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CITY OF HAZLEHURST

HENRY C. BANKS, SR., Mayor

SUE B. BROWN, City Clerk

September 25, 2013

Office of the State Auditor
501 N. West Street
Woolfolk Bldg., Suite 801
Jackson, MS 39201

Re: Annual Municipal Audit

Department of Technical Assistance

Accompanying this letter are two copies and one CD of the annual audit of the City of Hazlehurst, Mississippi, for the fiscal year ended September 30, 2012. In connection with this audit, a separate management letter was not written to the city.

Sincerely,

Henry Banks, Sr.
Mayor

HCB/sbb

RECEIVED

SEP 30 2013



CITY OF HAZLEHURST, MISSISSIPPI

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2012

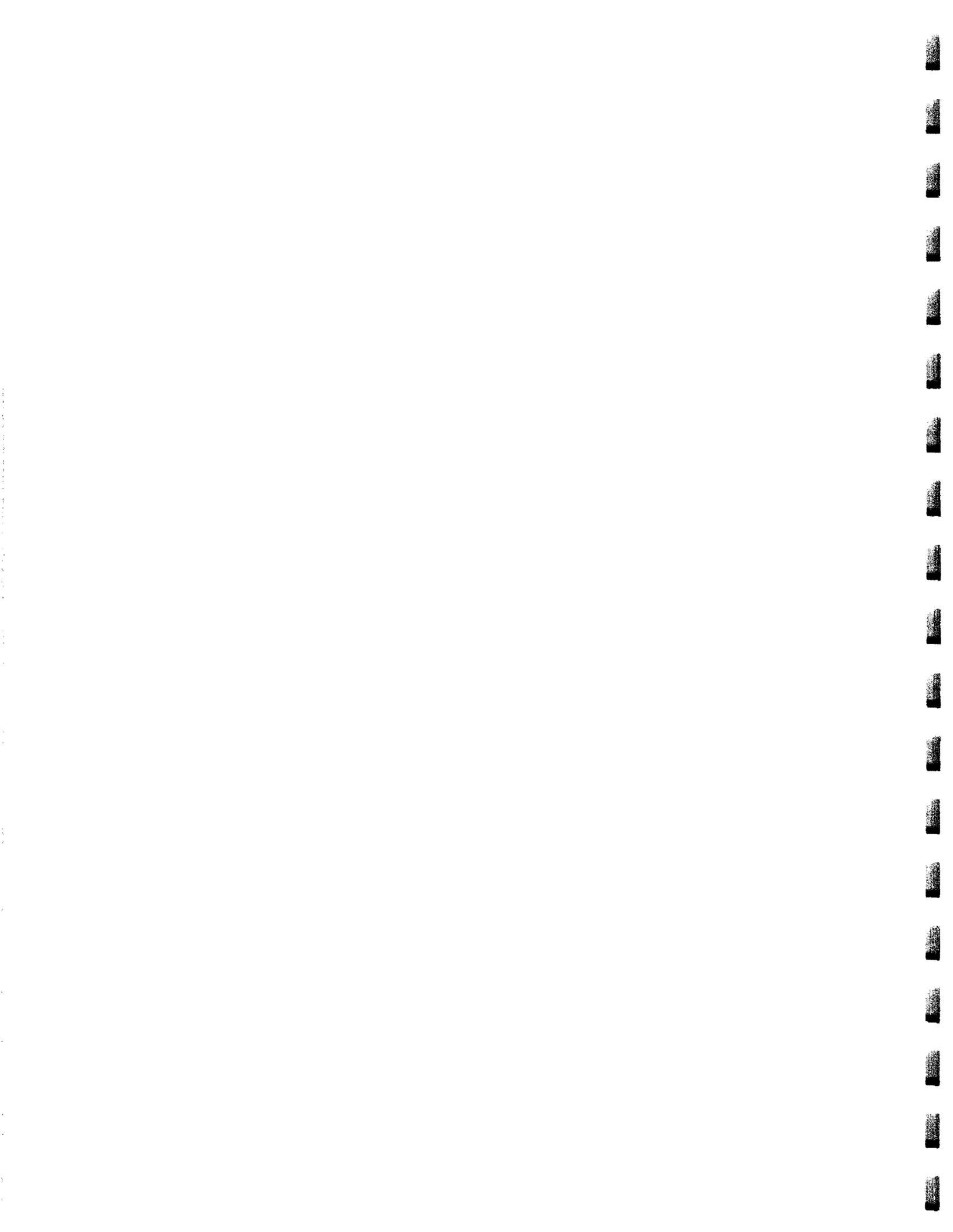


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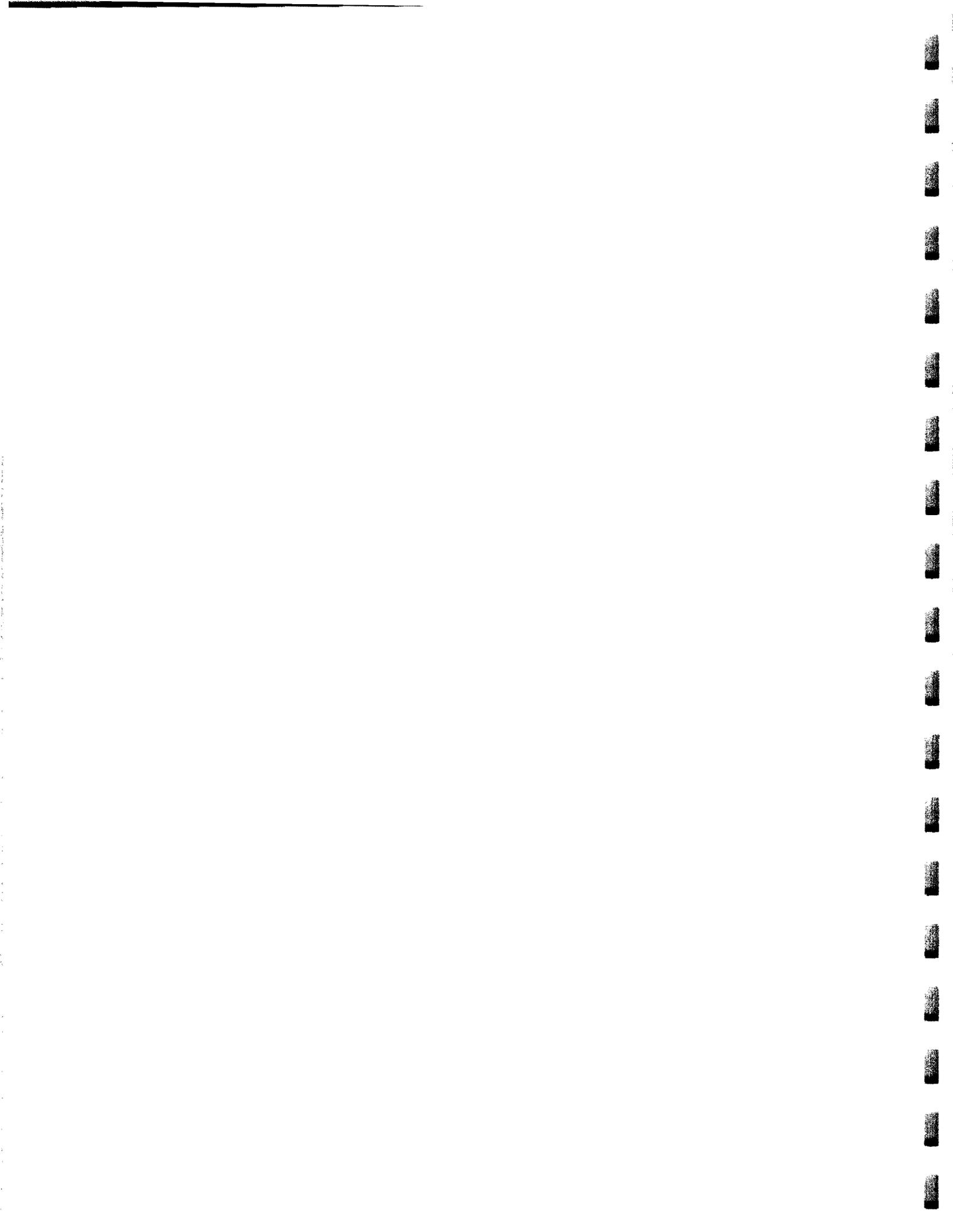
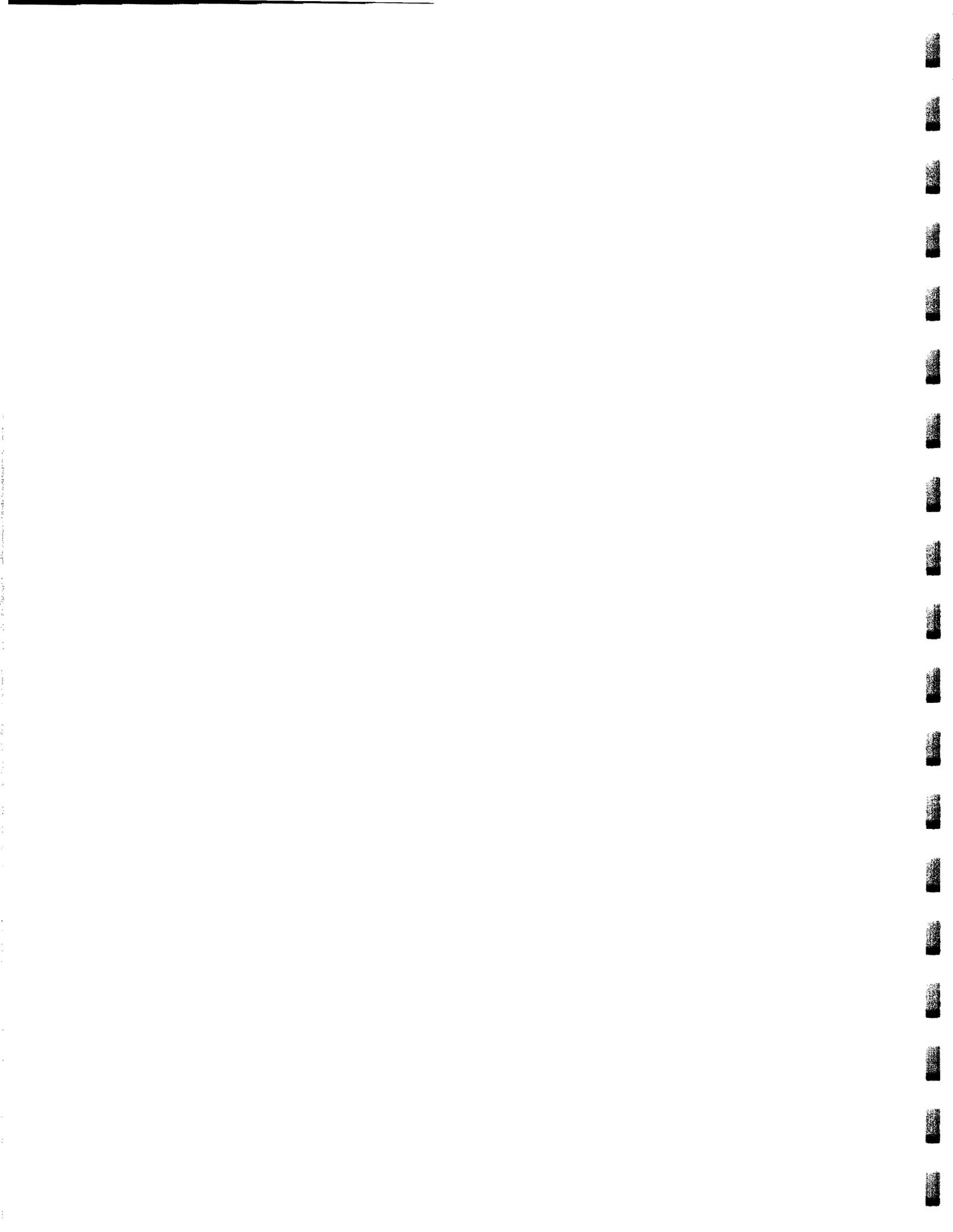


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CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

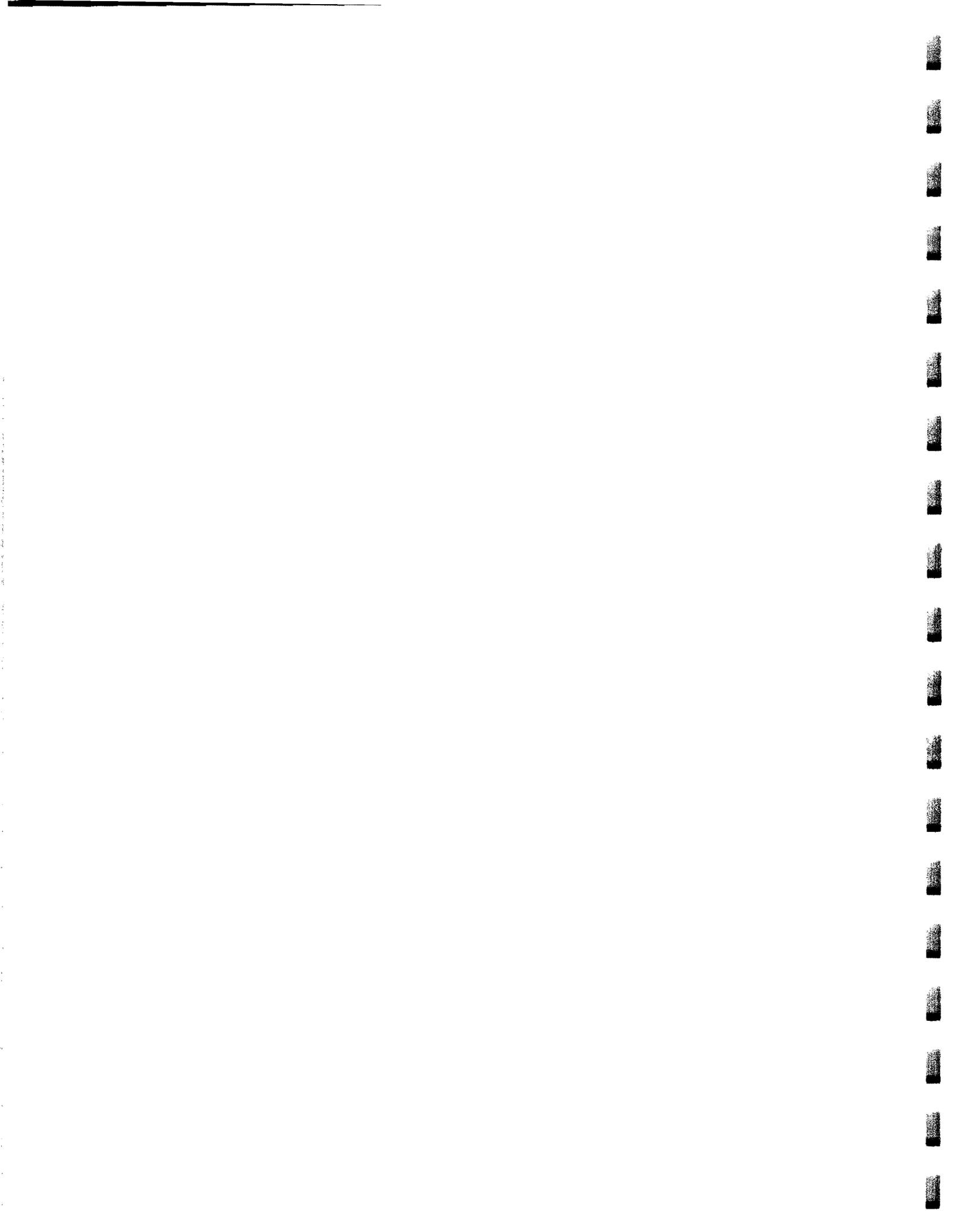
Honorable Mayor and Board of Alderpersons
City of Hazlehurst
Hazlehurst, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2012, 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 Hazlehurst, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 44 through 47 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 Hazlehurst, Mississippi's financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has 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 it.

