975	39,553	64,659	n/a
1980	40,829	66,018	n/a
1985	41,356	67,166	n/a
1986	41,463	67,396	n/a
1987	41,570	67,625	n/a
1988	41,678	67,855	n/a
1989	14,785	68,084	n/a
1990	41,885	68,314	98,738
1991	42,174	68,743	99,656
1992	42,465	69,175	100,172
1993	42,758	69,609	101,215
1994	43,053	70,046	102,492
1995	43,350	70,486	104,705
1996	43,649	70,929	106,443
1997	43,950	71,374	107,806
1998	44,254	71,822	109,556
1999	44,559	72,274	110,650
2000	44,779	72,727	111,674
2001	45,088	73,184	113,179
2002	45,538	73,916	114,438
2003	45,779	73,465	115,849
2004	45,988	74,565	117,599
2005	47,598	76,056	119,135
2006	48,012	76,372	123,102
2007	48,012	78,241	126,259
2008	48,012	79,425	128,546
2009	48,012	81,078	143,093
2010	53,582	81,078	143,093
2011	45,989	74,934	144,666

(West Hattiesburg-Lamar County portion has population of 6,305 included in 2005 Hattiesburg total.)

Demographic Age Groupings Are Projections Based On Census 2010 Totals:

Age	Hattiesburg 2010	Forrest County 2010
0 - 17 Years	9,696	17,703
18 - 44 Years	18,360	23,285
45 - 64 Years	12,983	25,282
Over 65 Years	4,950	8,664
Median Age	27.1 Years	29.7 Years
% Population under 18 Years	68.10%	64.82%
% Population over 18 Years	10.80%	11.56%

Source: U.S. Bureau of Census. July 1, 2010 information is provided as the most recent year for which data is available.

TABLE 12

CITY OF HATTIESBURG, MISSISSIPPI

TOP TEN PROPERTY TAXPAYERS
PROPERTY TAXES ASSESSED IN FISCAL YEAR 2010, COLLECTED FISCAL YEAR 2011

Taxpayer	Type of Business	Assessment	Percentage of Total Assessed Valuation	Taxes
Mississippi Power	Public Utility	$ 11,431,954	2.9%	$ 1,241,167
Wesley Health Systems	Health Care	9,291,573	2.3%	435,871
Kohler Company	Industrial	8,821,541	2.2%	543,848
Western Container	Industrial	7,331,745	1.9%	452,002
Wal-Mart	Retail	7,279,091	1.8%	503,255
Bellsouth	Public Utility	6,747,460	1.7%	732,572
Hattiesburg Clinic	Health Care	6,556,086	1.7%	711,794
Bennett York	Commercial	5,544,767	1.4%	508,239
W. R. Fairchild	Industrial	4,698,496	1.2%	510,115
Hudson's	Retail	4,642,180	1.2%	504,001
Total of top ten taxpayers		72,344,893	18.3%	
Tax roll total - all other taxpayers		323,041,362	81.7%	
Total taxable assessed values for FY 2011		$ 395,386,255	100.0%	

TABLE 13

CITY OF HATTIESBURG, MISSISSIPPI

CONSTRUCTION, BANK DEPOSITS, AND ASSESSED PROPERTY VALUES
LAST TEN FISCAL YEARS

Year Ended Sept. 30,	Commercial Construction		Residential Construction		Hattiesburg MSA Bank Deposits (000's omitted)	Total assessed Valuation
	Permits Issued	Value	Permits Issued	Value		
2002	75	$ 15,492,046	137	$ 25,267,086	$ 1,494,116	$ 260,045,410
2003	44	30,521,453	66	9,226,451	1,540,166	268,186,182
2004	56	30,387,693	146	21,440,459	1,567,676	285,319,298
2005	87	52,893,843	100	21,985,228	1,744,946	310,609,766
2006	180	70,375,827	144	18,386,947	2,133,000	331,905,907
2007	106	55,150,982	232	36,446,885	2,191,240	351,031,031
2008	98	59,356,851	218	16,707,346	2,100,716	362,674,772
2009	42	83,256,364	67	7,417,942	2,282,467	409,111,676
2010	187	29,397,654	395	7,214,963	2,429,065	409,750,752
2011	247	53,929,531	493	17,926,574	2,495,371	395,386,255

TABLE 14

CITY OF HATTIESBURG, MISSISSIPPI

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION
LAST SIX FISCAL YEARS [1]

	2011	2010	2009	2008	2007	2006
Police:						
Stations	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	2
Fire:						
Stations	8	8	8	8	8	8
Hydrants	1950	1950	1950	1950	1850	1750
Solid Waste Management:						
Trucks	24	24	24	24	24	24
(The City is a member of a regional landfill authority)						
Parks and Recreation:						
Zoo	1	1	1	1	1	1
Soccer/tennis/softball complex	1	1	1	1	1	1
Baseball/softball facilities	4	4	4	4	4	4
Water:						
Pumping capacity (gallons per minute)	17,500 GPM	17,500 GPM	17,050 GPM	17,050 GPM	17,050 GPM	17,050 GPM
Average daily water pumping capacity (gallons)	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD
Average daily water pumped (gallons)	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD	10,500,000 GPD	9,700,000 GPD
Miles of water mains - 6" through 20"	292 miles	292 miles	292 miles	292 miles	278 miles	272 miles
Miles of water mains - 4" or less	48 miles	48 miles	48 miles	48 miles	30 miles	30 miles
Number of wells	13	13	13	13	13	14
Water storage tanks	9	9	9	9	7	7
Sewer:						
Miles of sewer collection mains	350 miles	350 miles	350 miles	350 miles	350 miles	350 miles
Average daily treatment (million gallons per day):						
South lagoon	11.1 MGD	11.1 MGD	11.1 MGD	11.1 MGD	10.8 MGD	10.5 MGD
North lagoon	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD
Total average daily treatment	12.7 MGD	12.7 MGD	12.7 MGD	12.7 MGD	12.4 MGD	12.1 MGD
Permitted treatment capacity	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD
Streets:						
Miles of paved streets	350 miles	350 miles	350 miles	350 miles	350 miles	350 miles
Miles of unpaved streets	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile
Area of City - square miles	55.4	55.4	55.4	55.4	55	54