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CITY OF HAZLEHURST, MISSISSIPPI

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

SEPTEMBER 30, 2014

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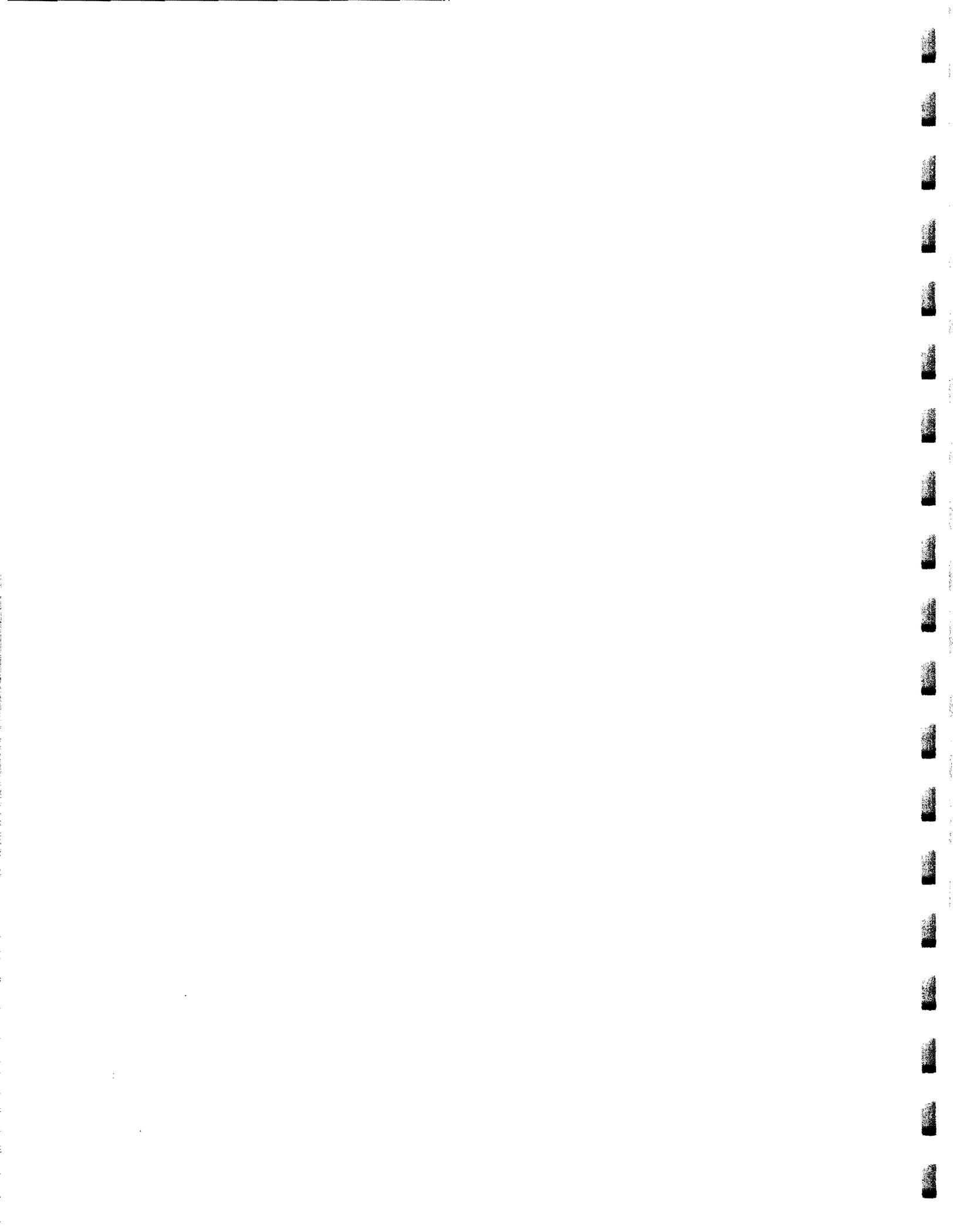
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CPAs & Advisors

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 September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

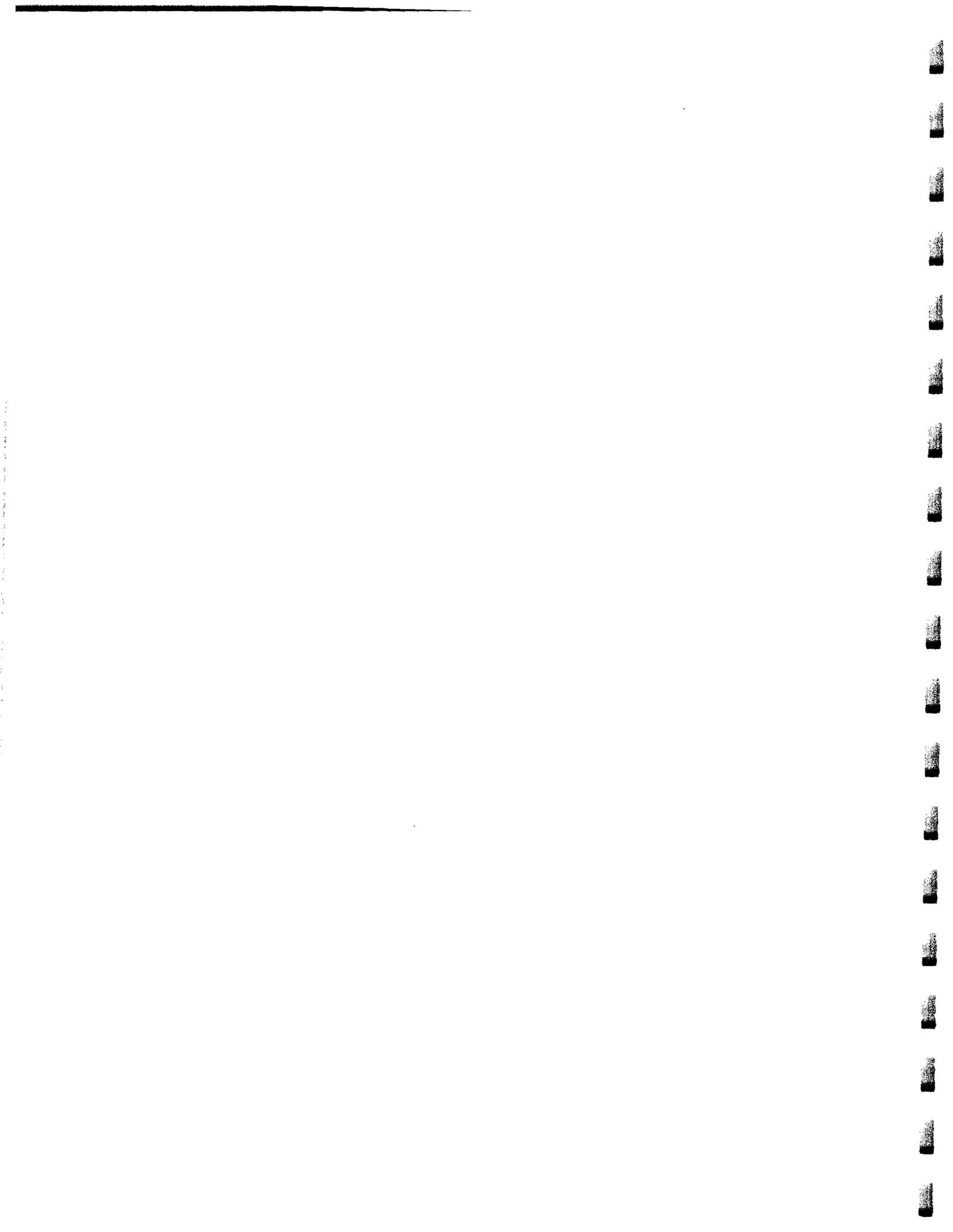
Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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CITY OF HAZLEHURST

HENRY C. BANKS, SR., Mayor

SUE B. BROWN, City Clerk

September 28, 2015

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Re: Annual Municipal Audit

Department of Technical Assistance

Accompanying this letter are two copies of the annual audit of the City of Hazlehurst, Mississippi, for the fiscal year ended September 30, 2014. In connection with this audit, and electronic copy of the audit was sent also.

Sincerely,

Henry Banks, Sr.
Mayor

HCB/sbb

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Auditor's Responsibility - continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 46-49 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.

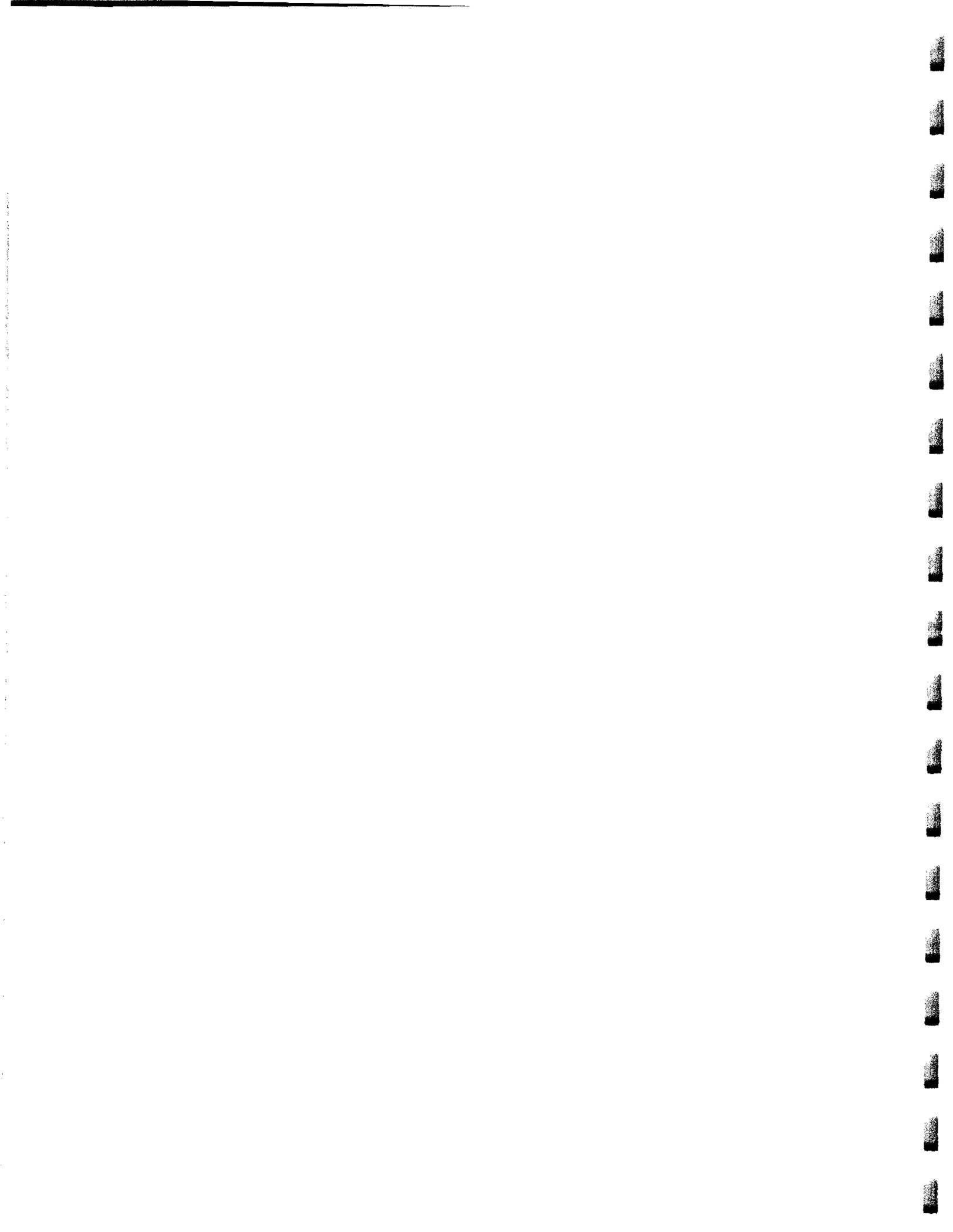
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazlehurst, Mississippi's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules included in the supplemental information section 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.