Haddox Reid Buckner & Calhoun PLLC

Jackson, Mississippi
August 21, 2013



CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Our discussion and analysis of the City of Hazlehurst's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 12 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

The net assets of the City decreased by \$107,022 as a result of this year's operations. The decrease occurred in the City's Water and Sewer Fund. The current year decrease in net assets of the Water and Sewer Fund in the amount of \$111,765 resulted in a significant improvement from the decrease in net assets for the fiscal year ended September 30, 2011, in the amount of \$360,757. The decrease in net assets for both September 30, 2012 and September 30, 2011, results from depreciation expenses in the amount of \$386,685 and \$391,494, respectively.

The City's General Fund reflected a significant increase in total revenue compared to the prior year (\$3,432,124 in 2012 compared to \$2,921,938 in 2011). Total expenditures reflected an increase (\$3,291,517 in 2012 compared to \$3,147,699 in 2011). The overall increase in expenditures is attributed to increases in the public safety and public works departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

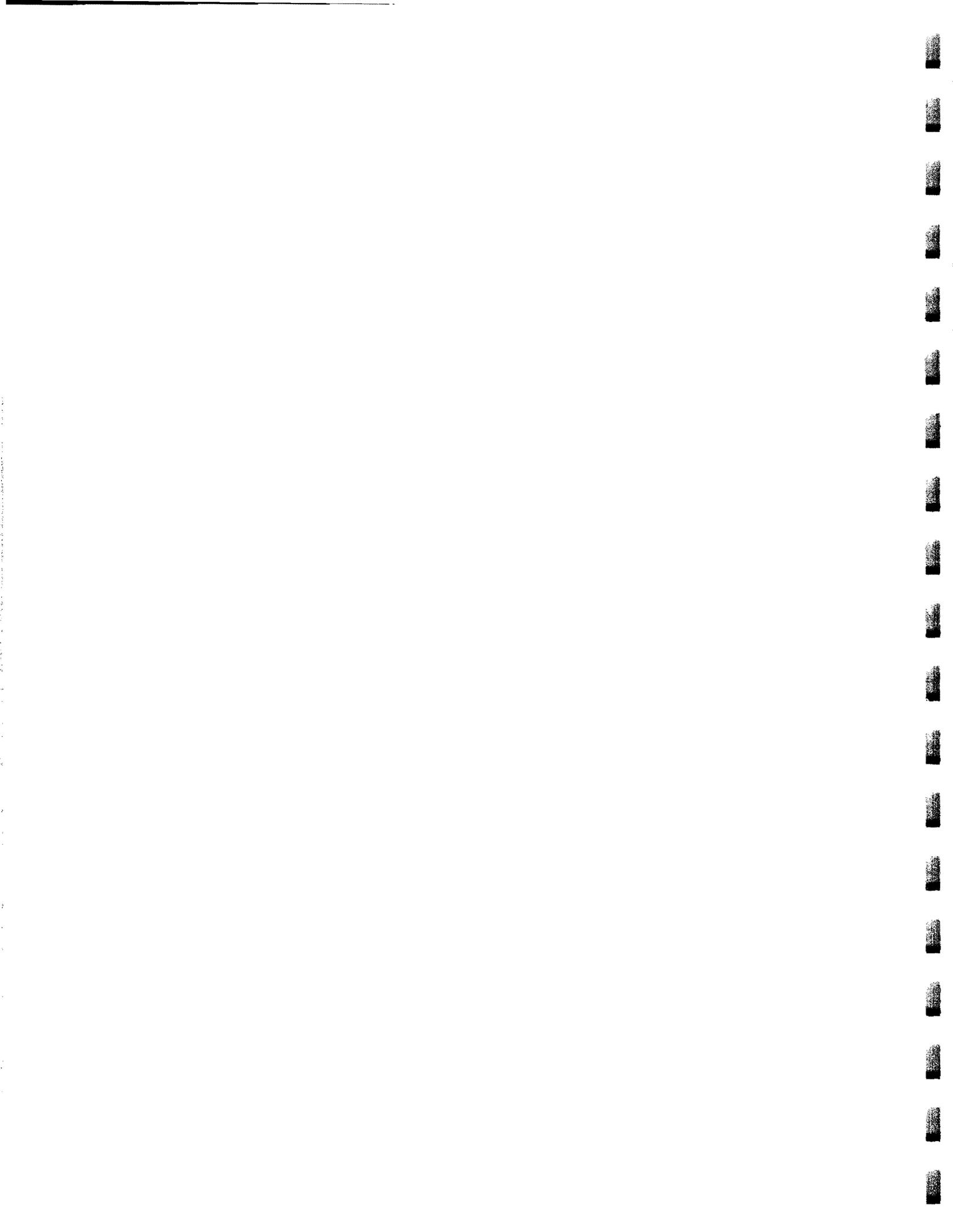
Basic Financial Statements

The Management Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

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 is presented in the Statement of Net Assets and the Statement of Activities.

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



CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Statement of Net Assets and the Statement of Activities - continued:

received or paid. These two statements report the City's net assets for the 2012 fiscal year and changes in them. The City's net assets - the difference between assets and liabilities - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

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

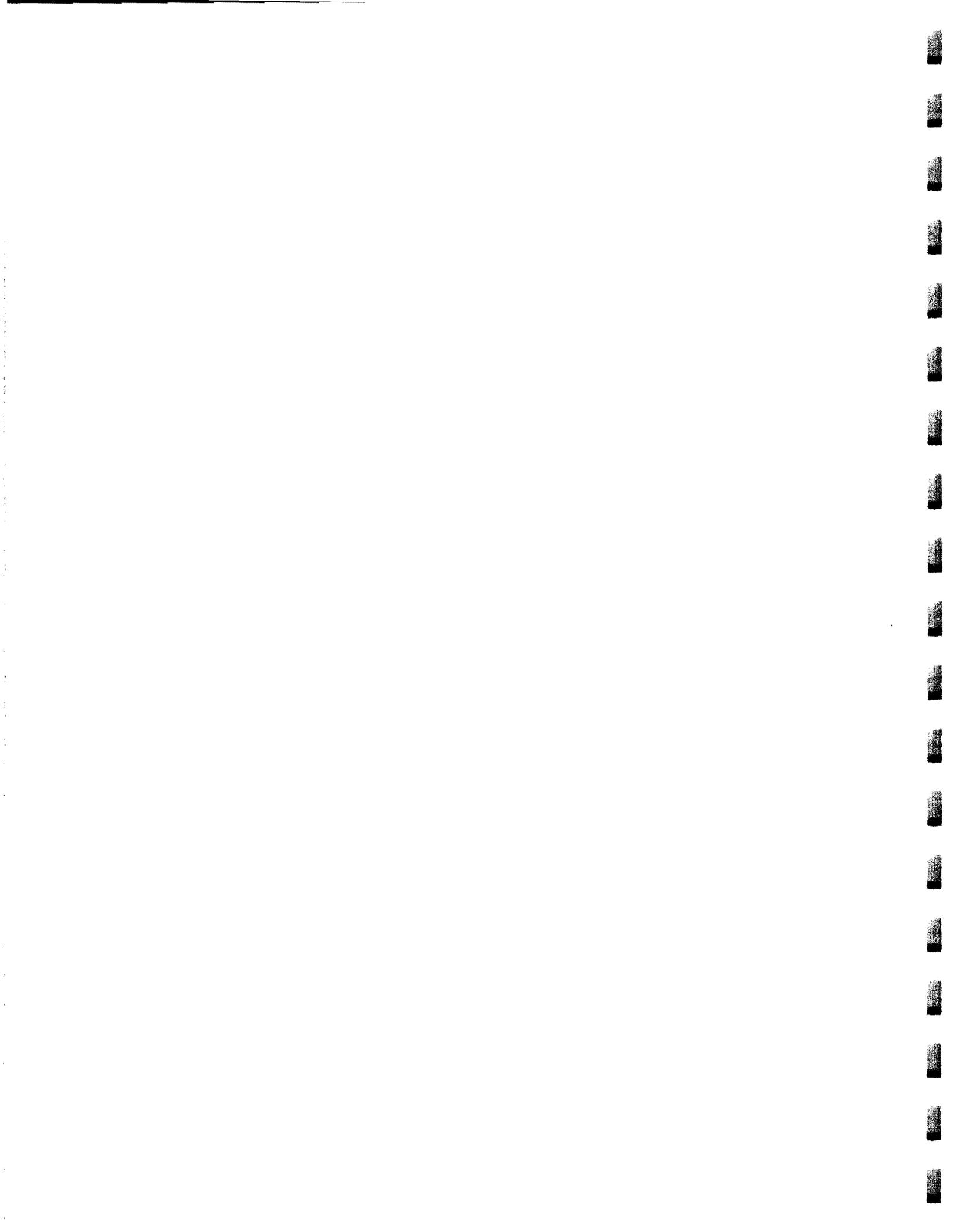
- General Governmental Activities - Most of the City's basic services are reported here, including police, fire, court, public works, instruction and recreation and general administration. Property taxes, sales taxes, police fines/fees and franchise fees finance most of these activities.
- Business-Type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

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. Some funds are required to be established by State law while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two types of funds - governmental and proprietary - utilize different accounting approaches.

Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the individual funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Reporting the City's Most Significant Fund - continued:

Fund Financial Statements - continued:

government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of Hazlehurst considers the General Fund to be a major fund and, therefore, presents information on it separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from all other governmental funds are combined into a single, aggregated nonmajor fund presentation.

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Notes to the Financial Statements

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

FINANCIAL ANALYSIS OF THE CITY

Recall that the Statement of Net Assets looks at the City as a whole. The City's combined net assets were \$11,128,633 as of September 30, 2012. **Table 1** provides a summary of the City's net assets.

(Table 1)
Condensed Statement of Net Assets
at September 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 1,238,865	1,194,516	1,125,729	878,933	2,364,594	2,073,449
Capital assets, net	<u>3,467,420</u>	<u>3,688,951</u>	<u>6,638,826</u>	<u>6,710,496</u>	<u>10,106,246</u>	<u>10,399,447</u>
Total assets	<u>4,706,285</u>	<u>4,883,467</u>	<u>7,764,555</u>	<u>7,589,429</u>	<u>12,470,840</u>	<u>12,472,896</u>
Current liabilities	342,410	449,889	480,819	204,603	823,229	654,492
Noncurrent liabilities	<u>174,777</u>	<u>249,223</u>	<u>344,201</u>	<u>333,526</u>	<u>518,978</u>	<u>582,749</u>
Total liabilities	<u>517,187</u>	<u>699,112</u>	<u>825,020</u>	<u>538,129</u>	<u>1,342,207</u>	<u>1,237,241</u>
Net assets:						
Invested in capital assets, net of debt	3,256,615	3,363,876	6,283,058	6,364,204	9,539,673	9,728,080
Restricted:						
Fire protection	62,655	46,096	-	-	62,655	46,096
Streets	8,199	15,048	-	-	8,199	15,048
Parks	26,376	10,690	-	-	26,376	10,690
Library	15,565	15,937	-	-	15,565	15,937
Debt service	11,875	12,457	-	-	11,875	12,457
Unrestricted	<u>807,813</u>	<u>720,251</u>	<u>656,477</u>	<u>687,096</u>	<u>1,464,290</u>	<u>1,407,347</u>
Total net assets	\$ <u>4,189,098</u>	<u>4,184,355</u>	<u>6,939,535</u>	<u>7,051,300</u>	<u>11,128,633</u>	<u>11,235,655</u>



CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

By far the largest portion of the City's net assets (86%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 shows the Changes in Net Assets for the years ended September 30, 2012 and 2011.

**(Table 2)
Condensed Statement of Changes in Net Assets
for the Years Ended September 30, 2012 and 2011**

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>Activities</u>		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>2012</u>	<u>2011</u>				
REVENUES:						
Program revenues:						
Charges for services	\$ 721,252	616,011	1,247,530	1,089,899	1,968,782	1,705,910
Operating grants and contributions	10,465	10,932	-	-	10,465	10,932
Capital grants and contributions	28,653	188,417	117,797	8,000	146,450	196,417
General revenues:						
Property taxes	867,098	793,100	-	-	867,098	793,100
Sales taxes	1,243,984	1,225,578	-	-	1,243,984	1,225,578
Other	686,385	439,455	114	453	686,499	439,908
Total revenues	<u>3,557,837</u>	<u>3,273,493</u>	<u>1,365,441</u>	<u>1,098,352</u>	<u>4,923,278</u>	<u>4,371,845</u>
EXPENSES:						
General government	548,320	482,308	-	-	548,320	482,308
Public safety	1,534,502	1,373,662	-	-	1,534,502	1,373,662
Court	296,000	262,453	-	-	296,000	262,453
Public works	1,015,013	1,071,498	-	-	1,015,013	1,071,498
Instruction and recreation	172,670	161,902	-	-	172,670	161,902
Interest	13,280	18,728	-	-	13,280	18,728
Water and sewer	-	-	1,450,515	1,391,109	1,450,515	1,391,109
Total expenses	<u>\$ 3,579,785</u>	<u>3,370,551</u>	<u>1,450,515</u>	<u>1,391,109</u>	<u>5,030,300</u>	<u>4,761,660</u>



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 2) - continued:
Condensed Statement of Changes in Net Assets
for the Years Ended September 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
DECREASE IN NET ASSETS BEFORE TRANSFERS	\$ (21,948)	(97,058)	(85,074)	(292,757)	(107,022)	(389,815)
TRANSFERS	<u>26,691</u>	<u>68,000</u>	<u>(26,691)</u>	<u>(68,000)</u>	<u>-</u>	<u>-</u>
	4,743	(29,058)	(111,765)	(360,757)	(107,022)	(389,815)
NET ASSETS, BEGINNING OF YEAR	<u>4,184,355</u>	<u>4,213,413</u>	<u>7,051,300</u>	<u>7,412,057</u>	<u>11,235,655</u>	<u>11,625,470</u>
NET ASSETS, END OF YEAR	<u>\$ 4,189,098</u>	<u>4,184,355</u>	<u>6,939,535</u>	<u>7,051,300</u>	<u>11,128,633</u>	<u>11,235,655</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City's sales tax accounted for \$1,243,984 or 35.0% of gross revenue; revenues from property taxes accounted for \$867,098 or 24.4% of revenues; and revenues from charges for services accounted for \$721,252 or 20.3% of gross revenues.

Major expense activities, under the accrual basis of accounting, included public safety expenses accounting for 42.9% of the total program expenses, public works accounting for 28.4%, and administration accounting for 15.3%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

Business-Type Activity

Operating revenues of the City's business-type activities were \$1,365,327 for the fiscal year ended September 30, 2012. Operating expenses for the City's business-type activities were \$1,470,426, resulting in an operating loss of \$105,099. The net non-operating expenses and transfers were \$6,666, resulting in a decrease in net assets of \$111,765. Key operating results are detailed below:

- The City's water and sewer enterprise fund recorded charges for services of \$1,247,530, which reflects a 11.2% increase from the prior year. The most significant expenses of the water and sewer enterprise fund were \$486,382 for salaries and benefits, and \$386,685 in depreciation expense.



CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

BUDGETARY HIGHLIGHTS

The City's budgets are prepared according to Mississippi law and are based on accounting for transactions on a modified-cash basis. The most significant budgeted fund is the general fund. During 2012, the City of Hazlehurst amended its general fund budget one time. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Alderpersons for review before being amended by the Board of Alderpersons at a regular monthly board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the general fund supporting many of our major activities, such as our police and fire departments, as well as general government activities, the general fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the general fund, original budgeted revenues for fiscal year 2012 were \$3,152,689; final budget amounts were \$3,410,889; and actual revenue collections were \$3,348,972. The primary factors contributing to the increase of original budgeted revenue compared with final budgeted amounts were increases in intergovernmental revenue (sales taxes) and miscellaneous revenue. General fund operating expenditures were \$3,267,399 compared to budgeted amounts of \$3,805,830.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2012, the City had approximately \$10.1 million invested in a broad range of capital assets, including police and fire equipment, motor vehicles, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below).

**(Table 3)
Capital Assets at September 30, 2012 and 2011
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 133,327	219,820	38,400	38,400	171,727	258,220
Improvements other than buildings	687,922	721,087	-	-	687,922	721,087
Buildings	1,560,185	1,568,590	10,203	12,559	1,570,388	1,581,149
Machinery and equipment	266,244	298,241	73,650	87,836	339,894	386,077
Motor vehicles	156,359	168,927	21,409	29,367	177,768	198,294
Infrastructure	663,383	712,286	-	-	663,383	712,286
Construction in progress	-	-	234,968	8,000	234,968	8,000
Water system	-	-	3,437,302	3,517,328	3,437,302	3,517,328
Sewer system	-	-	2,822,894	3,017,006	2,822,894	3,017,006
Total	\$ <u>3,467,420</u>	<u>3,688,951</u>	<u>6,638,826</u>	<u>6,710,496</u>	<u>10,106,246</u>	<u>10,399,447</u>



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

This year's major additions included:

New roofs for municipal buildings	\$ 29,696
Police department equipment	22,170
Sewer equipment improvements	226,968

Debt

At September 30, 2012, the City of Hazlehurst had \$662,189 in outstanding debt from General Obligation Bonds, Capital Leases Payable, Notes Payable and Accrued Vacation. **Table 4** summarizes the total outstanding long-term obligations of the City.

(Table 4)
Outstanding Debt at September 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 177,000	\$ 259,000	-	-	177,000	259,000
Capital leases payable	33,805	66,075	-	-	33,805	66,075
Notes payable	-	-	355,768	346,292	355,768	346,292
Compensated absences	<u>83,777</u>	<u>72,223</u>	<u>11,839</u>	<u>9,690</u>	<u>95,616</u>	<u>81,913</u>
Total	<u>\$ 294,582</u>	<u>\$ 397,298</u>	<u>367,607</u>	<u>355,982</u>	<u>662,189</u>	<u>753,280</u>

The City paid \$137,456 in principal on outstanding debt during the year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The General Fund's largest single revenue source is sales tax. The City believes sales tax revenue will increase in 2013 based on new development within the City.



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,303,300 for the next fiscal year. The rate charged is unchanged from the prior fiscal year.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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



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CITY OF HAZLEHURST, MISSISSIPPI

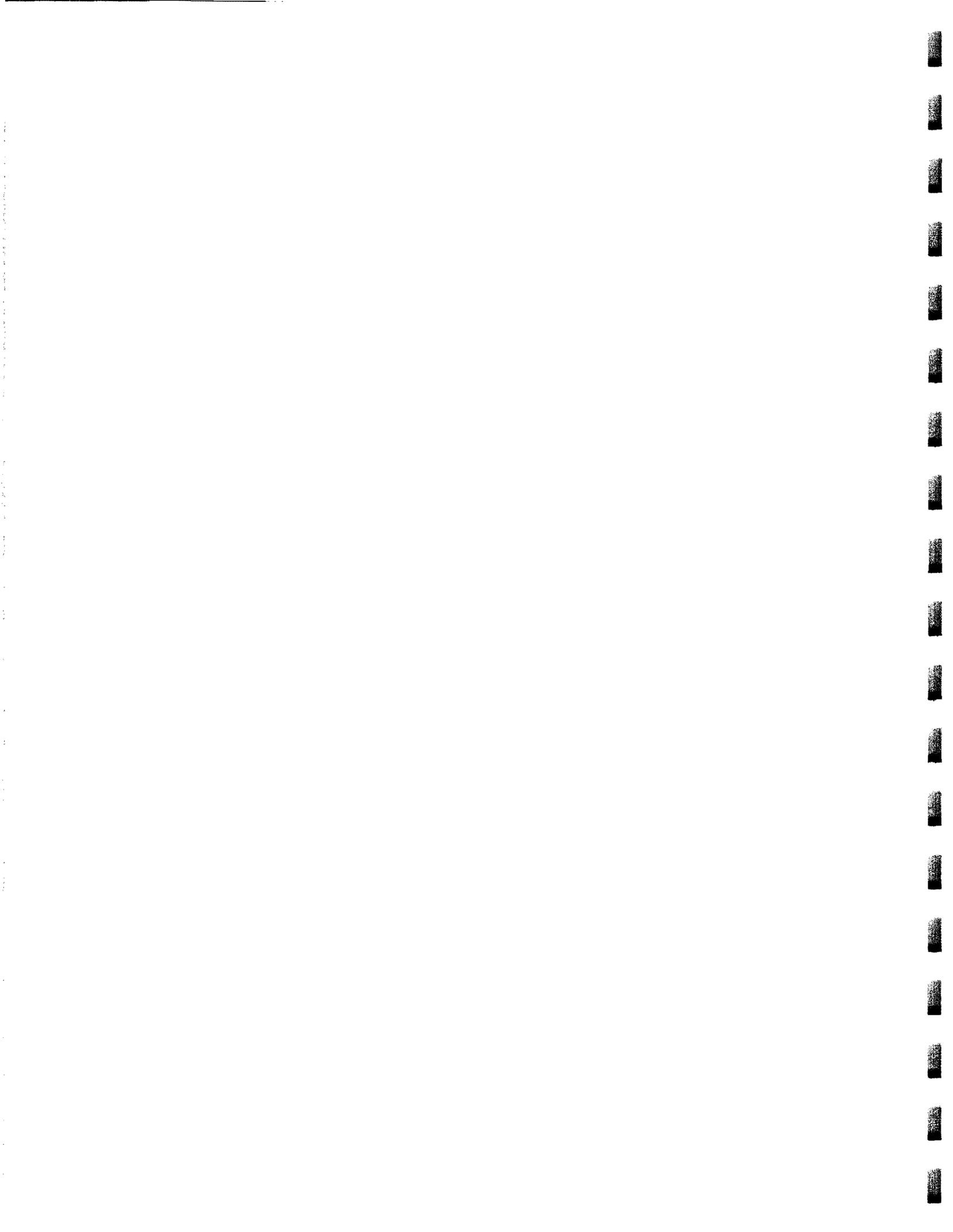
**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 984,296	643,822	1,628,118
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	100,280	120,715	220,995
Taxes	13,996	-	13,996
Due from other governments	125,520	82,135	207,655
Inventories at cost	-	72,287	72,287
Prepaid expenses	14,773	4,849	19,622
Restricted cash and cash equivalents	-	201,921	201,921
Capital assets:			
Nondepreciable	133,327	273,368	406,695
Depreciable, net of accumulated depreciation	<u>3,334,093</u>	<u>6,365,458</u>	<u>9,699,551</u>
Total assets	\$ <u>4,706,285</u>	<u>7,764,555</u>	<u>12,470,840</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 116,024	330,642	446,666
Retainage payable	-	-	-
Accrued liabilities	7,392	2,534	9,926
Deferred revenue	15,721	-	15,721
Accrued interest payable	2,980	-	2,980
Customer deposits	-	201,921	201,921
Due to other governments	-	2,804	2,804
Internal balances	80,488	(80,488)	-
Noncurrent liabilities:			
Due within one year:			
Loans and leases payable	33,805	23,406	57,211
Bonds payable	86,000	-	86,000
Due in more than one year:			
Compensated absences	83,777	11,839	95,616
Loans and leases payable	-	332,362	332,362
Bonds payable	<u>91,000</u>	<u>-</u>	<u>91,000</u>
Total liabilities	<u>517,187</u>	<u>825,020</u>	<u>1,342,207</u>

<u>NET ASSETS</u>			
Invested in capital assets (net of related debt)	3,256,615	6,283,058	9,539,673
Restricted for:			
Fire prevention	62,655	-	62,655
Streets	8,199	-	8,199
Parks	26,376	-	26,376
Library	15,565	-	15,565
Debt service	11,875	-	11,875
Unrestricted	<u>807,813</u>	<u>656,477</u>	<u>1,464,290</u>
Total net assets	<u>\$ 4,189,098</u>	<u>6,939,535</u>	<u>11,128,633</u>



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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 548,320	431,068	-	-
Public safety	1,534,502	290,184	10,465	20,892
Court	296,000	-	-	-
Public works	1,015,013	-	-	7,761
Instruction and recreation	172,670	-	-	-
Interest on long-term debt	13,280	-	-	-
Total governmental activities	<u>3,579,785</u>	<u>721,252</u>	<u>10,465</u>	<u>28,653</u>
Business-type activities:				
Water and sewer	<u>1,450,515</u>	<u>1,247,530</u>	-	<u>117,797</u>
Total business-type activities	<u>1,450,515</u>	<u>1,247,530</u>	-	<u>117,797</u>
Total government	\$ <u>5,030,300</u>	<u>1,968,782</u>	<u>10,465</u>	<u>146,450</u>

General revenues:

Taxes:

 Ad valorem taxes

 Sales tax

 Utility in lieu of tax

 Franchise fees

 County road tax

Interest and penalties on taxes

General intergovernmental revenue

Investment earnings

Other

Gain on disposal of assets

Transfers

 Total general revenues

 Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Assets

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
(117,252)	-	(117,252)
(1,212,961)	-	(1,212,961)
(296,000)	-	(296,000)
(1,007,252)	-	(1,007,252)
(172,670)	-	(172,670)
<u>(13,280)</u>	<u>-</u>	<u>(13,280)</u>
<u>(2,819,415)</u>	<u>-</u>	<u>(2,819,415)</u>
<u>-</u>	<u>(85,188)</u>	<u>(85,188)</u>
<u>-</u>	<u>(85,188)</u>	<u>(85,188)</u>
<u>(2,819,415)</u>	<u>(85,188)</u>	<u>(2,904,603)</u>
867,098	-	867,098
1,243,984	-	1,243,984
63,009	-	63,009
121,165	-	121,165
108,477	-	108,477
40,624	-	40,624
203,473	-	203,473
1,665	114	1,779
75,765	-	75,765
72,207	-	72,207
<u>26,691</u>	<u>(26,691)</u>	<u>-</u>
<u>2,824,158</u>	<u>(26,577)</u>	<u>2,797,581</u>
4,743	(111,765)	(107,022)
<u>4,184,355</u>	<u>7,051,300</u>	<u>11,235,655</u>
<u>4,189,098</u>	<u>6,939,535</u>	<u>11,128,633</u>