Haddox Reid Embank Better PLLC

Jackson, Mississippi
September 24, 2015



CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2014

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, 2014. 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 position of the City decreased by \$419,127 as a result of this year's operations. The decrease occurred in both the City's Governmental Activities and the Business-Type Activities. The Governmental Activities decreased by \$114,740 during the current fiscal year compared to an increase of \$64,088 for the fiscal year ended September 30, 2013. The current year decrease in net position of the Water and Sewer Fund in the amount of \$304,387 was comparable to the decrease in net position for the fiscal year ended September 30, 2013, in the amount of \$135,700. The decrease in net position for the Water and Sewer Fund for both September 30, 2014 and September 30, 2013, results from depreciation expenses in the amount of \$408,089 and \$382,535, respectively.

The City's General Fund reflected an increase in total revenue compared to the prior year (\$3,329,004 in 2014 compared to \$3,171,486 in 2013). The increase in total revenue is attributed to an increase in current year sales tax and ad valorem taxes collected. Total expenditures also reflected an increase (\$3,593,613 in 2014 compared to \$3,104,981 in 2013). The overall increase in expenditures is attributed to the purchase of machinery and equipment for both the public safety and public works departments.

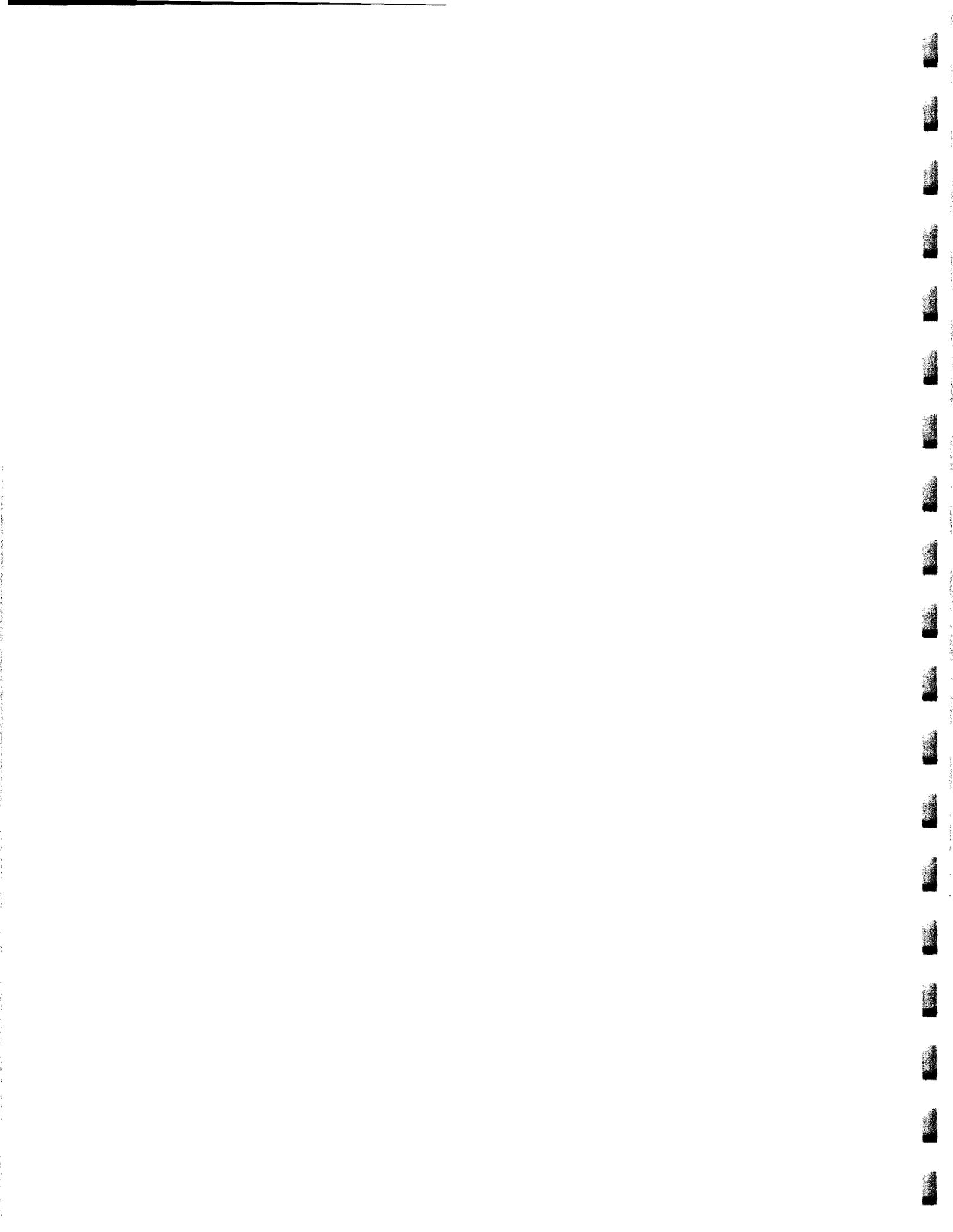
OVERVIEW OF THE FINANCIAL STATEMENTS

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 Position and the Statement of Activities

While this report 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 Position and the Statement of Activities.



CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

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

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 position for the 2014 fiscal year and changes in them. The City's net position - the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position 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 Position and the Statement of Activities, the City is divided into two types of activities:

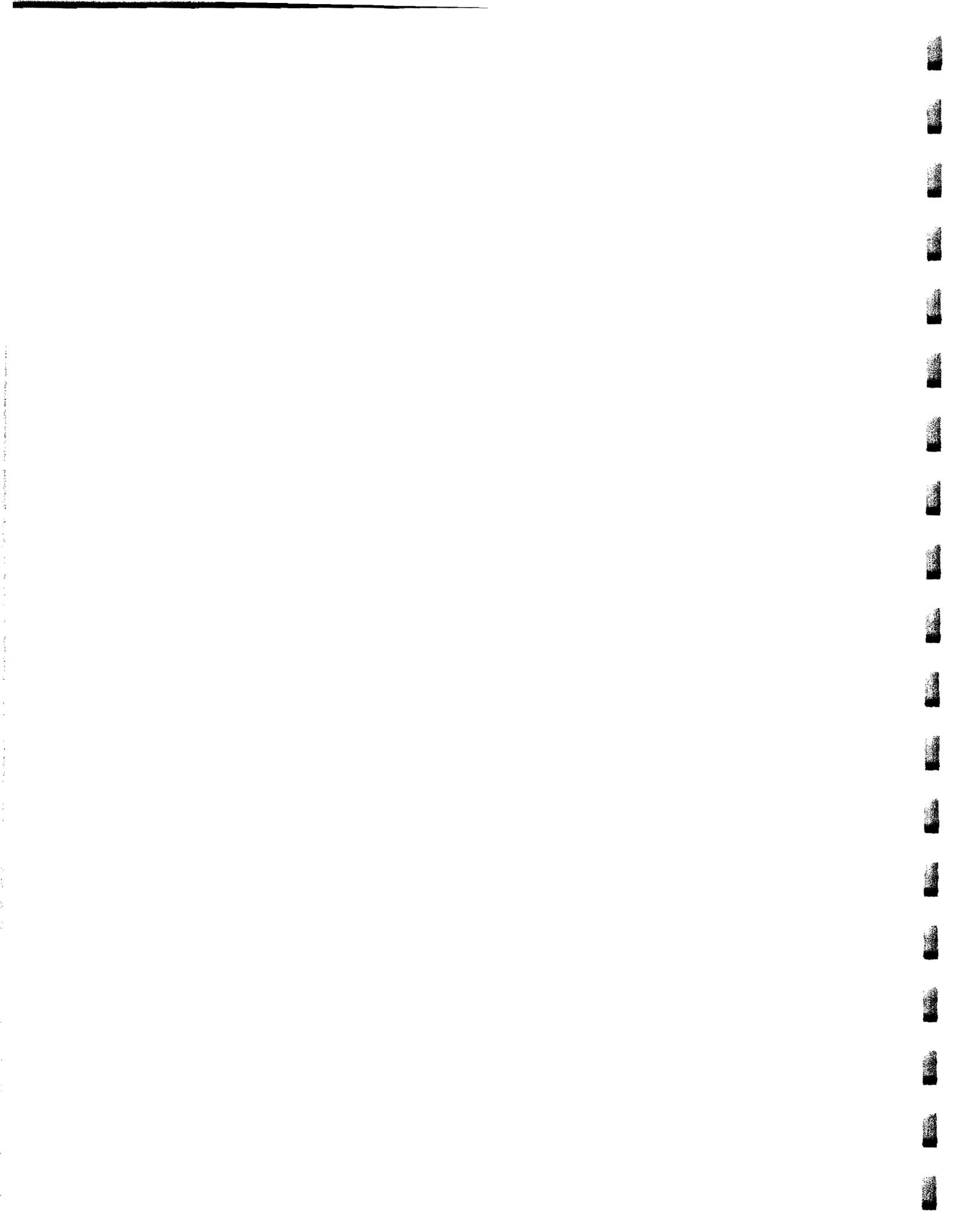
- **General Governmental Activities** - Most of the City's basic services are reported here, including police, fire, court, public works, instruction and recreation and general administration. Property taxes, sales taxes, police fines/fees and franchise fees finance most of these activities.
- **Business-Type 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



CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Reporting the City's Most Significant Fund - continued:

Fund Financial Statements - continued:

reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps 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 Position 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 Position 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 fund financial statements 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 Position and Changes in Fiduciary Net Position. 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, 2014**

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OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Notes to the Financial Statements