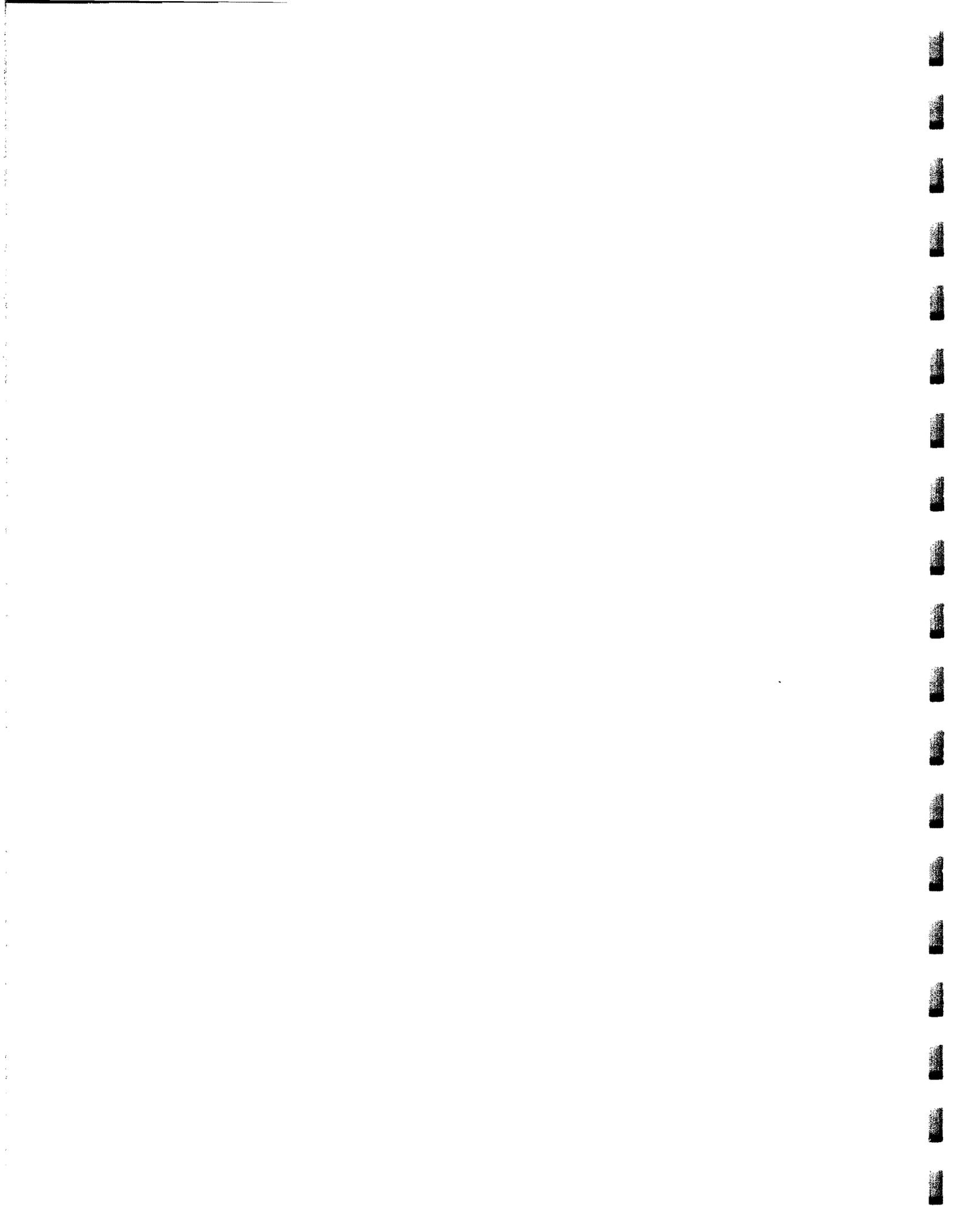


CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 859,502	124,794	984,296
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	92,222	-	92,222
Taxes	12,876	1,120	13,996
Due from other funds	24,582	14,746	39,328
Due from other governments	125,520	-	125,520
Prepaid expenses	<u>13,396</u>	<u>1,377</u>	<u>14,773</u>
Total assets	\$ <u>1,128,098</u>	<u>142,037</u>	<u>1,270,135</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 114,945	1,079	116,024
Accrued liabilities	7,392	-	7,392
Due to other funds	103,549	16,267	119,816
Deferred revenue	<u>15,721</u>	<u>-</u>	<u>15,721</u>
Total liabilities	<u>241,607</u>	<u>17,346</u>	<u>258,953</u>
Fund balances:			
Nonspendable:			
Prepays	13,396	1,377	14,773
Restricted for:			
Fire prevention	-	62,655	62,655
Streets	-	8,199	8,199
Parks	-	26,376	26,376
Library	-	15,565	15,565
Debt service	-	11,875	11,875
Assigned to:			
Subsequent year's budget	351,598	-	351,598
Unassigned	<u>521,497</u>	<u>(1,356)</u>	<u>520,141</u>
Total fund balances	<u>886,491</u>	<u>124,691</u>	<u>1,011,182</u>
Total liabilities and fund balances	\$ <u>1,128,098</u>	<u>142,037</u>	<u>1,270,135</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

Total fund balances - governmental funds \$ 1,011,182

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

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

Governmental capital assets	6,706,179	
Less accumulated depreciation	<u>(3,238,759)</u>	3,467,420

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

8,058

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

Governmental bonds payable	(177,000)	
Governmental lease payable	(33,805)	
Accrued interest payable	(2,980)	
Compensated absences	<u>(83,777)</u>	<u>(297,562)</u>

Net assets of governmental activities \$ 4,189,098

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 650,247	178,417	828,664
Prior years ad valorem	29,834	8,600	38,434
Interest and penalties on taxes	40,624	-	40,624
In lieu of taxes - utility	63,009	-	63,009
Franchise fees	121,165	-	121,165
Licenses and permits	25,309	-	25,309
Intergovernmental	1,541,888	53,164	1,595,052
Charges for services	404,525	-	404,525
Fines and forfeits	290,184	-	290,184
Interest earned	1,443	222	1,665
Interfund charges	30,000	-	30,000
Other	<u>233,896</u>	<u>4,869</u>	<u>238,765</u>
Total revenues	<u>3,432,124</u>	<u>245,272</u>	<u>3,677,396</u>
EXPENDITURES:			
Current:			
General government	500,340	-	500,340
Public safety	1,493,177	4,425	1,497,602
Court	294,864	-	294,864
Public works	942,921	25,097	968,018
Instruction and recreation	-	83,312	83,312
Grants, subsidies and other expenditures	26,338	-	26,338
Capital outlay	-	39	39
Pay to other agencies	-	53,700	53,700
Debt service:			
Principal	32,271	82,000	114,271
Interest	<u>1,606</u>	<u>13,041</u>	<u>14,647</u>
Total expenditures	<u>3,291,517</u>	<u>261,614</u>	<u>3,553,131</u>
Excess (deficiency) of revenues over (under) expenditures	140,607	(16,342)	124,265



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CONTINUED:**

**GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Operating transfer in (out)	\$ (40,000)	<u>36,691</u>	<u>(3,309)</u>
Total financing sources (uses)	<u>(40,000)</u>	<u>36,691</u>	<u>(3,309)</u>
 Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	 100,607	 20,349	 120,956
 Fund balance at beginning of year	 <u>785,884</u>	 <u>104,342</u>	 <u>890,226</u>
 Fund balance at end of year	 <u>\$ 886,491</u>	 <u>124,691</u>	 <u>1,011,182</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds		\$ 120,956
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	84,654	
Less current year depreciation expense	<u>(215,392)</u>	(130,738)
<p>The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.</p>		
		(90,793)
<p>Revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues.</p>		
		1,235
<p>Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		114,270
<p>Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Change in accrued interest payable	1,367	
Change in long-term compensated absences	<u>(11,554)</u>	<u>(10,187)</u>
Change in net assets of governmental activities		\$ <u>4,743</u>

The accompanying notes are an integral part of this statement.



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CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
SEPTEMBER 30, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ 643,822
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	120,715
Due from other funds	80,488
Due from other governments	82,135
Inventories at cost	72,287
Prepaid expenses	4,849
Total current assets	<u>1,004,296</u>
Restricted assets:	
Cash and cash equivalents	<u>201,921</u>
Property, plant and equipment:	
Land	38,400
Buildings	56,107
Water system	6,736,151
Sewer system	7,792,555
Machinery and equipment	370,753
Motor vehicles	238,861
	<u>15,232,827</u>
Less accumulated depreciation	<u>(8,828,969)</u>
	6,403,858
Construction in progress	<u>234,968</u>
Net property, plant and equipment	<u>6,638,826</u>
Total assets	<u>\$ 7,845,043</u>

The accompanying notes are an integral part of this statement.

LIABILITIES

Current liabilities:	
Accounts payable	\$ 330,642
Accrued liabilities	2,534
Current portion of long-term liabilities	23,406
Due to other governments	<u>2,804</u>
Total current liabilities	<u>359,386</u>
 Current liabilities payable from restricted assets:	
Customer deposits	<u>201,921</u>
 Long-term liabilities:	
Notes payable	332,362
Compensated absences	<u>11,839</u>
Total long-term liabilities	<u>344,201</u>
 Total liabilities	<u>905,508</u>

NET ASSETS

Invested in capital assets, net of related debt	6,283,058
Unrestricted	<u>656,477</u>
 Total net assets	 <u>\$ 6,939,535</u>



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

OPERATING REVENUES:	
Water sales	\$ 808,698
Sewer rentals	388,391
Tap fees and connection fees	26,539
Intergovernmental	117,797
Miscellaneous receipts	<u>23,902</u>
Total operating revenues	<u>1,365,327</u>
OPERATING EXPENSES:	
Personal services	486,382
Supplies	153,826
Other services and charges	443,533
Depreciation	<u>386,685</u>
Total operating expenses	<u>1,470,426</u>
OPERATING LOSS	<u>(105,099)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest on investments	114
Interest and fiscal charges	<u>(10,089)</u>
Total non-operating revenues (expenses)	<u>(9,975)</u>
LOSS BEFORE CONTRIBUTIONS AND OTHER FINANCING SOURCES (USES):	(115,074)
Capital contributions	<u>-</u>
LOSS BEFORE OTHER FINANCING SOURCES (USES)	(115,074)
OTHER FINANCING SOURCES (USES):	
Operating transfer in (out)	<u>3,309</u>
DECREASE IN NET ASSETS	(111,765)
NET ASSETS AT BEGINNING OF YEAR	<u>7,051,300</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,939,535</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and other sources	\$ 1,259,860
Cash paid to suppliers and employees	<u>(805,688)</u>
Net cash provided by operating activities	<u>454,172</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds on long-term debt	32,662
Principal paid on long-term debt	(23,186)
Acquisition of fixed assets	(315,015)
Interest paid on notes	(10,089)
Transfer in	<u>3,309</u>
Net cash used for capital and related financing activities	<u>(312,319)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Earnings on invested proceeds	<u>114</u>
Net cash provided by investing activities	<u>114</u>

NET INCREASE IN CASH

141,967

**CASH AND CASH EQUIVALENTS - beginning of year
(including \$189,483 in restricted accounts)**

703,776

**CASH AND CASH EQUIVALENTS - end of year
(including \$201,921 in restricted accounts)**

\$ 845,743

CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUND TYPE
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

Operating loss	\$ <u>(105,099)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	386,685
(Increase) decrease in:	
Accounts receivable	(23,332)
Due from other governments	(82,135)
Due from other funds	(4,419)
Prepaid expenses	(573)
Inventory	1,211
Increase (decrease) in:	
Accounts payable	267,280
Accrued liabilities	(33)
Compensated absences	2,149
Customer deposits	<u>12,438</u>
Total adjustments	<u>559,271</u>
Net cash provided by operating activities	\$ <u>454,172</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2012

ASSETS

Cash and cash equivalents	\$ <u>10,610</u>
Total assets	\$ <u>10,610</u>

NET ASSETS

Held in trust for unemployment benefits	\$ <u>10,610</u>
Total net assets	\$ <u>10,610</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2012**

ADDITIONS:		
Interest earnings		\$ <u>19</u>
Total additions		19
DEDUCTIONS		<u>-</u>
CHANGES IN NET ASSETS HELD IN TRUST		19
NET ASSETS, BEGINNING OF YEAR		<u>10,591</u>
NET ASSETS, END OF YEAR		\$ <u>10,610</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police, fire and communications), court, public works, and instruction and recreation. The business-type activity of the City includes the water and sewer system.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund of the City are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. BUDGETARY AND LEGAL COMPLIANCE

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

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

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets are amended by resolution of the Board of Alderpersons to authorize expenditures of various grants received and to adjust department budgets as required. The reported budgetary data has been revised for amendments authorized by the governing board.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. PREPAID ITEMS

The City's prepayment of its estimated matching share to the State of Mississippi for capital projects is reflected as a prepaid expense in both the government-wide statements and fund financial statements until the related construction costs are incurred. Certain payments to vendors reflect costs applicable to future accounting periods and are also recorded as prepaid items in both the government-wide statements and fund financial statements.