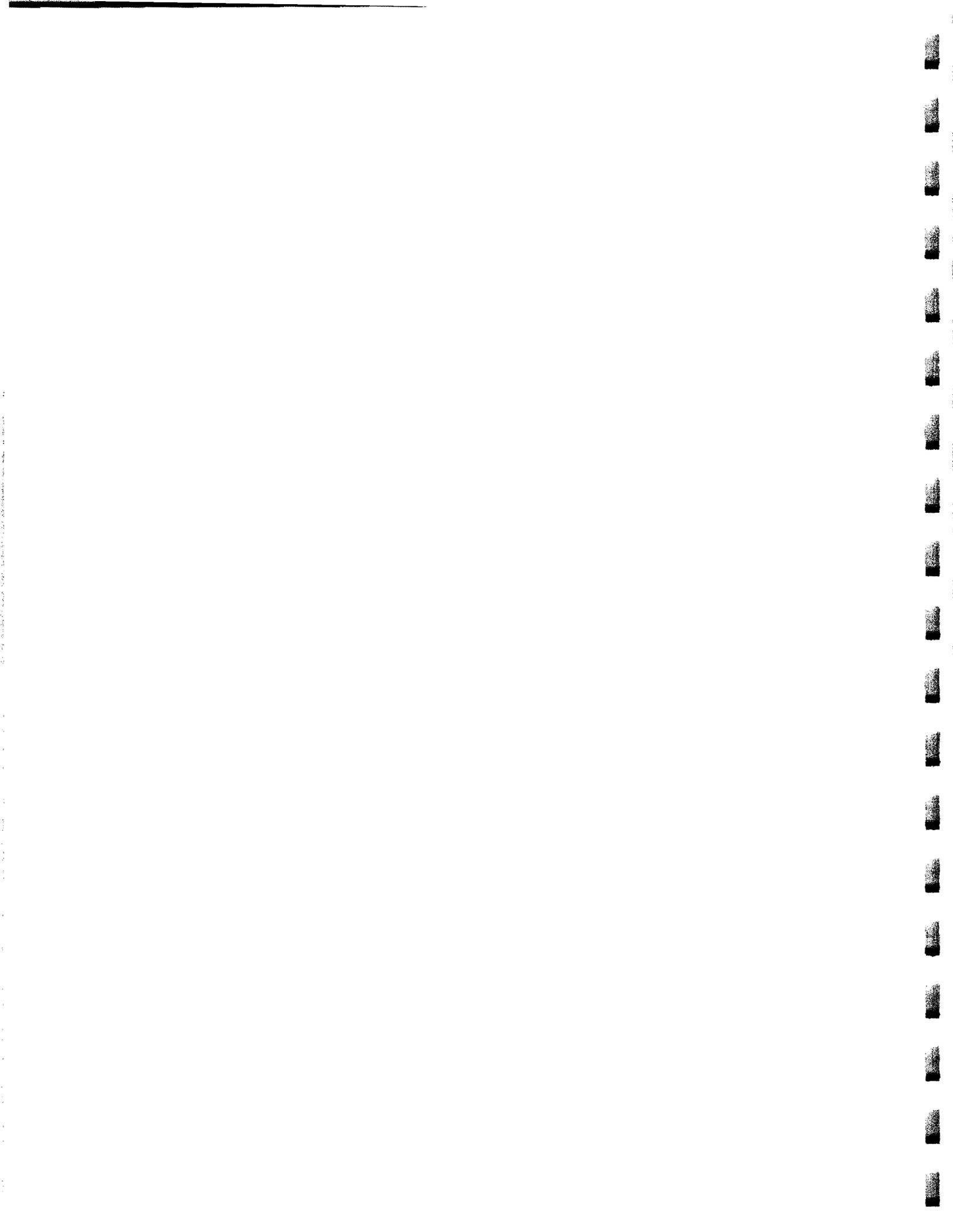
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY

Recall that the Statement of Net Position looks at the City as a whole. The City's combined net position was \$10,637,894 as of September 30, 2014. **Table 1** provides a summary of the City's net position.

**(Table 1)
Condensed Statement of Net Position
at September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,254,046	2,360,848	990,024	1,060,545	3,244,070	3,421,393
Capital assets, net	<u>3,679,752</u>	<u>3,302,383</u>	<u>6,235,818</u>	<u>6,571,675</u>	<u>9,915,570</u>	<u>9,874,058</u>
Total assets	<u>5,933,798</u>	<u>5,663,231</u>	<u>7,225,842</u>	<u>7,632,220</u>	<u>13,159,640</u>	<u>13,295,451</u>
Current liabilities	328,744	324,205	268,883	328,688	597,627	652,893
Noncurrent liabilities	<u>529,586</u>	<u>91,413</u>	<u>457,511</u>	<u>499,697</u>	<u>987,097</u>	<u>591,110</u>
Total liabilities	<u>858,330</u>	<u>415,618</u>	<u>726,394</u>	<u>828,385</u>	<u>1,584,724</u>	<u>1,244,003</u>
Deferred inflows of resources:						
Unearned revenue	15,722	15,722	-	-	15,722	15,722
Unavailable property taxes	<u>921,300</u>	<u>978,705</u>	-	-	<u>921,300</u>	<u>978,705</u>
Total deferred inflows of resources	<u>937,022</u>	<u>994,427</u>	-	-	<u>937,022</u>	<u>994,427</u>
Net assets:						
Net investment in capital assets	3,217,870	3,211,383	5,751,868	6,053,958	8,969,738	9,265,341
Restricted:						
Fire protection	8,914	84,163	-	-	8,914	84,163
Streets	7,670	5,125	-	-	7,670	5,125
Parks	17,298	24,969	-	-	17,298	24,969
Library	12,560	12,572	-	-	12,560	12,572
Debt service	16,063	12,925	-	-	16,063	12,925
Unrestricted	<u>858,071</u>	<u>902,049</u>	<u>747,580</u>	<u>749,877</u>	<u>1,605,651</u>	<u>1,651,926</u>
Total net position	\$ <u>4,138,446</u>	<u>4,253,186</u>	<u>6,499,448</u>	<u>6,803,835</u>	<u>10,637,894</u>	<u>11,057,021</u>



CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

By far the largest portion of the City's net position (84.3%) reflects its net 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 Position for the years ended September 30, 2014 and 2013.

**(Table 2)
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 743,629	677,272	1,212,178	1,195,944	1,955,807	1,873,216
Operating grants and contributions	-	59,832	-	-	-	59,832
Capital grants and contributions	-	23,895	-	122,453	-	146,348
General revenues:						
Property taxes	934,096	868,192	-	-	934,096	868,192
Sales taxes	1,288,345	1,247,121	-	-	1,288,345	1,247,121
Other	<u>569,771</u>	<u>538,849</u>	<u>123</u>	<u>168</u>	<u>569,894</u>	<u>539,017</u>
Total revenues	<u>3,535,841</u>	<u>3,415,161</u>	<u>1,212,301</u>	<u>1,318,565</u>	<u>4,748,142</u>	<u>4,733,726</u>
EXPENSES:						
General government	509,876	490,852	-	-	509,876	490,852
Public safety	1,555,990	1,417,325	-	-	1,555,990	1,417,325
Court	317,790	297,067	-	-	317,790	297,067
Public works	1,108,833	1,019,167	-	-	1,108,833	1,019,167
Instruction and recreation	161,324	149,154	-	-	161,324	149,154
Interest	12,210	7,508	-	-	12,210	7,508
Water and sewer	-	-	<u>1,468,433</u>	<u>1,424,265</u>	<u>1,468,433</u>	<u>1,424,265</u>
Total expenses	<u>\$ 3,666,023</u>	<u>3,381,073</u>	<u>1,468,433</u>	<u>1,424,265</u>	<u>5,134,456</u>	<u>4,805,338</u>

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 2) - continued:
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
CHANGE IN NET POSITION BEFORE TRANSFERS AND LOSS ON DISPOSAL OF CAPITAL ASSETS	\$ (130,182)	34,088	(256,132)	(105,700)	(386,314)	(71,612)
LOSS ON DISPOSAL OF CAPITAL ASSETS	(14,558)	-	(18,255)	-	(32,813)	-
TRANSFERS	<u>30,000</u>	<u>30,000</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(114,740)	64,088	(304,387)	(135,700)	(419,127)	(71,612)
NET POSITION, BEGINNING OF YEAR	<u>4,253,186</u>	<u>4,189,098</u>	<u>6,803,835</u>	<u>6,939,535</u>	<u>11,057,021</u>	<u>11,128,633</u>
NET POSITION, END OF YEAR	\$ <u>4,138,446</u>	<u>4,253,186</u>	<u>6,499,448</u>	<u>6,803,835</u>	<u>10,637,894</u>	<u>11,057,021</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. The City's sales tax accounted for \$1,288,345 or 36.4% of gross revenue; revenues from property taxes accounted for \$934,096 or 26.4% of revenues; and revenues from charges for services accounted for \$743,629 or 21.0% of gross revenues.

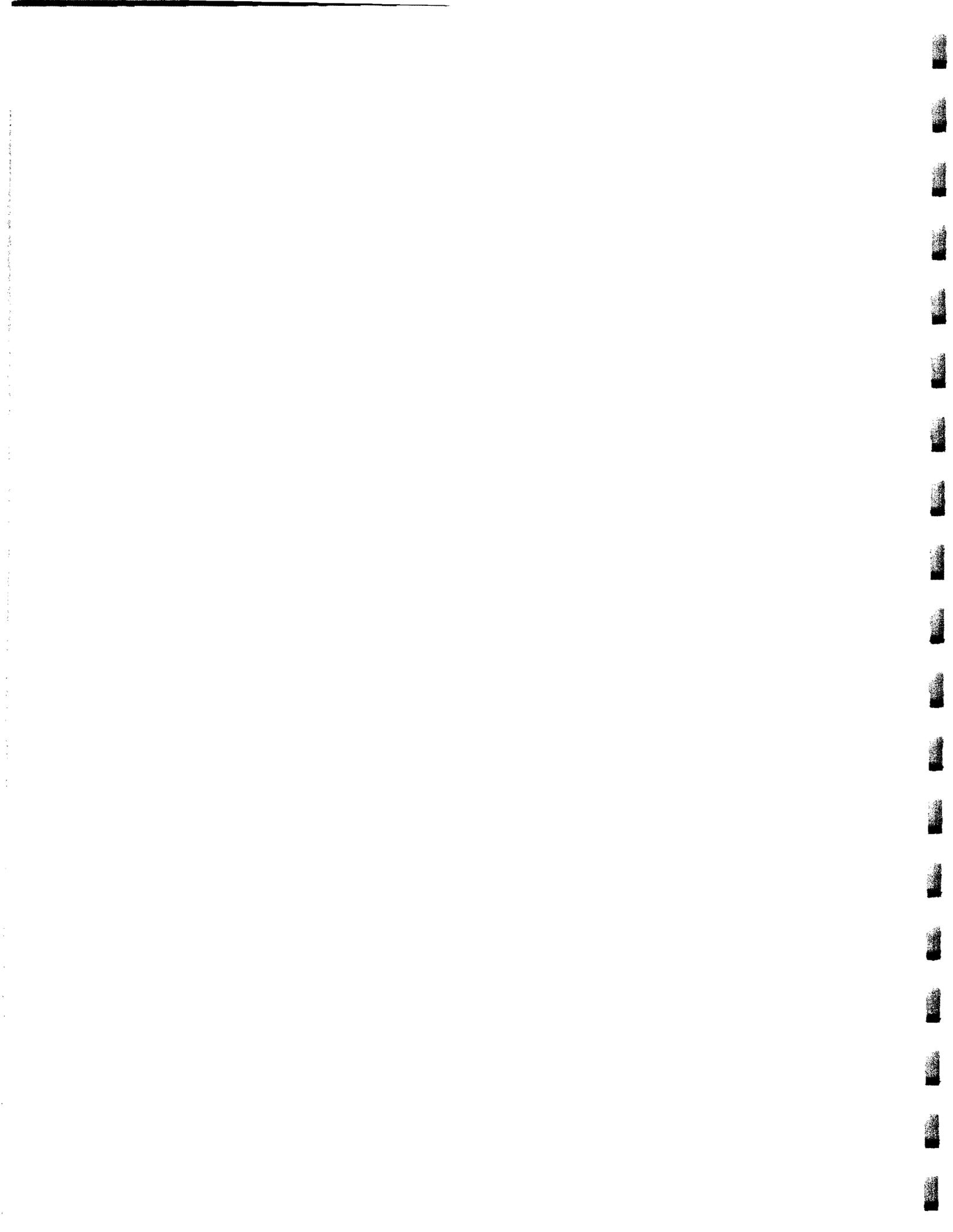
Major expense activities included public safety expenses accounting for 42.4% of the total program expenses, public works accounting for 30.2%, and administration accounting for 13.9%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

Business-Type Activity

Operating revenues of the City's business-type activities were \$1,212,301 for the fiscal year ended September 30, 2014. Operating expenses for the City's business-type activities were \$1,424,265, resulting in an operating loss of \$256,132. The net non-operating expenses and transfers were \$48,255, resulting in a decrease in net position of \$304,387. Key operating results are detailed below:

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CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2014

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Business-Type Activity - continued:

- The City's water and sewer enterprise fund recorded charges for services of \$1,212,178, which reflects a 1.4% increase from the prior year. The most significant expenses of the water and sewer enterprise fund were \$429,401 for salaries and benefits, and \$408,089 in depreciation expense.

BUDGETARY HIGHLIGHTS

The City's budgets are prepared according to Mississippi law and are based on accounting for transactions on a modified-cash basis. The most significant budgeted fund is the general fund. During 2014, 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 2014 were \$3,351,293; final budget amounts were \$3,296,465; and actual revenue collections were \$3,321,238. The primary factors contributing to the decrease of original budgeted revenue compared with final budgeted amounts was a decrease in miscellaneous revenue. General fund operating expenditures were \$3,585,699 compared to final budgeted amounts of \$3,822,693.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the City had over \$9.9 million invested in a broad range of capital assets, including police and fire equipment, motor vehicles, buildings, park facilities, roads, bridges, and water and sewer lines. (See **Table 3** below).



CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

**(Table 3)
Capital Assets at September 30, 2014 and 2013
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 133,327	133,327	38,400	38,400	171,727	171,727
Improvements other than buildings	624,266	656,539	-	-	624,266	656,539
Buildings	1,473,224	1,519,656	5,496	7,851	1,478,720	1,527,507
Machinery and equipment	656,042	226,256	120,508	99,232	776,550	325,488
Motor vehicles	207,282	145,492	51,999	40,126	259,281	185,618
Infrastructure	585,611	621,113	-	-	585,611	621,113
Water system	-	-	3,127,850	3,290,257	3,127,850	3,290,257
Sewer system	-	-	2,891,565	3,095,809	2,891,565	3,095,809
Total	\$ <u>3,679,752</u>	<u>3,302,383</u>	<u>6,235,818</u>	<u>6,571,675</u>	<u>9,915,570</u>	<u>9,874,058</u>

Capital Assets - continued:

This year's major additions included:

Police department motor vehicles	\$ 53,376
Fire department equipment	299,191
Public works department equipment	264,929
Water and sewer equipment	75,256
Water department computer equipment	6,199
Water department motor vehicles	24,660

Debt

At September 30, 2014, the City of Hazlehurst had \$1,082,268 in outstanding debt from General Obligation Bonds, Notes Payable and Accrued Vacation. Table 4 summarizes the total outstanding long-term obligations of the City.

**(Table 4)
Outstanding Debt at September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ -	91,000	-	-	-	91,000
Capital leases payable	461,882	-	-	-	461,882	-
Notes payable	-	-	483,950	517,717	483,950	517,717
Compensated absences	<u>128,512</u>	<u>91,413</u>	<u>7,924</u>	<u>15,448</u>	<u>136,436</u>	<u>106,861</u>
Total	\$ <u>590,394</u>	<u>182,413</u>	<u>491,874</u>	<u>533,165</u>	<u>1,082,268</u>	<u>715,578</u>



CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

The City paid \$160,867 in principal on outstanding debt during the year and received proceeds from capital leases in the amount of \$497,982.

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 continue to increase in 2015 based on new development within the City.

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,300,000 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 POSITION
AS OF SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,070,500	611,345	1,681,845
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	128,438	103,668	232,106
Taxes	930,586	-	930,586
Due from other governments	108,318	-	108,318
Inventories at cost	-	63,361	63,361
Prepaid expenses	16,204	4,734	20,938
Restricted cash and cash equivalents	-	206,916	206,916
Capital assets:			
Nondepreciable	133,327	38,400	171,727
Depreciable, net of accumulated depreciation	<u>3,546,425</u>	<u>6,197,418</u>	<u>9,743,843</u>
Total assets	\$ <u>5,933,798</u>	<u>7,225,842</u>	<u>13,159,640</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	\$ 174,408	97,875	272,283
Accrued liabilities	12,873	4,577	17,450
Accrued interest payable	2,316	687	3,003
Customer deposits	-	206,916	206,916
Due to other governments	-	2,804	2,804
Internal balances	78,339	(78,339)	-
Noncurrent liabilities:			
Due within one year:			
Notes and leases payable	60,808	34,363	95,171
Due in more than one year:			
Compensated absences	128,512	7,924	136,436
Notes and leases payable	<u>401,074</u>	<u>449,587</u>	<u>850,661</u>
Total liabilities	<u>858,330</u>	<u>726,394</u>	<u>1,584,724</u>

DEFERRED INFLOWS OF RESOURCES

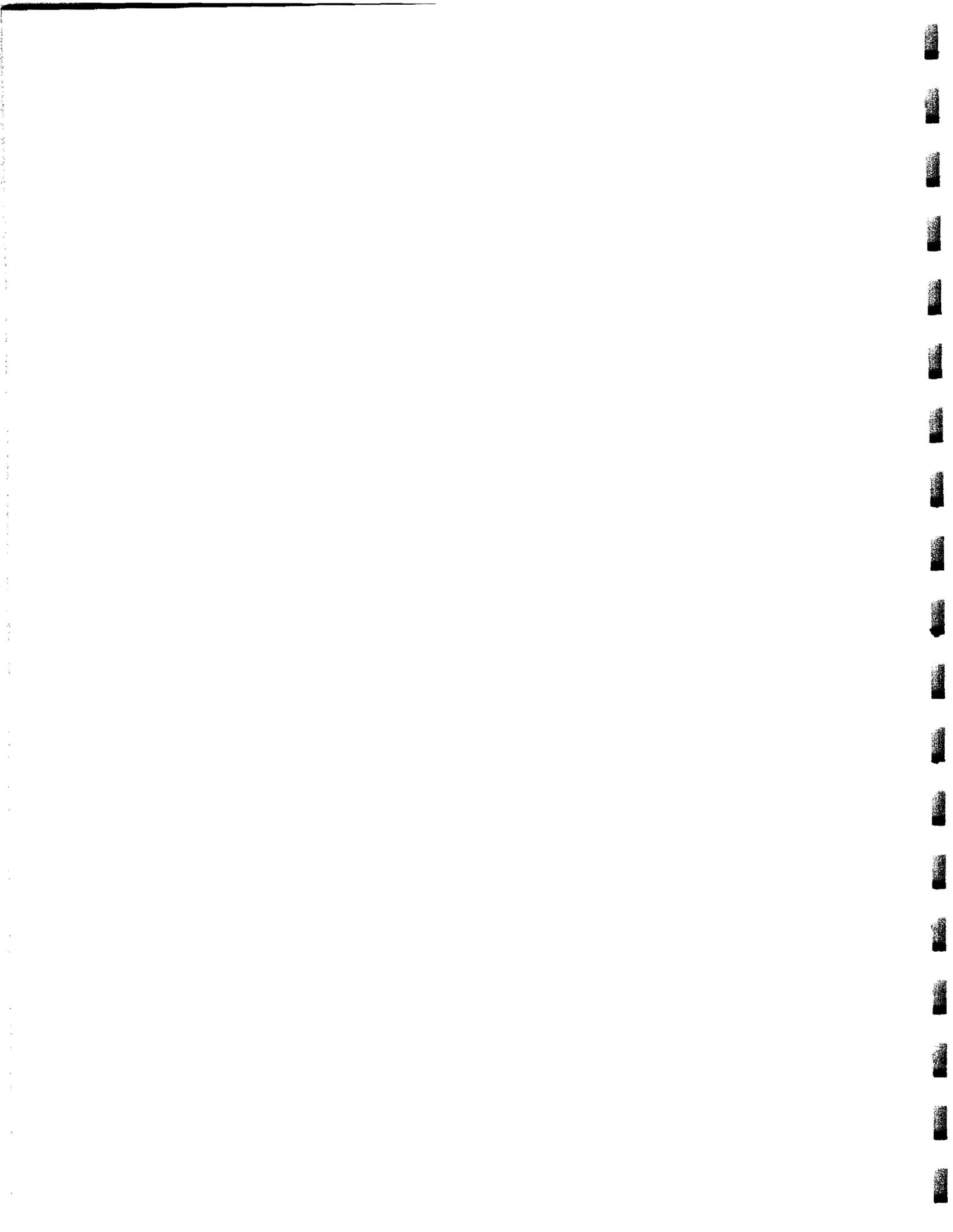
Unearned revenue	15,722	-	15,722
Unavailable revenue - property taxes	<u>921,300</u>	-	<u>921,300</u>
Total deferred inflows of resources	<u>937,022</u>	-	<u>937,022</u>

NET POSITION

Net investment in capital assets	3,217,870	5,751,868	8,969,738
Restricted for:			
Fire prevention	8,914	-	8,914
Streets	7,670	-	7,670
Parks	17,298	-	17,298
Library	12,560	-	12,560
Debt service	16,063	-	16,063
Unrestricted	<u>858,071</u>	<u>747,580</u>	<u>1,605,651</u>
Total net position	<u>\$ 4,138,446</u>	<u>6,499,448</u>	<u>10,637,894</u>

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<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	\$ 509,876	420,946	-	-
Public safety	1,555,990	322,683	-	-
Court	317,790	-	-	-
Public works	1,108,833	-	-	-
Instruction and recreation	161,324	-	-	-
Interest on long-term debt	12,210	-	-	-
Total governmental activities	<u>3,666,023</u>	<u>743,629</u>	-	-
Business-type activities:				
Water and sewer	<u>1,468,433</u>	<u>1,212,178</u>	-	-
Total business-type activities	<u>1,468,433</u>	<u>1,212,178</u>	-	-
Total government	\$ <u>5,134,456</u>	<u>1,955,807</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

Loss on disposition of assets

Interfund charges

 Total general revenues

 Change in net position

Net position at beginning of year

Net position at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Position

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
(88,930)	-	(88,930)
(1,233,307)	-	(1,233,307)
(317,790)	-	(317,790)
(1,108,833)	-	(1,108,833)
(161,324)	-	(161,324)
<u>(12,210)</u>	<u>-</u>	<u>(12,210)</u>
<u>(2,922,394)</u>	<u>-</u>	<u>(2,922,394)</u>
<u>-</u>	<u>(256,255)</u>	<u>(256,255)</u>
<u>-</u>	<u>(256,255)</u>	<u>(256,255)</u>
<u>(2,922,394)</u>	<u>(256,255)</u>	<u>(3,178,649)</u>
934,096	-	934,096
1,288,345	-	1,288,345
61,702	-	61,702
125,638	-	125,638
145,412	-	145,412
18,186	-	18,186
100,168	-	100,168
1,308	123	1,431
117,357	-	117,357
(14,558)	(18,255)	(32,813)
<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
<u>2,807,654</u>	<u>(48,132)</u>	<u>2,759,522</u>
(114,740)	(304,387)	(419,127)
<u>4,253,186</u>	<u>6,803,835</u>	<u>11,057,021</u>
<u>4,138,446</u>	<u>6,499,448</u>	<u>10,637,894</u>