H. RESTRICTED ASSETS

The Water and Sewer Enterprise Fund, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) to be used only to service outstanding debt and for certain expenditures related to the water and sewer system. Additionally, customer water deposits are set aside for repayment. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

I. CAPITAL ASSETS

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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. CAPITAL ASSETS - CONTINUED:

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

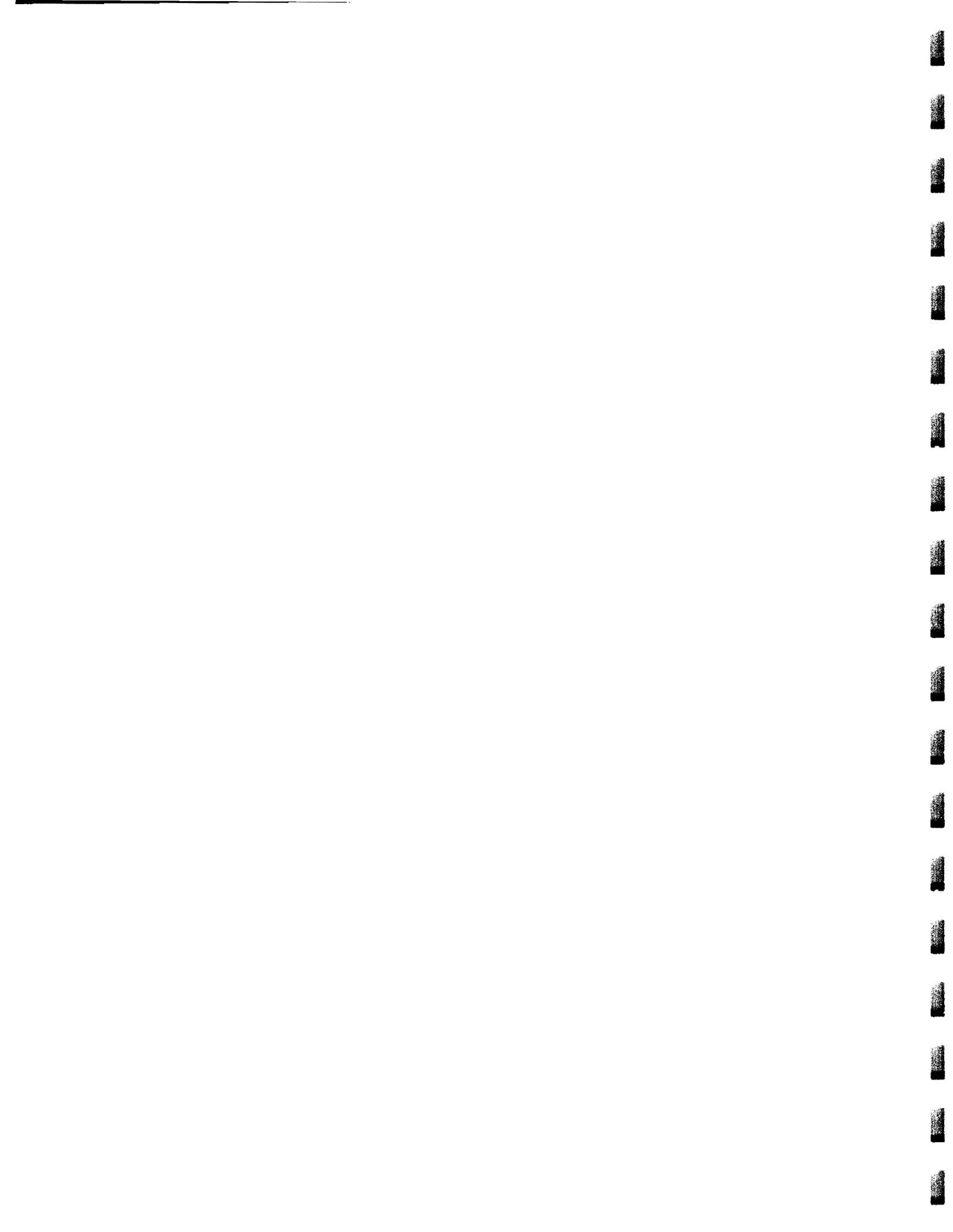
Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets. The useful lives and salvage values are as follows:

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

J. CAPITALIZATION OF INTEREST

In conformity with ASC 835-20, *Capitalization of Interest Cost*, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During fiscal year 2012, no interest costs were capitalized.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

K. COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. Employees are allowed to carry unused vacation days forward from year to year. An accrual of \$95,616 has been made in the Statement of Net Assets for vacation time available at September 30, 2012. No liability is recorded for nonvesting accumulating rights to receive sick pay.

L. LONG-TERM LIABILITIES

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

M. 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 that affect the reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates.

N. RECLASSIFICATION

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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 2 - PROPERTY TAX

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own real, public utility and personal property taxes. Automobile ad valorem taxes and certain road taxes are collected by the tax collector of Copiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of automobiles, is January 1 for the preceding year. The tax rate levied by the City for the year ended September 30, 2012 was set at 84.76 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 3.439
Debt service fund	.443
Parks and playground fund	.250
Public library	.250
Schools (Hazlehurst Municipal Separate School District)	<u>4.094</u>
	<u>\$ 8.476</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2012:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>	Restricted Cash Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 859,502	-	-	-	859,502
Nonmajor governmental funds	<u>124,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,794</u>
Total governmental activities	<u>984,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>984,296</u>
Business-type activities:					
Water and sewer enter- prise fund	<u>643,822</u>	<u>-</u>	<u>201,921</u>	<u>-</u>	<u>845,743</u>
Total business- type activities	<u>643,822</u>	<u>-</u>	<u>201,921</u>	<u>-</u>	<u>845,743</u>
Government-wide total	1,628,118	-	201,921	-	1,830,039
Fiduciary fund	<u>-</u>	<u>-</u>	<u>10,610</u>	<u>-</u>	<u>10,610</u>
Total cash and investments	<u>\$ 1,628,118</u>	<u>-</u>	<u>212,531</u>	<u>-</u>	<u>1,840,649</u>



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at September 30, 2012 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,840,649	2,055,385
Certificates of deposit	_____ -	_____ -
Total deposits	\$ <u>1,840,649</u>	<u>2,055,385</u>

The difference of \$214,736 was principally due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2012, \$1,555,385 of the City's bank balance of \$2,055,385 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds:	
Guaranty Pool	\$ <u>1,555,385</u>
Total	\$ <u>1,555,385</u>

NOTE 4 - RECEIVABLES

Receivables at September 30, 2012 for the City's individual major funds, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

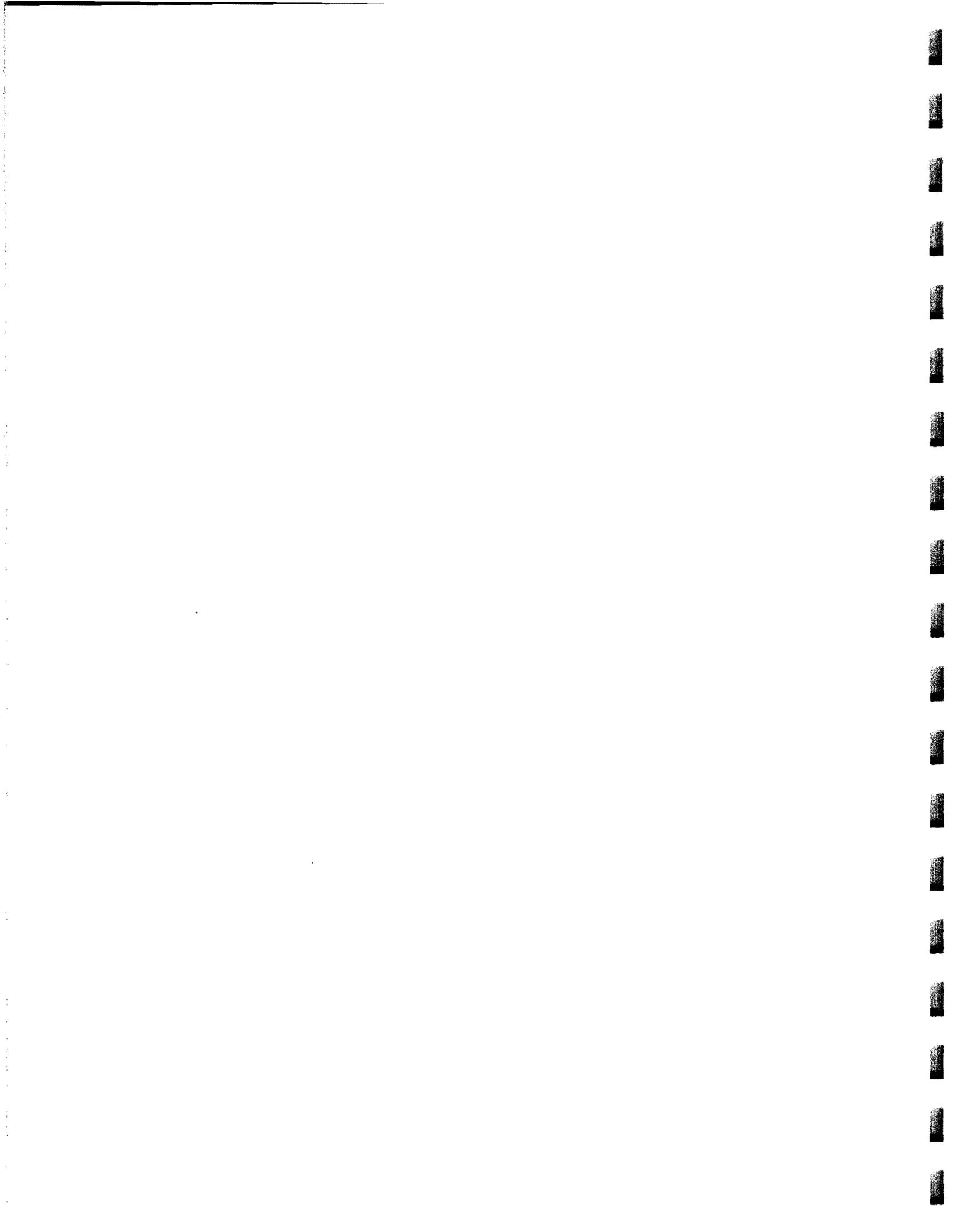
NOTE 4 - RECEIVABLES - CONTINUED:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 107,952	-	152,592	260,544
Taxes	<u>12,876</u>	<u>1,120</u>	-	<u>13,996</u>
Gross receivables	120,828	1,120	152,592	274,540
Less: allowance for uncollectible accounts	<u>(15,730)</u>	-	<u>(31,877)</u>	<u>(47,607)</u>
Net total receivables	<u>\$ 105,098</u>	<u>1,120</u>	<u>120,715</u>	<u>226,933</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended September 30, 2012 were as follows:

	<u>Balance at October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2012</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 219,820	-	(86,493)	133,327
Depreciable assets:				
Buildings	2,278,237	37,458	-	2,315,695
Improvements other than buildings	1,019,950	-	-	1,019,950
Machinery and equipment	880,696	22,170	-	902,866
Motor vehicles	940,091	25,027	(43,010)	922,108
Infrastructure	<u>1,412,233</u>	-	-	<u>1,412,233</u>
Total	<u>6,531,207</u>	<u>84,655</u>	<u>(43,010)</u>	<u>6,572,852</u>
Total capital assets	<u>6,751,027</u>	<u>84,655</u>	<u>(129,503)</u>	<u>6,706,179</u>
Less accumulated depreciation for:				
Buildings	(709,647)	(45,863)	-	(755,510)
Improvements other than buildings	(298,864)	(33,164)	-	(332,028)
Machinery and equipment	(582,454)	(54,168)	-	(636,622)
Motor vehicles	(771,164)	(33,294)	38,709	(765,749)
Infrastructure	<u>(699,947)</u>	<u>(48,903)</u>	-	<u>(748,850)</u>
Total accumulated depreciation	<u>(3,062,076)</u>	<u>(215,392)</u>	<u>38,709</u>	<u>(3,238,759)</u>
Total governmental activities capital assets, net	<u>\$ 3,688,951</u>	<u>(130,737)</u>	<u>(90,794)</u>	<u>3,467,420</u>



CITY OF HAZLEHURST, MISSISSIPPI

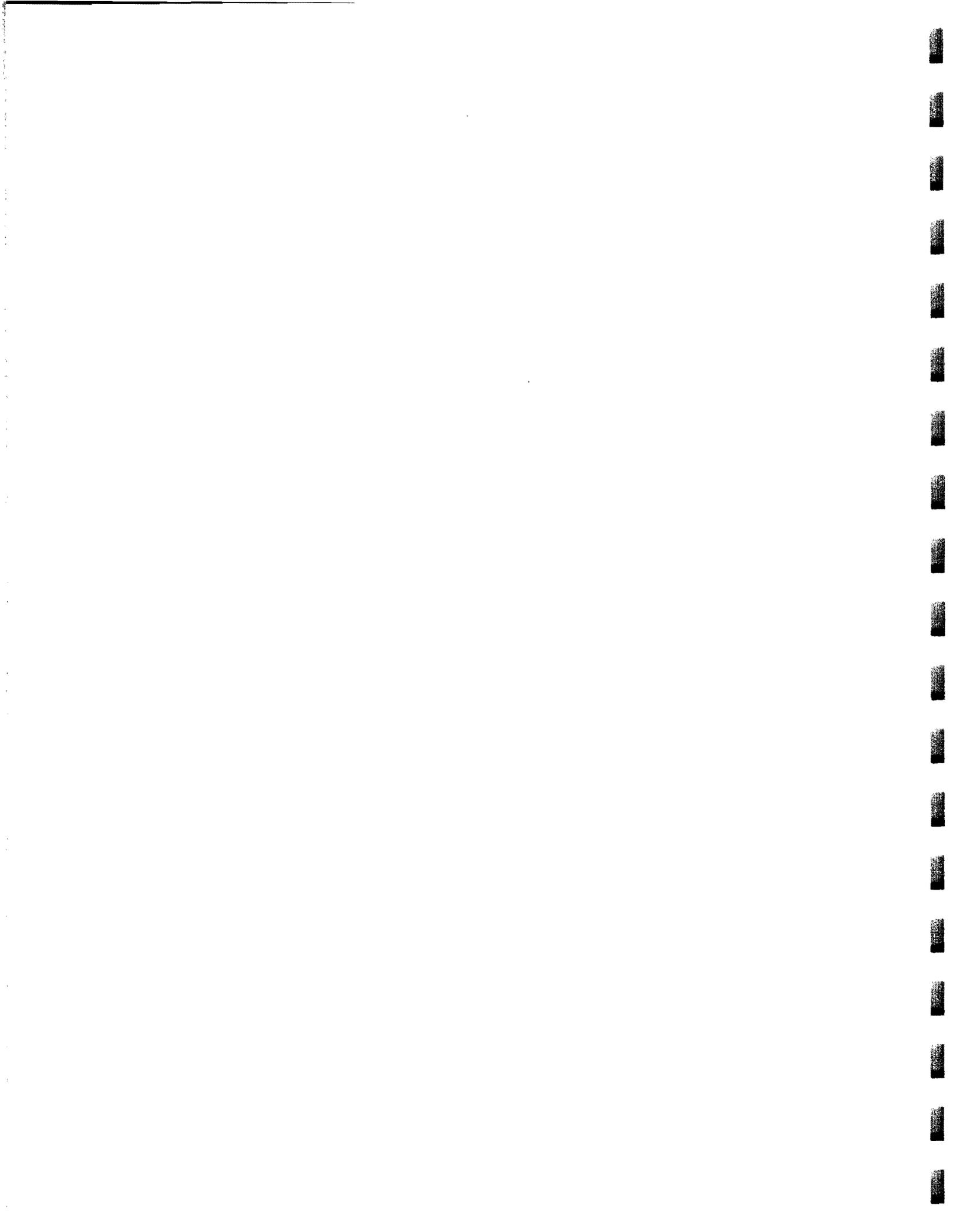
**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