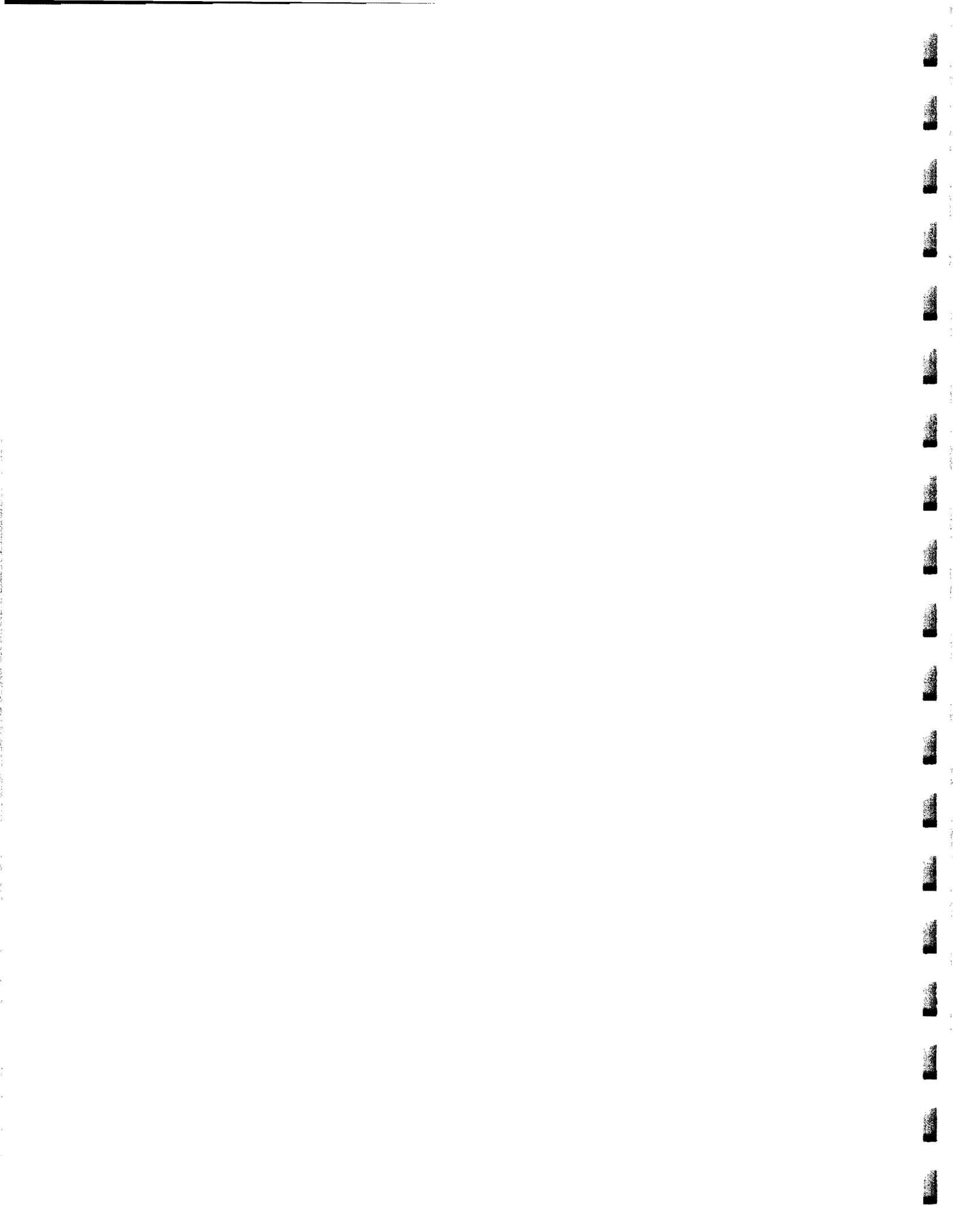


CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,006,962	63,538	1,070,500
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	91,611	-	91,611
Taxes	825,967	104,619	930,586
Due from other funds	-	2,387	2,387
Due from other governments	108,318	-	108,318
Prepaid expenses	<u>14,954</u>	<u>1,250</u>	<u>16,204</u>
Total assets	\$ <u>2,047,812</u>	<u>171,794</u>	<u>2,219,606</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 168,013	6,395	174,408
Accrued liabilities	12,873	-	12,873
Due to other funds	<u>80,726</u>	<u>-</u>	<u>80,726</u>
Total liabilities	<u>261,612</u>	<u>6,395</u>	<u>268,007</u>
Deferred inflows of resources:			
Unearned revenue	15,722	-	15,722
Unearned revenue - property tax	<u>818,300</u>	<u>103,000</u>	<u>921,300</u>
Total deferred inflows of resources	<u>834,022</u>	<u>103,000</u>	<u>937,022</u>
Fund balances:			
Nonspendable:			
Prepays	14,954	1,250	16,204
Restricted for:			
Fire prevention	-	8,914	8,914
Streets	-	7,670	7,670
Parks	-	17,298	17,298
Library	-	12,560	12,560
Debt service	-	16,063	16,063
Assigned to:			
Subsequent year's budget	625,391	-	625,391
Unassigned	<u>311,833</u>	<u>(1,356)</u>	<u>310,477</u>
Total fund balances	<u>952,178</u>	<u>62,399</u>	<u>1,014,577</u>
Total liabilities and fund balances	\$ <u>2,047,812</u>	<u>171,794</u>	<u>2,219,606</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 POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

Total fund balances - governmental funds **\$ 1,014,577**

Amounts reported for governmental activities in the
Statement of Net Position 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	7,210,194	
Less accumulated depreciation	<u>(3,530,442)</u>	3,679,752

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.

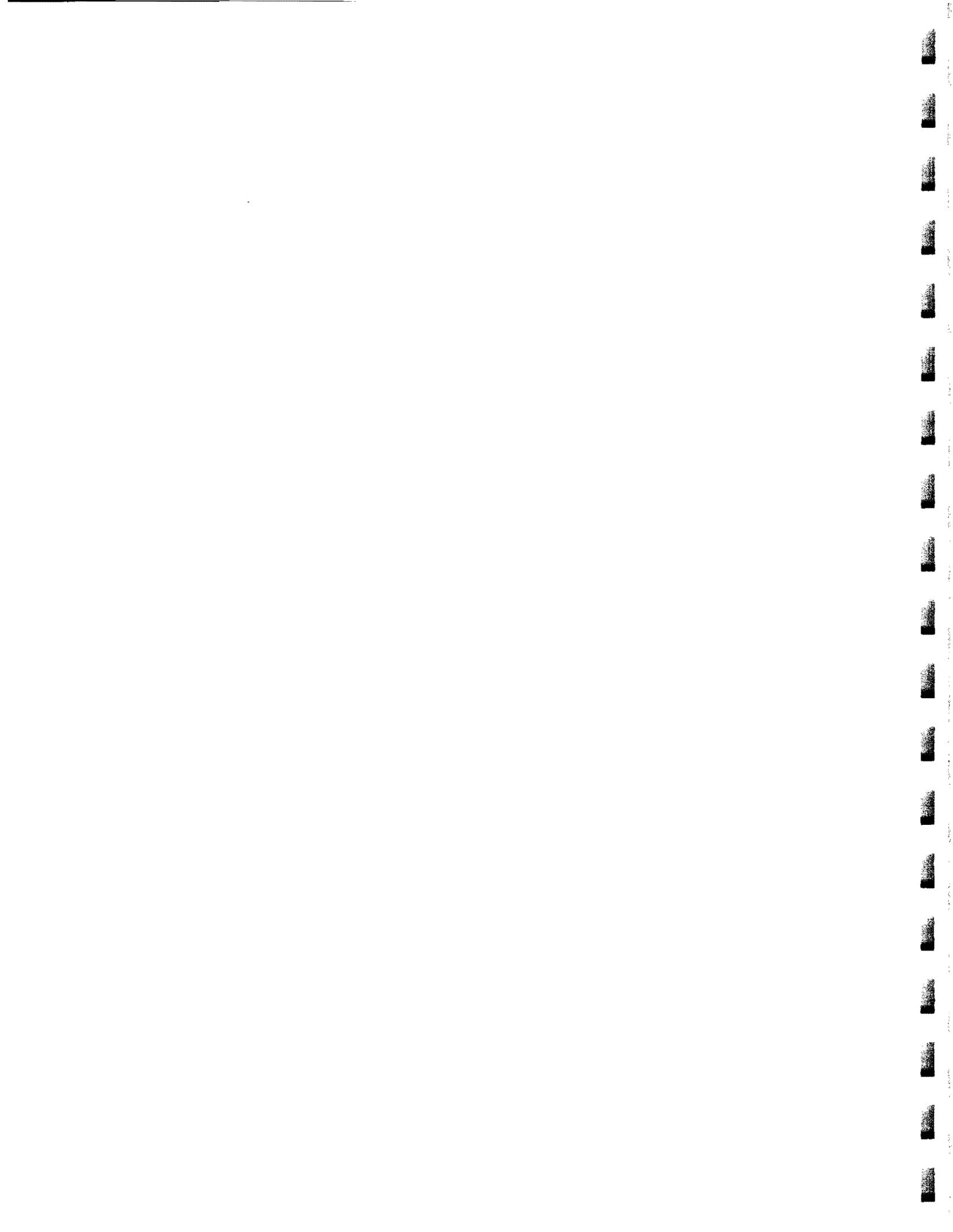
36,827

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:

Capital leases payable	(461,882)	
Accrued interest payable	(2,316)	
Compensated absences	<u>(128,512)</u>	<u>(592,710)</u>

Net position of governmental activities **\$ 4,138,446**

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, 2014**

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 737,927	188,520	926,447
Prior years ad valorem	5,965	1,684	7,649
Interest and penalties on taxes	18,186	-	18,186
In lieu of taxes - utility	61,702	-	61,702
Franchise fees	137,669	-	137,669
Licenses and permits	22,217	-	22,217
Intergovernmental	1,518,145	45,741	1,563,886
Charges for services	398,729	-	398,729
Fines and forfeits	285,856	-	285,856
Interest earned	1,115	193	1,308
Interfund charges	30,000	-	30,000
Other	<u>111,493</u>	<u>5,864</u>	<u>117,357</u>
Total revenues	<u>3,329,004</u>	<u>242,002</u>	<u>3,571,006</u>
EXPENDITURES:			
Current:			
General government	457,167	-	457,167
Public safety	1,498,774	299,191	1,797,965
Court	316,973	-	316,973
Public works	1,273,600	7,925	1,281,525
Instruction and recreation	-	76,162	76,162
Grants, subsidies and other expenditures	26,349	-	26,349
Pay to other agencies	-	52,500	52,500
Debt service:			
Principal	17,975	109,125	127,100
Interest	<u>2,775</u>	<u>8,666</u>	<u>11,441</u>
Total expenditures	<u>3,593,613</u>	<u>553,569</u>	<u>4,147,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(264,609)</u>	<u>(311,567)</u>	<u>(576,176)</u>
Other financing sources (uses):			
Operating transfer in (out)	(10,000)	10,000	-
Proceeds from capital leases	<u>273,791</u>	<u>224,191</u>	<u>497,982</u>
Total financing sources (uses)	<u>263,791</u>	<u>234,191</u>	<u>497,982</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(818)	(77,376)	(78,194)
Fund balances at beginning of year	<u>952,996</u>	<u>139,775</u>	<u>1,092,771</u>
Fund balances at end of year	\$ <u>952,178</u>	<u>62,399</u>	<u>1,014,577</u>



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, 2014**

Net change in fund balances - total governmental funds \$ (78,194)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	625,172	
Less current year depreciation expense	<u>(233,245)</u>	391,927

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (14,558)

The change in revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues. (5,165)

Proceeds from the issuance of long-term debt is an other financing source in the governmental funds but the issuance of debt increases long-term liabilities in the Statement of Net Position. (497,982)

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Repayment of bond principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 127,100

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in accrued interest payable	(769)	
Change in long-term compensated absences	<u>(37,099)</u>	<u>(37,868)</u>

Change in net position of governmental activities \$ (114,740)

The accompanying notes are an integral part of this statement.



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CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
SEPTEMBER 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	\$ 611,345
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	103,668
Due from other funds	78,339
Inventories at cost	63,361
Prepaid expenses	4,734
Total current assets	<u>861,447</u>
Restricted assets:	
Cash and cash equivalents	<u>206,916</u>
Property, plant and equipment:	
Land	38,400
Buildings	56,107
Water system	6,753,201
Sewer system	8,261,556
Machinery and equipment	448,887
Motor vehicles	288,195
	<u>15,846,346</u>
Less accumulated depreciation	<u>(9,610,528)</u>
Net property, plant and equipment	<u>6,235,818</u>
 Total assets	 \$ <u>7,304,181</u>

The accompanying notes are an integral part of this statement.

LIABILITIES

Current liabilities:

Accounts payable	\$ 97,875
Accrued liabilities	5,264
Current portion of long-term liabilities	34,363
Due to other governments	<u>2,804</u>
Total current liabilities	<u>140,306</u>

Current liabilities payable from restricted assets:

Customer deposits	<u>206,916</u>
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Long-term liabilities:

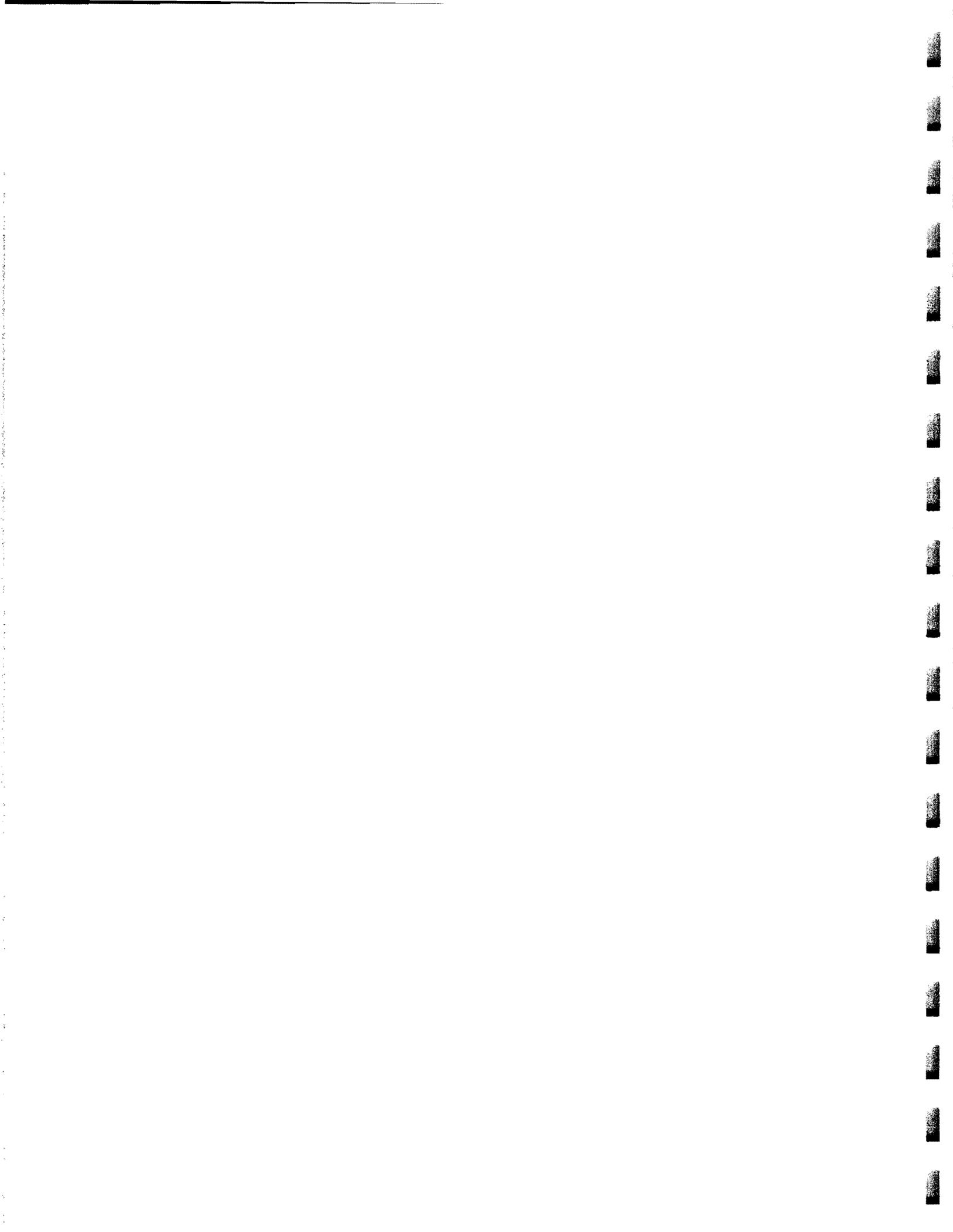
Notes payable	449,587
Compensated absences	<u>7,924</u>
Total long-term liabilities	<u>457,511</u>

Total liabilities	<u>804,733</u>
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NET POSITION

Net investment in capital assets	5,751,868
Unrestricted	<u>747,580</u>

Total net position	<u>\$ 6,499,448</u>
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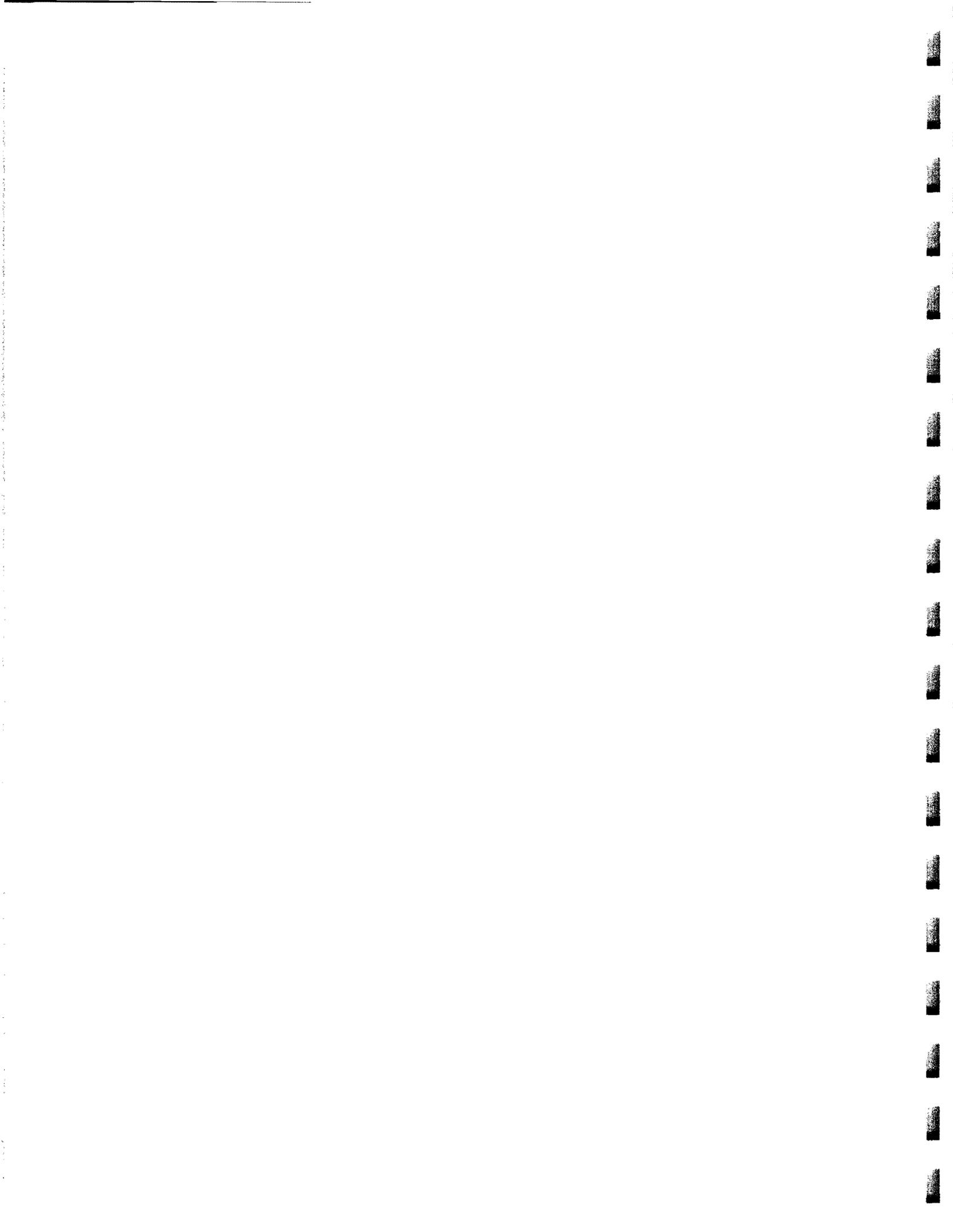


CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

OPERATING REVENUES:	
Water sales	\$ 764,636
Sewer rentals	403,076
Tap fees and connection fees	26,010
Intergovernmental	-
Miscellaneous receipts	<u>18,456</u>
Total operating revenues	<u>1,212,178</u>
OPERATING EXPENSES:	
Personal services	429,401
Supplies	144,829
Other services and charges	503,394
Depreciation	<u>408,089</u>
Total operating expenses	<u>1,485,713</u>
OPERATING LOSS	<u>(273,535)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest on investments	123
Loss on disposition of property and equipment	(18,255)
Interest and fiscal charges	<u>(12,720)</u>
Total non-operating revenues (expenses)	<u>(30,852)</u>
LOSS BEFORE CONTRIBUTIONS AND OTHER FINANCING SOURCES (USES):	<u>(304,387)</u>
Capital contributions	<u>-</u>
LOSS BEFORE OTHER FINANCING SOURCES (USES)	<u>(304,387)</u>
OTHER FINANCING SOURCES (USES)	<u>-</u>
DECREASE IN NET POSITION	<u>(304,387)</u>
NET POSITION AT BEGINNING OF YEAR	<u>6,803,835</u>
NET POSITION AT END OF YEAR	<u>\$ 6,499,448</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, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and other sources	\$ 1,235,585
Cash paid to suppliers and employees	<u>1,144,890</u>
Net cash provided by operating activities	<u>90,695</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds on disposition of equipment	19,569
Principal paid on long-term debt	(33,768)
Acquisition of fixed assets	(110,056)
Interest paid on notes	<u>(12,878)</u>
Net cash used for capital and related financing activities	<u>(137,133)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Earnings on invested proceeds	<u>123</u>
Net cash provided by investing activities	<u>123</u>

NET DECREASE IN CASH

(46,315)