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

General government	\$ 32,282
Public safety	54,775
Public works	92,677
Instruction and recreation	<u>35,658</u>
 Total depreciation expense - governmental activities	 \$ <u>215,392</u>

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2012</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 38,400	-	-	38,400
Construction in progress	<u>8,000</u>	<u>226,968</u>	-	<u>234,968</u>
Total	<u>46,400</u>	<u>226,968</u>	-	<u>273,368</u>
Depreciable assets:				
Buildings	56,107	-	-	56,107
Machinery and equipment	370,753	-	-	370,753
Motor vehicles	238,861	-	-	238,861
Water system	6,648,105	88,047	-	6,736,152
Sewer system	<u>7,792,555</u>	-	-	<u>7,792,555</u>
Total	<u>15,106,381</u>	<u>88,047</u>	-	<u>15,194,428</u>
Total capital assets	<u>15,152,781</u>	<u>315,015</u>	-	<u>15,467,796</u>
Less accumulated depreciation for:				
Buildings	(43,547)	(2,355)	-	(45,902)
Machinery and equipment	(282,918)	(14,186)	-	(297,104)
Motor vehicles	(209,494)	(7,959)	-	(217,453)
Water system	(3,130,775)	(168,073)	-	(3,298,848)
Sewer system	<u>(4,775,551)</u>	<u>(194,112)</u>	-	<u>(4,969,663)</u>
Total accumulated depreciation	<u>(8,442,285)</u>	<u>(386,685)</u>	-	<u>(8,828,970)</u>
Total business-type activities capital assets, net	\$ <u>6,710,496</u>	<u>(71,670)</u>	-	<u>6,638,826</u>



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

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

Water and sewer	\$ <u>386,685</u>
Total depreciation expense - business-type activities	\$ <u>386,685</u>

NOTE 6 - CAPITAL LEASE OBLIGATIONS

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

The street sweeper is reported in the accompanying financial statements at September 30, 2012 as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 154,370
Less accumulated depreciation	<u>68,309</u>
Total	\$ <u>86,061</u>

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2012:

	<u>Governmental Activities</u>
Fiscal year ending September 30:	
2012	\$ 35,410
Less amount representing interest	<u>1,605</u>
Present value of net minimum lease payments	\$ <u>33,805</u>



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 - LONG-TERM LIABILITIES

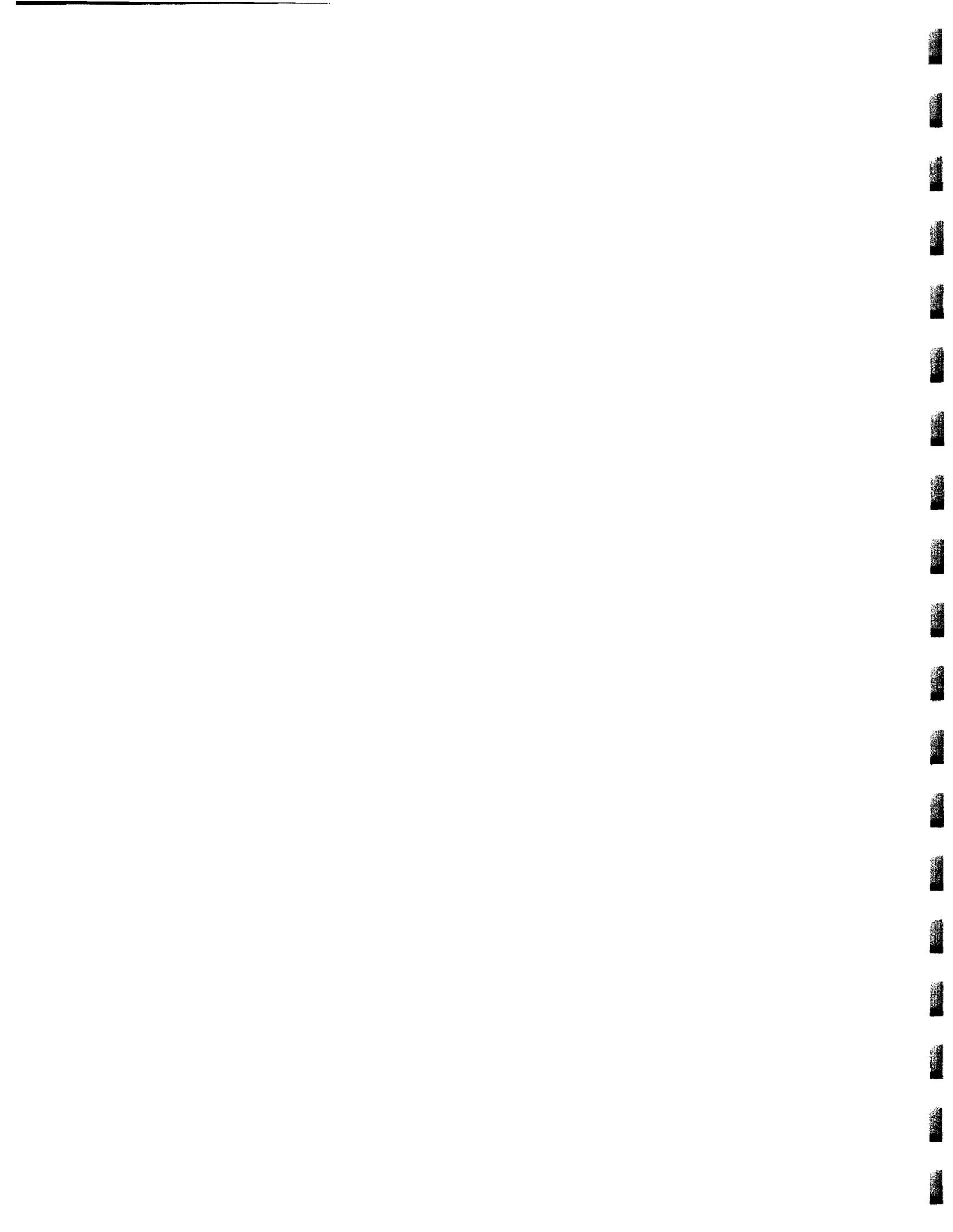
The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2012:

	Beginning Balance October 1, <u>2011</u>	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 259,000	-	82,000	177,000	86,000
Capital lease obligations	66,075	-	32,270	33,805	33,805
Compensated absences	<u>72,223</u>	<u>11,554</u>	-	<u>83,777</u>	-
Governmental activities total	<u>397,298</u>	<u>11,554</u>	<u>114,270</u>	<u>294,582</u>	<u>119,805</u>
Business-type activities:					
Notes payable	346,292	32,662	23,186	355,768	24,101
Compensated absences	<u>9,690</u>	<u>2,149</u>	-	<u>11,839</u>	-
Business-type activities total	<u>355,982</u>	<u>34,811</u>	<u>23,186</u>	<u>367,607</u>	<u>24,101</u>
Government-wide total	\$ <u>753,280</u>	<u>46,365</u>	<u>137,456</u>	<u>662,189</u>	<u>143,906</u>

Debt service requirements at September 30, 2012 were as follows:

Governmental Activities

Fiscal Year Ended <u>September 30</u>	General <u>Obligation Bonds</u>		Capital <u>Lease Obligations</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 86,000	8,941	33,805	1,605	119,805	10,546
2014	<u>91,000</u>	<u>4,641</u>	-	-	<u>91,000</u>	<u>4,641</u>
	\$ <u>177,000</u>	<u>13,582</u>	<u>33,805</u>	<u>1,605</u>	<u>210,805</u>	<u>15,187</u>



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Business-Type Activities

<u>Fiscal Year Ended</u> <u>September 30, 2012</u>	<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 24,101	9,656	24,101	9,656
2014	25,526	9,209	25,526	9,209
2015	26,285	8,451	26,285	8,451
2016	27,066	7,670	27,066	7,670
2017	27,871	6,865	27,871	6,865
Thereafter	<u>224,919</u>	<u>24,555</u>	<u>224,919</u>	<u>24,555</u>
	<u>\$ 355,768</u>	<u>66,406</u>	<u>355,768</u>	<u>66,406</u>

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

Bonds payable at September 30, 2012 are comprised of the following:

General Obligation Bonds

\$985,000 General Obligation Bonds, Series 1999, due in annual installments of \$46,000 to \$91,000 through June 1, 2014; interest at variable rates from 4.3% to 5.1% \$ 177,000

Capital Leases

\$154,370 Capital Lease obligation to BancorpSouth bank on the purchase of a street sweeper, due in annual installments of \$35,410, including interest at 4.65%, with payments beginning on 9/15/08 and ending 11/15/12. \$ 33,805



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Notes

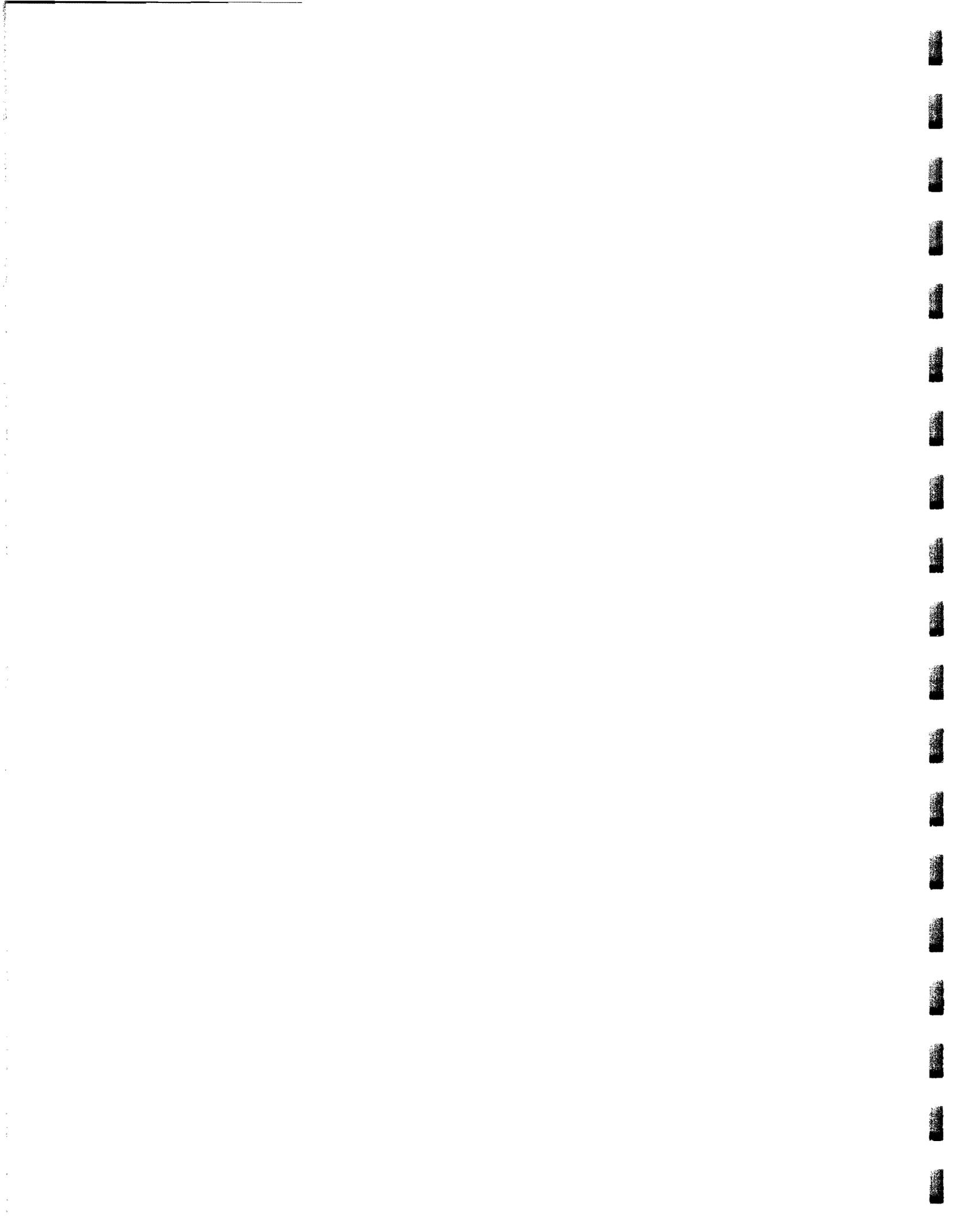
\$517,534 note payable to the Mississippi Department of Economic and Community Development (MDECD) under MDECD's Capital Improvements Revolving Loan Program for the construction of a water tank. Payments including interest at 3.00% are due monthly through September 30, 2024.	\$ 323,106
\$265,200 note payable to the Mississippi Department of Environmental Quality to be used for the construction of pollution control projects. Total proceeds from the note payable through September 30, 2012 were \$32,662. The note will be paid by \$1,324 being withheld from the City's monthly sales tax reimbursement for 237 months beginning June 2013. The payment includes interest at 1.75%.	<u>32,662</u>
	\$ <u>355,768</u>

NOTE 8 - INTERFUND RECEIVABLES AND TRANSFERS

The following interfund receivables and payables are included in the fund financial statements at September 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police Seizure Fund	\$ 2,000
General Fund	Fire Prevention Fund	467
General Fund	Municipal Aid Street	398
General Fund	Debt Service Fund	11,391
General Fund	Library Fund	2,011
Water and Sewer Enterprise Fund	General Fund	80,488
Municipal Parks Fund	General Fund	10,097
Debt Service Fund	Fire Protection Fund	<u>397</u>
		\$ <u>107,249</u>

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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 8 - INTERFUND RECEIVABLES AND TRANSFERS - CONTINUED:

Interfund transfers during the year ended September 30, 2012 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Municipal Parks Fund	General Fund	\$ 40,000
Water and Sewer Enterprise Fund	Drainage Improvement Fund	<u>3,309</u>
		<u>\$ 43,309</u>

NOTE 9 - DEFINED BENEFIT PENSION PLAN

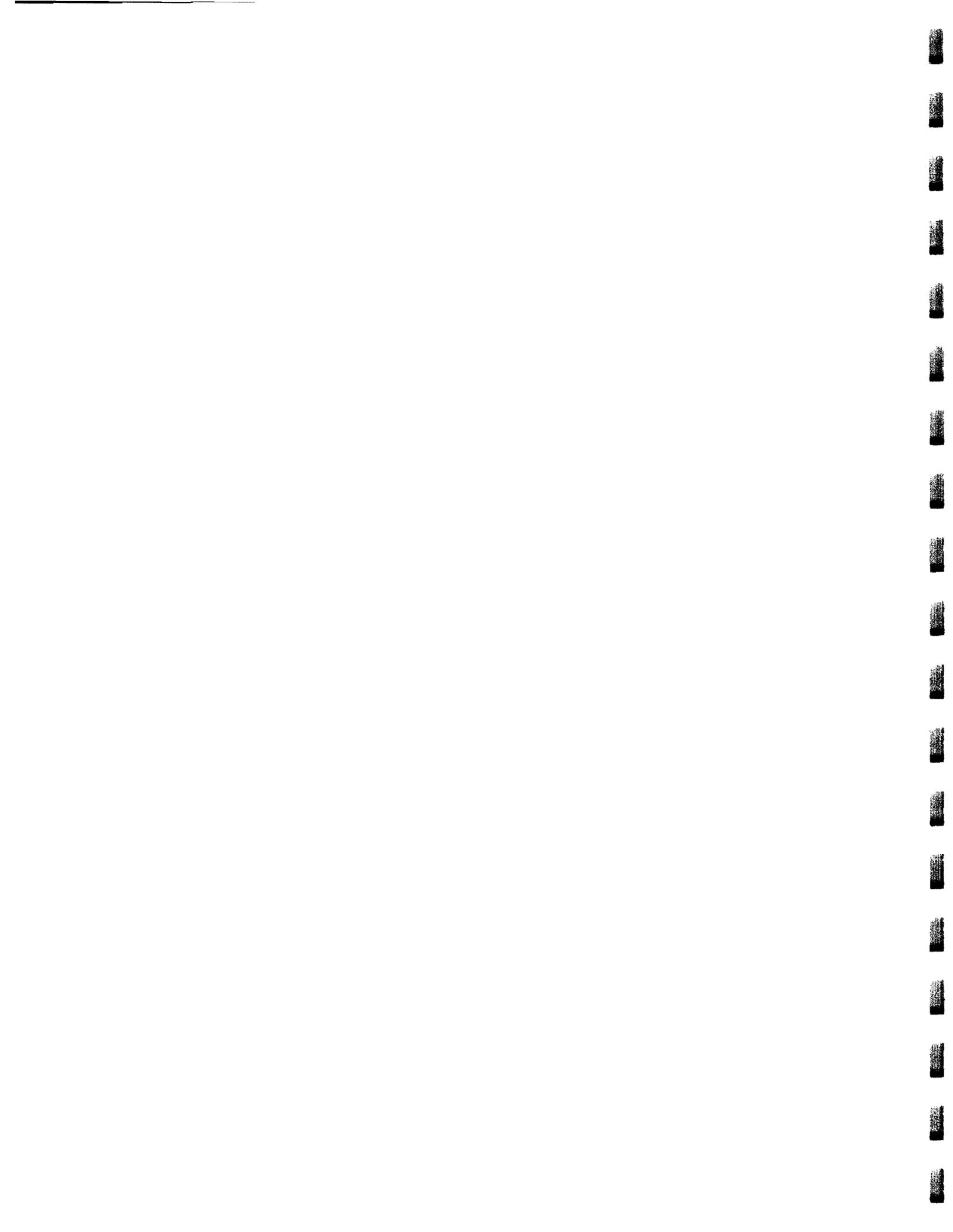
PERS

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

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary. The City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2012 was 12.00% through December 31, 2011, 12.93% from January 1, 2012 through June 30, 2012, and 14.26% from July 1, 2012 through September 30, 2012, of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Three-Year Trend Information for PERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2010	\$ 178,421	100%	-
9/30/2011	181,318	100%	-
9/30/2012	212,938	100%	-



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 10 - GOVERNMENT-WIDE AND PROPRIETARY FUND NET ASSETS

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

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

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

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

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

NOTE 11 - NET ASSETS AND FUND BALANCES

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, spendable fund balance is composed of four classifications designed to disclose the hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 11 - FUND BALANCE REPORTING - CONTINUED:

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

When expenditures are incurred for purposes for which amounts in any of the spendable fund balance classifications can be used, it is the City's policy to use restricted resources first, followed by committed amounts, assigned amounts and then unassigned amounts.

NOTE 12 - CONTINGENCIES

Litigation

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

Federal Grants

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

NOTE 13 - RISK MANAGEMENT

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

Risk of loss related to workers' compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act,



CITY OF HAZLEHURST, MISSISSIPPI

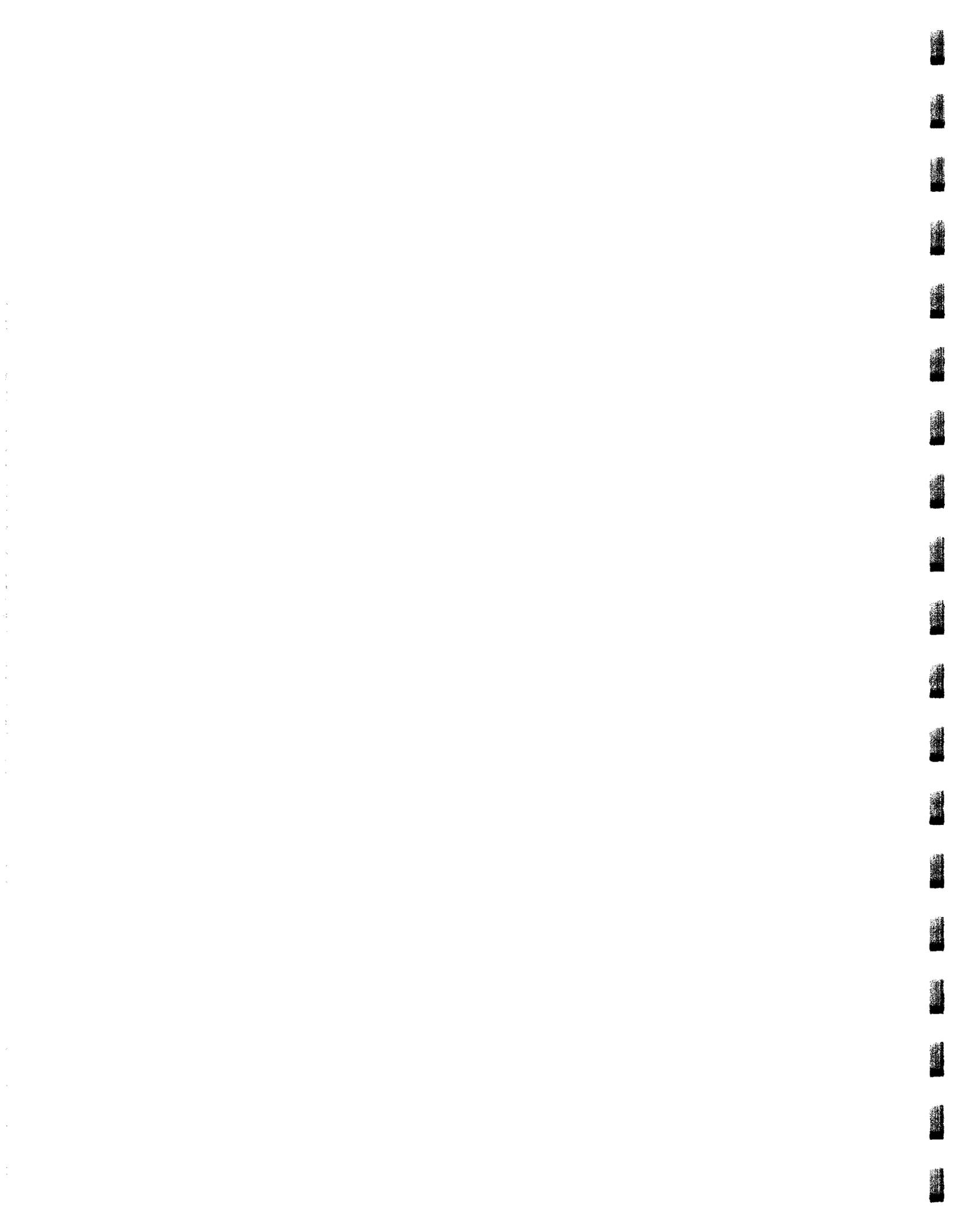
**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 13 - RISK MANAGEMENT - CONTINUED:

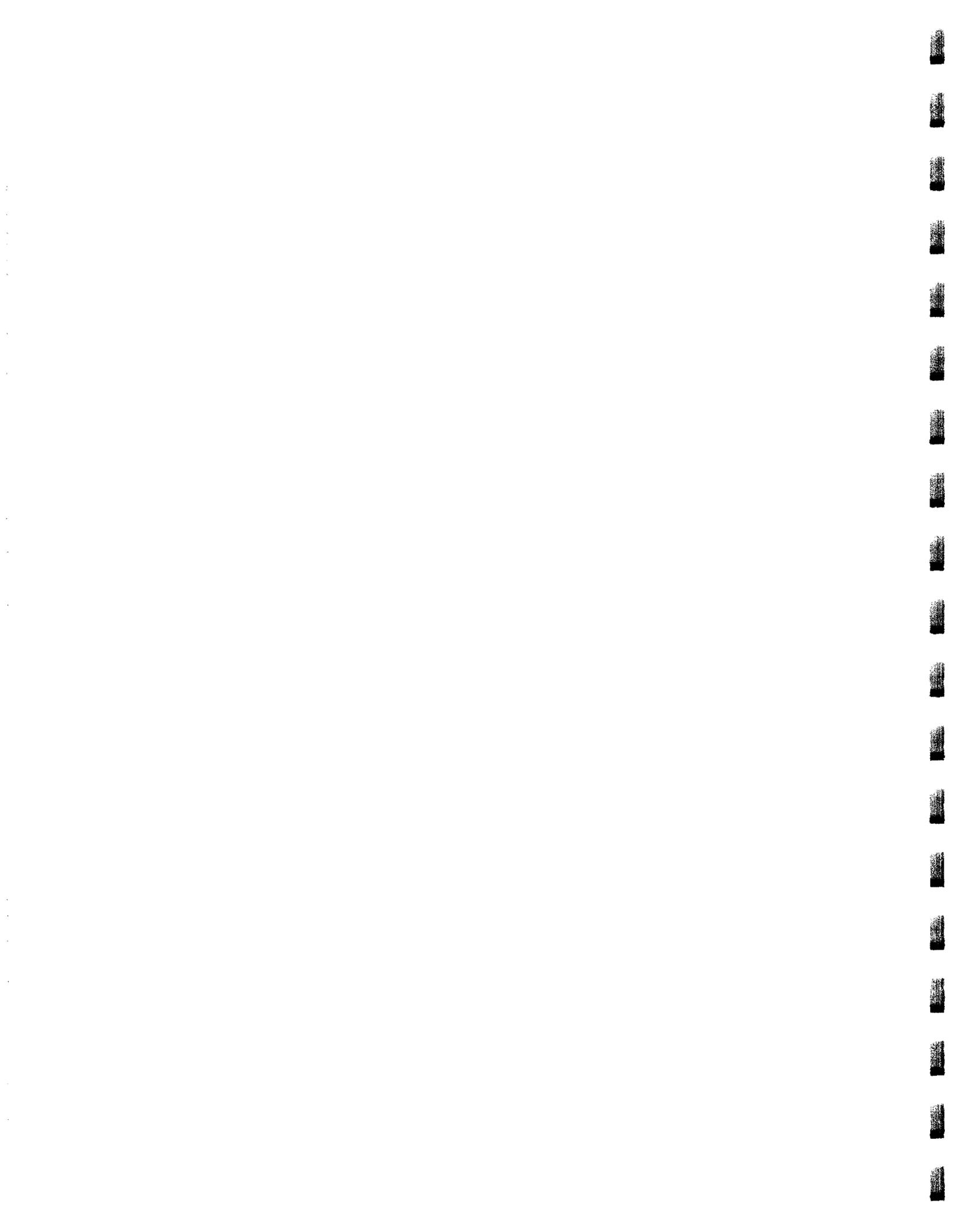
pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring disclosure in the financial statements through August 21, 2013, the date the financial statements were approved by the City's management and thereby available to be issued.