**CASH AND CASH EQUIVALENTS - beginning of year
(including \$207,876 in restricted accounts)**

864,576

**CASH AND CASH EQUIVALENTS - end of year
(including \$206,916 in restricted accounts)**

\$ 818,261



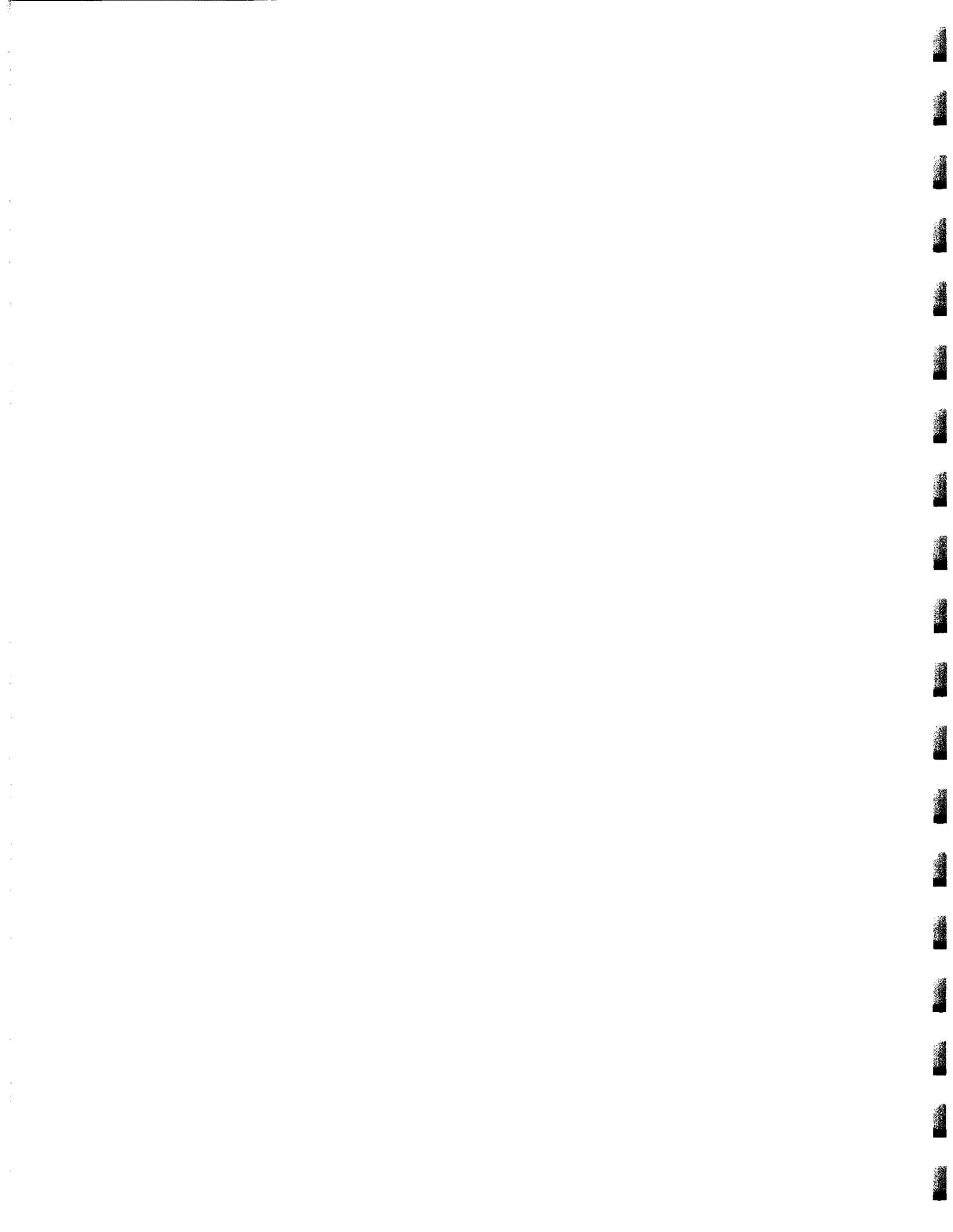
CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUND TYPE
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Operating loss	\$ <u>(273,535)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	408,089
(Increase) decrease in:	
Accounts receivable	21,794
Due from other funds	2,573
Prepaid expenses	303
Inventory	2,109
Increase (decrease) in:	
Accounts payable	(65,044)
Accrued liabilities	2,890
Compensated absences	(7,524)
Customer deposits	<u>(960)</u>
Total adjustments	<u>364,230</u>
Net cash provided by operating activities	\$ <u>90,695</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET POSITION
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2014**

ASSETS

Cash and cash equivalents	\$ <u>10,647</u>
Total assets	\$ <u>10,647</u>

NET POSITION

Held in trust for unemployment benefits	\$ <u>10,647</u>
Total net position	\$ <u>10,647</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2014

ADDITIONS:	
Interest earnings	\$ <u>15</u>
Total additions	15
DEDUCTIONS	<u>-</u>
CHANGES IN NET POSITION HELD IN TRUST	15
NET POSITION, BEGINNING OF YEAR	<u>10,632</u>
NET POSITION, END OF YEAR	<u>\$ 10,647</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 Position 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 Position 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, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. BASIC FINANCIAL STATEMENTS - CONTINUED:

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

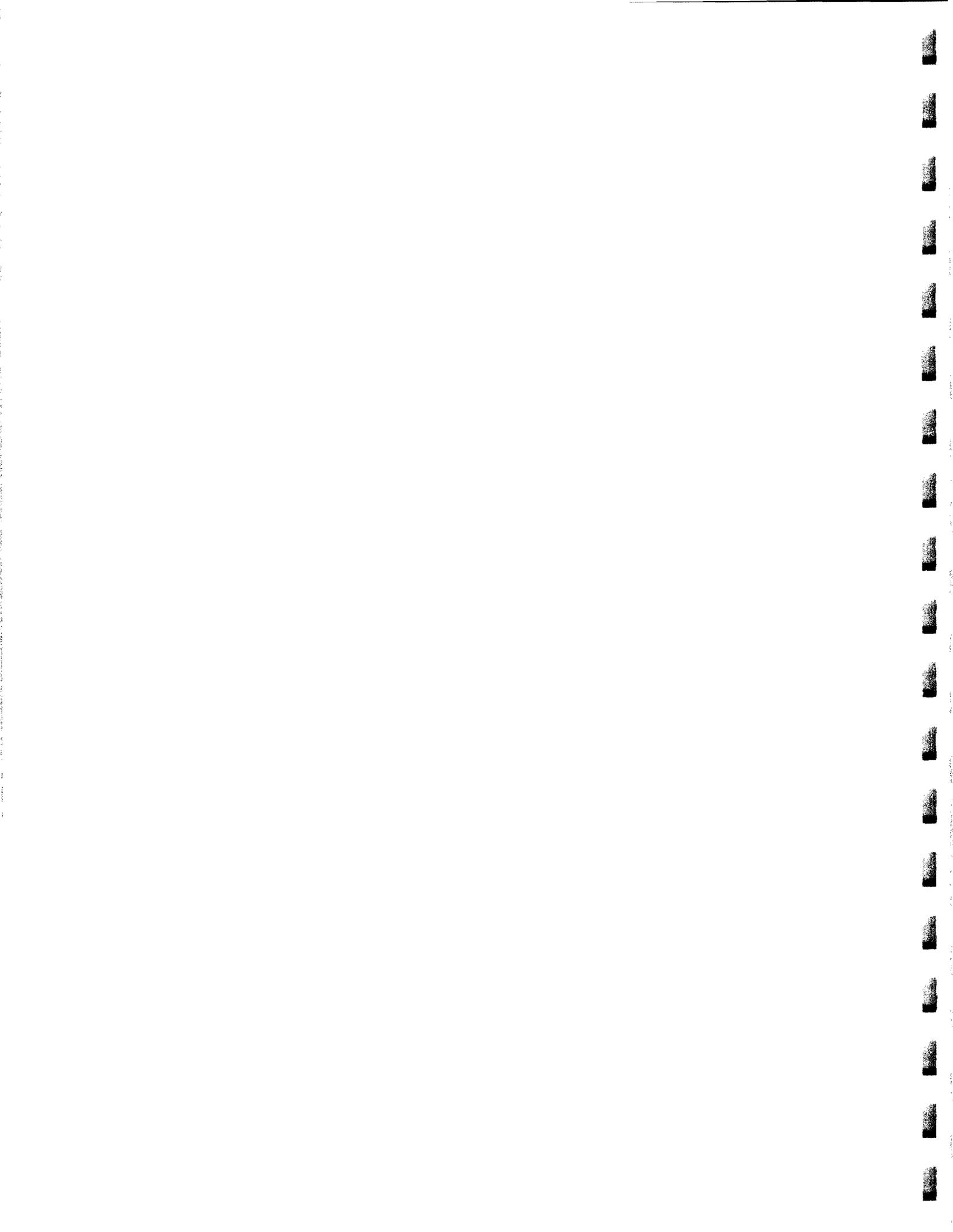
Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

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

The 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).

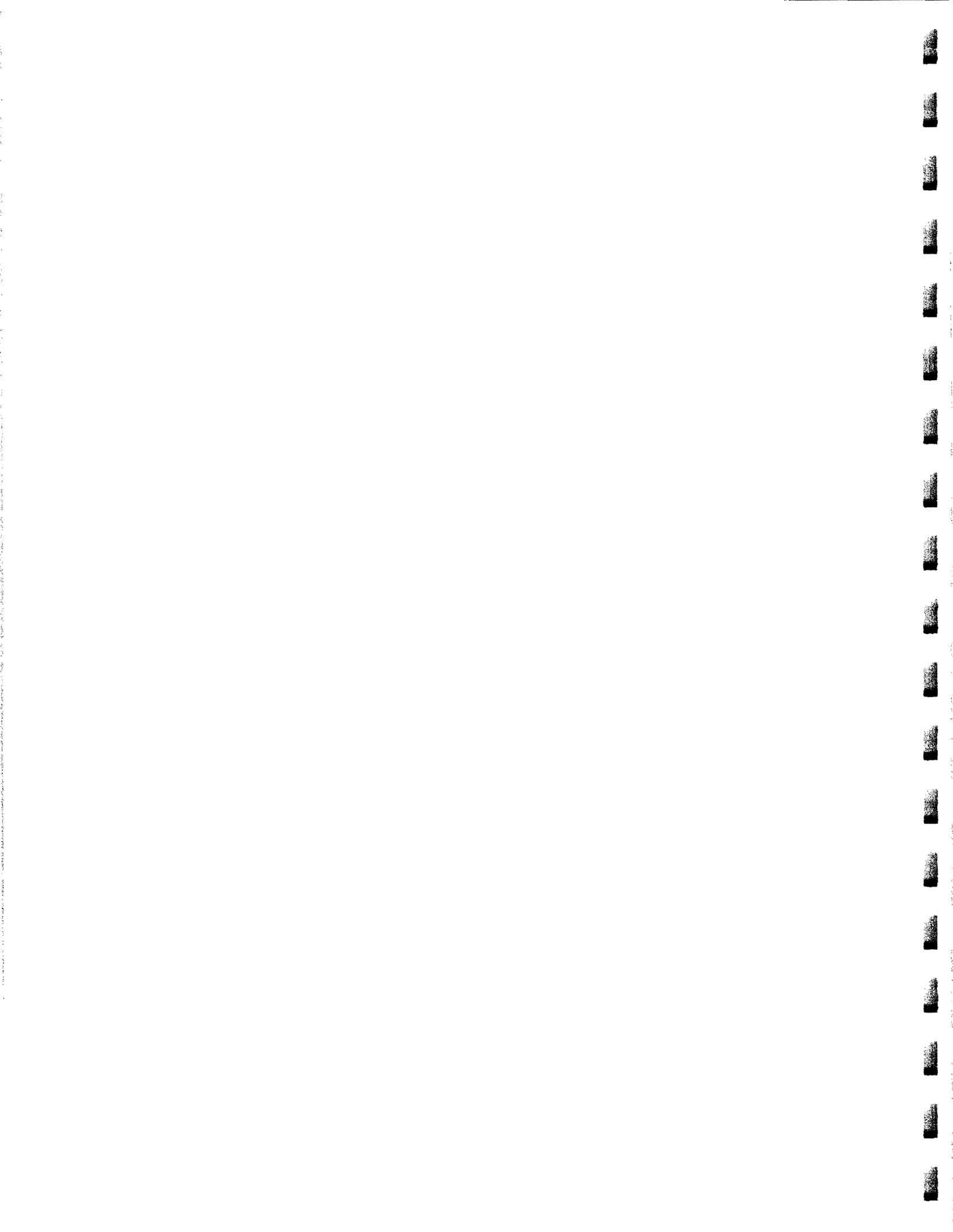
Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

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.