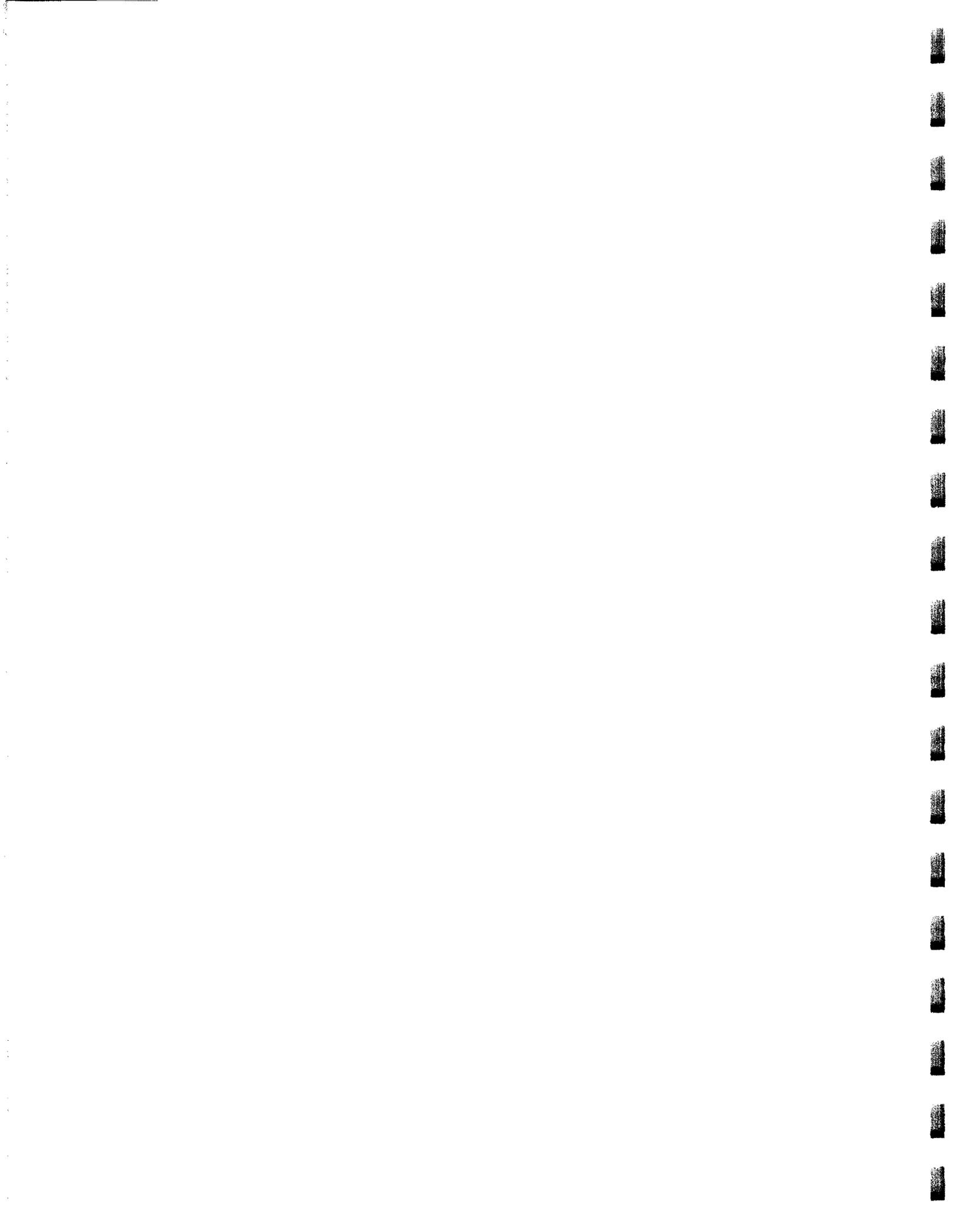


REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A



CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Ad valorem, penalties and interest	\$ 689,555	689,555	722,055	32,500
In lieu of taxes - utility	50,000	63,000	63,009	9
Franchise fees	150,000	150,000	123,802	(26,198)
Licenses and permits	20,000	20,000	25,309	5,309
Intergovernmental	1,398,134	1,480,334	1,456,644	(23,690)
Charges for services	424,000	424,000	404,866	(19,134)
Fines and forfeits	300,000	300,000	287,948	(12,052)
Interest earned	10,000	10,000	1,443	(8,557)
Water department administration fees	30,000	30,000	30,000	-
Miscellaneous	<u>81,000</u>	<u>244,000</u>	<u>233,896</u>	<u>(10,104)</u>
Total revenues	<u>3,152,689</u>	<u>3,410,889</u>	<u>3,348,972</u>	<u>(61,917)</u>
EXPENDITURES:				
General government	475,680	613,000	545,669	67,331
Public safety:				
Police	886,516	963,000	895,465	67,535
Fire	342,803	391,111	353,998	37,113
Communications	172,394	178,100	177,523	577
Court	345,366	345,366	294,841	50,525
Public works	1,502,575	1,269,917	973,565	296,352
Grants, subsidies and other expenditures	<u>40,336</u>	<u>45,336</u>	<u>26,338</u>	<u>18,998</u>
Total expenditures	<u>3,765,670</u>	<u>3,805,830</u>	<u>3,267,399</u>	<u>538,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(612,981)</u>	<u>(394,941)</u>	<u>81,573</u>	<u>476,514</u>
Other financing uses:				
Operating transfer out	<u>(10,000)</u>	<u>(55,000)</u>	<u>(40,000)</u>	<u>15,000</u>
Total financing uses	<u>(10,000)</u>	<u>(55,000)</u>	<u>(40,000)</u>	<u>15,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	(622,981)	(449,941)	41,573	491,514
FUND BALANCE AT BEGINNING OF YEAR	<u>616,271</u>	<u>616,271</u>	<u>616,271</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ <u>(6,710)</u>	<u>166,330</u>	<u>657,844</u>	<u>491,514</u>



CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

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

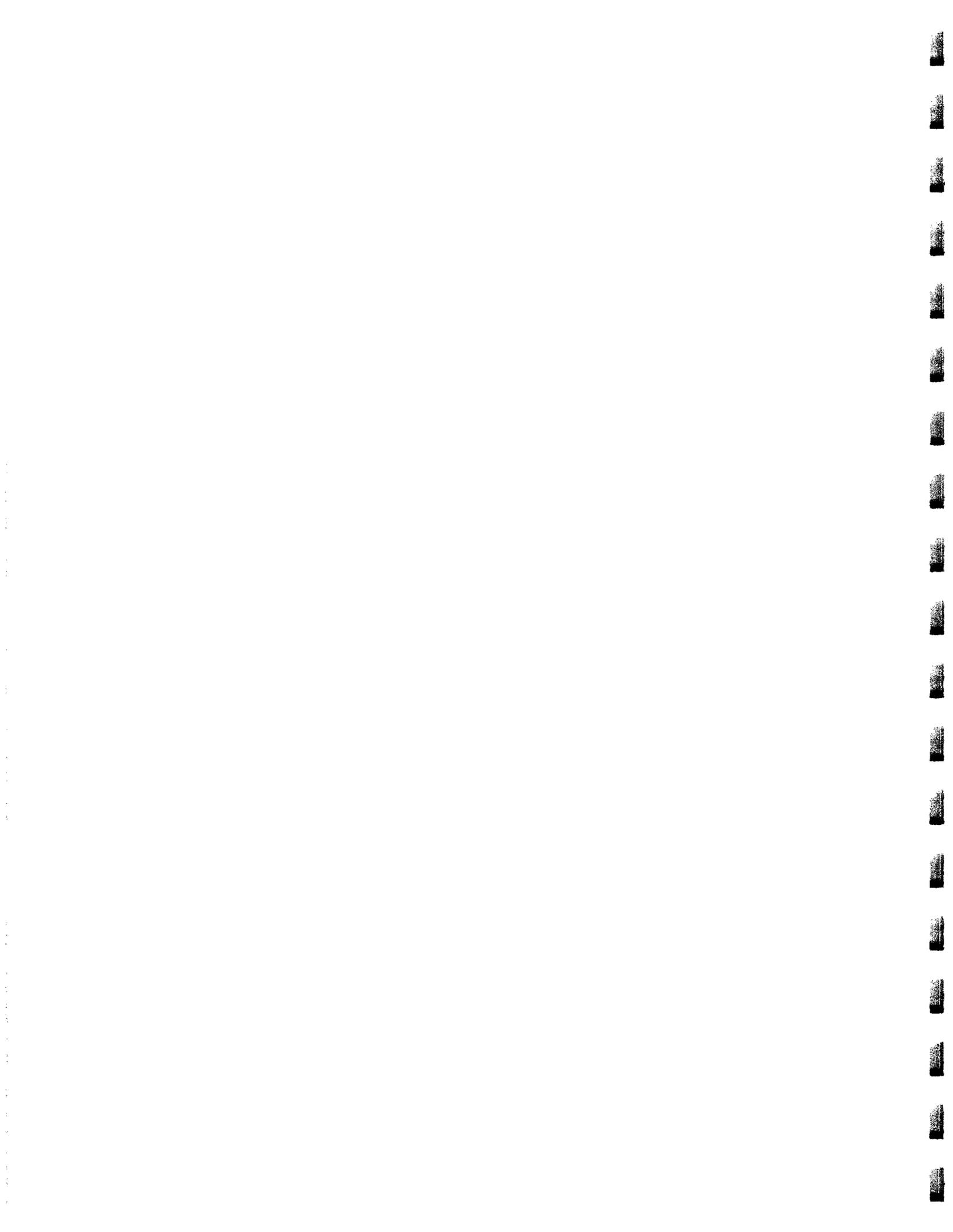
Fund balance - budgetary basis	\$ 657,844
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	12,876
Franchise fees	21,256
Intergovernmental	125,520
Administrative fees - water	2,500
Police fines	34,862
Sanitation fees	33,604
Add prepaid expenses	13,396
Subtract accounts payable paid 30 days or more after year end	<u>(15,367)</u>
Fund balance - GAAP basis	<u>\$ 886,491</u>



CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	with Final Budget Positive (Negative)
General government:				
Personal services	\$ 282,420	290,000	286,042	3,958
Supplies	18,000	18,000	10,641	7,359
Other services and charges	150,260	170,000	137,279	32,721
Capital outlay	<u>25,000</u>	<u>135,000</u>	<u>111,707</u>	<u>23,293</u>
Total general government	<u>475,680</u>	<u>613,000</u>	<u>545,669</u>	<u>67,331</u>
Public safety:				
Police:				
Personal services	695,391	708,000	697,754	10,246
Supplies	97,625	120,000	105,528	14,472
Other services and charges	93,500	95,000	82,009	12,991
Capital outlay	<u>-</u>	<u>40,000</u>	<u>10,174</u>	<u>29,826</u>
Total police	<u>886,516</u>	<u>963,000</u>	<u>895,465</u>	<u>67,535</u>
Fire:				
Personal services	249,026	258,111	251,250	6,861
Supplies	24,500	38,000	31,514	6,486
Other services and charges	44,250	55,000	42,212	12,788
Capital outlay	<u>25,027</u>	<u>40,000</u>	<u>29,022</u>	<u>10,978</u>
Total fire	<u>342,803</u>	<u>391,111</u>	<u>353,998</u>	<u>37,113</u>
Communications:				
Personal services	172,294	178,000	175,161	2,839
Supplies	-	-	-	-
Other services and charges	100	100	2,362	(2,262)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total communications	<u>172,394</u>	<u>178,100</u>	<u>177,523</u>	<u>577</u>
Total public safety	<u>1,401,713</u>	<u>1,532,211</u>	<u>1,426,986</u>	<u>105,225</u>
Court:				
Personal services	101,366	110,366	102,916	7,450
Supplies	1,000	1,000	-	1,000
Other services and charges	243,000	234,000	191,925	42,075
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total court	<u>345,366</u>	<u>345,366</u>	<u>294,841</u>	<u>50,525</u>



CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:
 GENERAL FUND EXPENDITURES
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public works:				
Personal services	\$ 302,517	302,517	281,248	21,269
Supplies	103,500	125,000	112,423	12,577
Other services and charges	606,960	606,960	575,369	31,591
Capital outlay	<u>489,598</u>	<u>235,440</u>	<u>4,525</u>	<u>230,915</u>
Total public works	<u>1,502,575</u>	<u>1,269,917</u>	<u>973,565</u>	<u>296,352</u>
Transfers	<u>10,000</u>	<u>55,000</u>	<u>40,000</u>	<u>15,000</u>
Grants, subsidies and other expenditures	<u>40,336</u>	<u>45,336</u>	<u>26,338</u>	<u>18,998</u>
Total expenditures	<u>\$ 3,775,670</u>	<u>3,860,830</u>	<u>3,307,399</u>	<u>553,431</u>



SUPPLEMENTAL INFORMATION



CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2012**

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>
Henry C. Banks, Sr.	Mayor	\$ 65,000	Travelers
Richard B. Akin	Aldersperson	65,000	Travelers
Frank A. Jones	Aldersperson	65,000	Travelers
Daryl McMillian	Aldersperson	65,000	Travelers
Ronald Sims	Aldersperson	65,000	Travelers
Shirley A. Sandifer	Aldersperson	65,000	Travelers
Sue Brown	City Clerk	50,000	St. Paul Companies
Sue Brown	Tax Collector	50,000	Brierfield Insurance Company
Brenda Slay	Deputy Clerk	50,000	St. Paul Companies
Brenda Slay	Deputy Tax Collector	50,000	Brierfield Insurance Company
Byron Swilley	Police Chief	50,000	Brierfield Insurance Company
Joyce Richardson	Clerk - Water Department	50,000	St. Paul Companies
Pamela Wilbert	Deputy - Tax Collector	50,000	Brierfield Insurance Company
Pamela Wilbert	Deputy Clerk	50,000	Brierfield Insurance Company
Lloyd Hillard	Superintendent - Water Department	50,000	St. Paul Companies
Bridget Evans	Court Clerk	50,000	Brierfield Insurance Company
Bridget Evans	Notary	5,000	Western Surety Company
Deborah Norwood	Assistant Court Clerk	50,000	Brierfield Insurance Company
Curley Linson	Parks Director	50,000	Brierfield Insurance Company
Emily T. Mitchell	Clerk - Water Department	50,000	Brierfield Insurance Company
Susan Edwards	Clerk - Water Department	50,000	Western Surety Company



CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original Issue</u>	<u>Balance Outstanding October 1, 2011</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2012</u>
			<u>Issued</u>	<u>Redeemed</u>	
GENERAL OBLIGATION BONDS:					
General Obligation Bonds of 1999	\$ 985,000	\$ 259,000	-	82,000	177,000
NOTE:					
Mississippi Department of Economic and Community Development Capital Improvement Loan Program - Water tank	\$ 517,534	346,292	-	23,186	323,106
Mississippi Department of Environmental Quality - Pollution Control Project	\$ 265,200	-	32,662	-	32,662
CAPITAL LEASE:					
BancorpSouth Bank - Street sweeper	\$ 154,370	<u>66,075</u>	-	<u>32,270</u>	<u>33,805</u>
		\$ <u>671,367</u>	<u>32,662</u>	<u>137,456</u>	<u>566,573</u>



STATE COMPLIANCE SECTION





CPAs & Advisors

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

Honorable Mayor and Board of Alderpersons
City of Hazlehurst
Hazlehurst, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2012, and have issued our report thereon dated August 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

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

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

Haddox Reid Burkett & Colhoun PLLC

Jackson, Mississippi
August 21, 2013