The financial statements of the City of Hazlehurst have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body

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CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not 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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

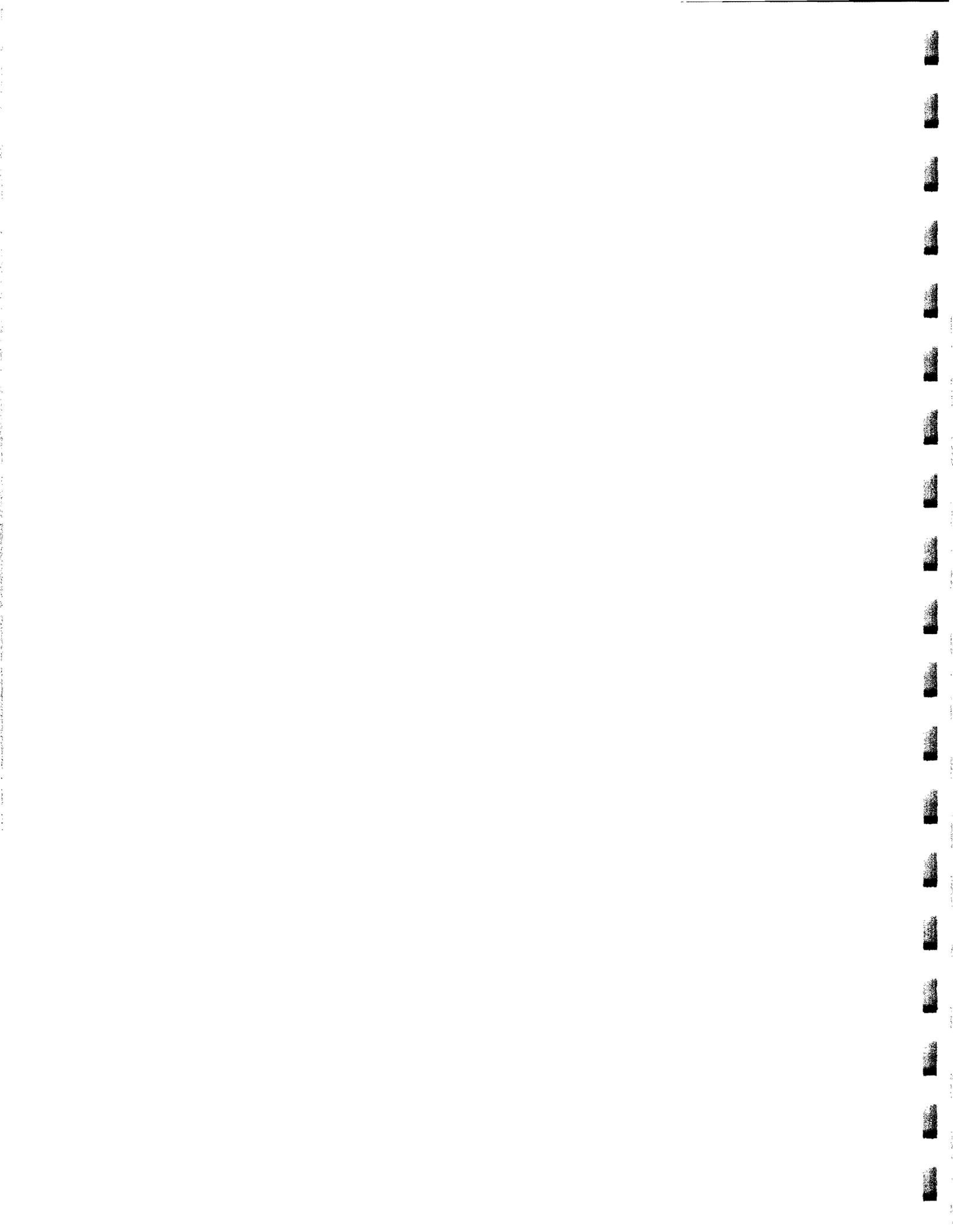
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any of this type of item.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to September 1, the City Administrator submits to the Mayor and Board of Alderpersons 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.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED:

2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to or on September 15th the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

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.

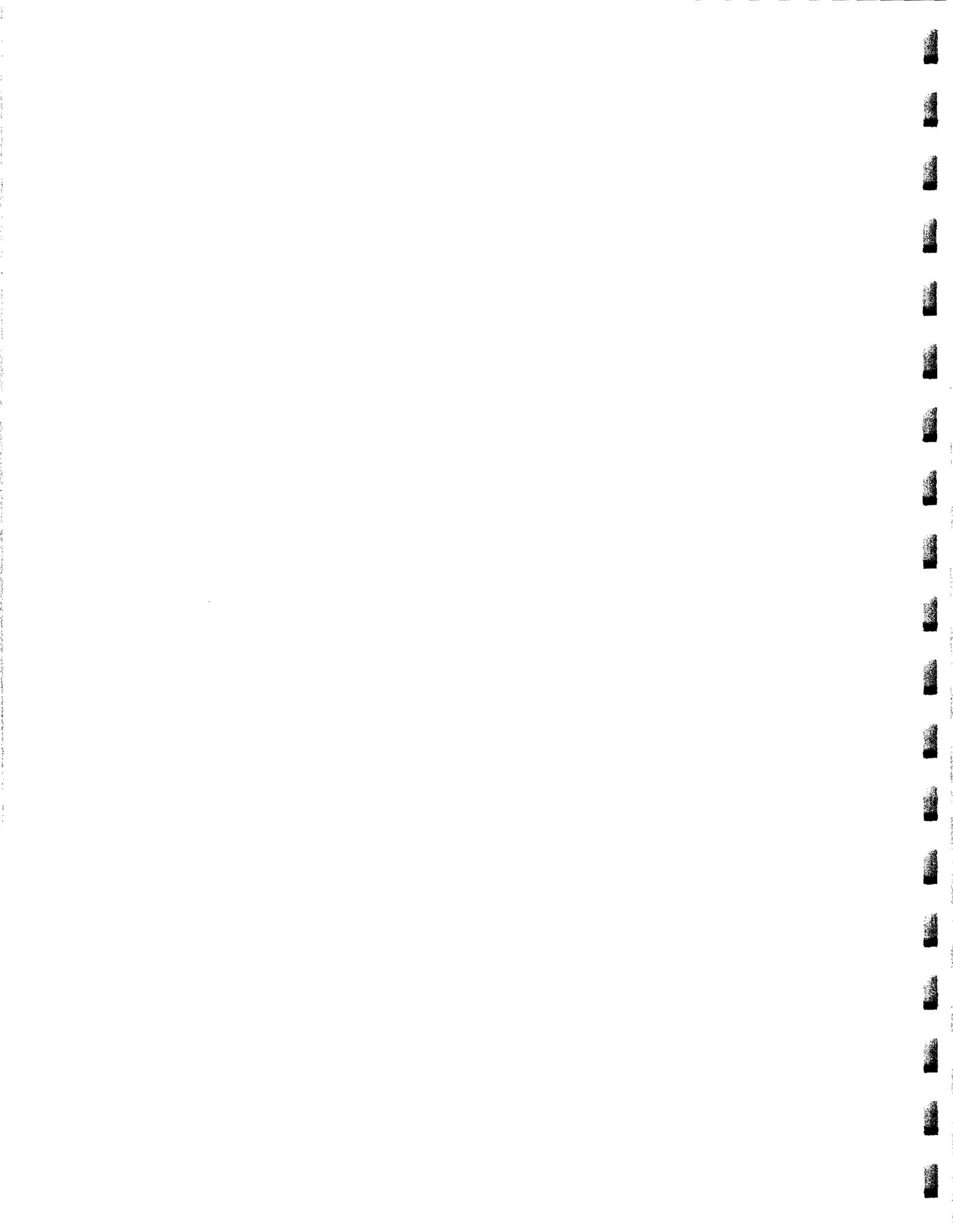
Budgeted amounts are as originally adopted, or as amended by the Mayor and Board of Alderpersons. Appropriations are budgeted at the department level. The management of the City has no authority to amend the budget at department level or higher. City and state laws and ordinances require the Mayor and Board of Alderpersons to authorize all budget amendments. Expenditures may not legally exceed budgeted appropriations at the department level.

F. 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.

G. INVENTORIES

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



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. PREPAID ITEMS

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

I. 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.

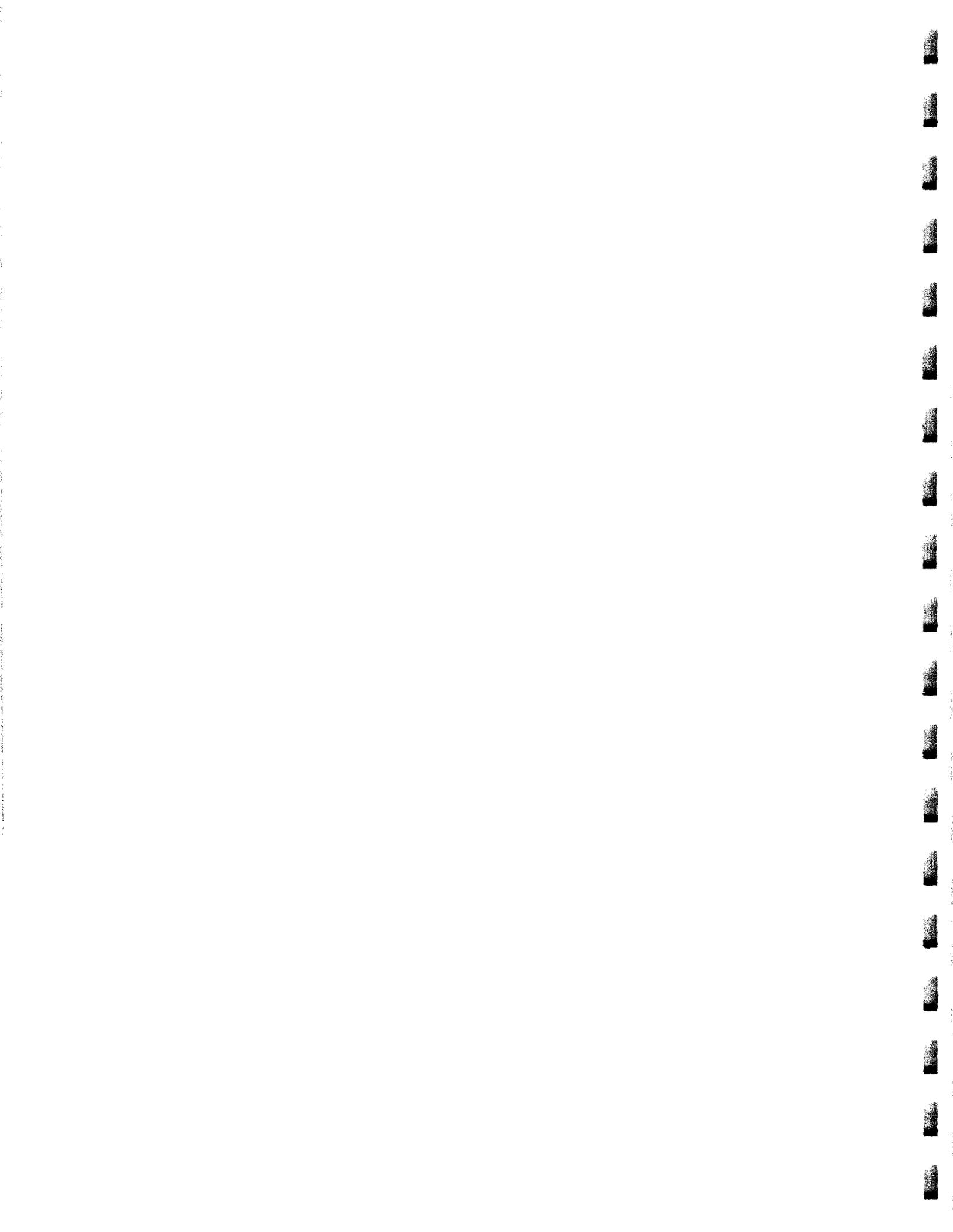
J. CAPITAL ASSETS

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

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

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



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

J. CAPITAL ASSETS - CONTINUED:

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	-

K. CAPITALIZATION OF INTEREST

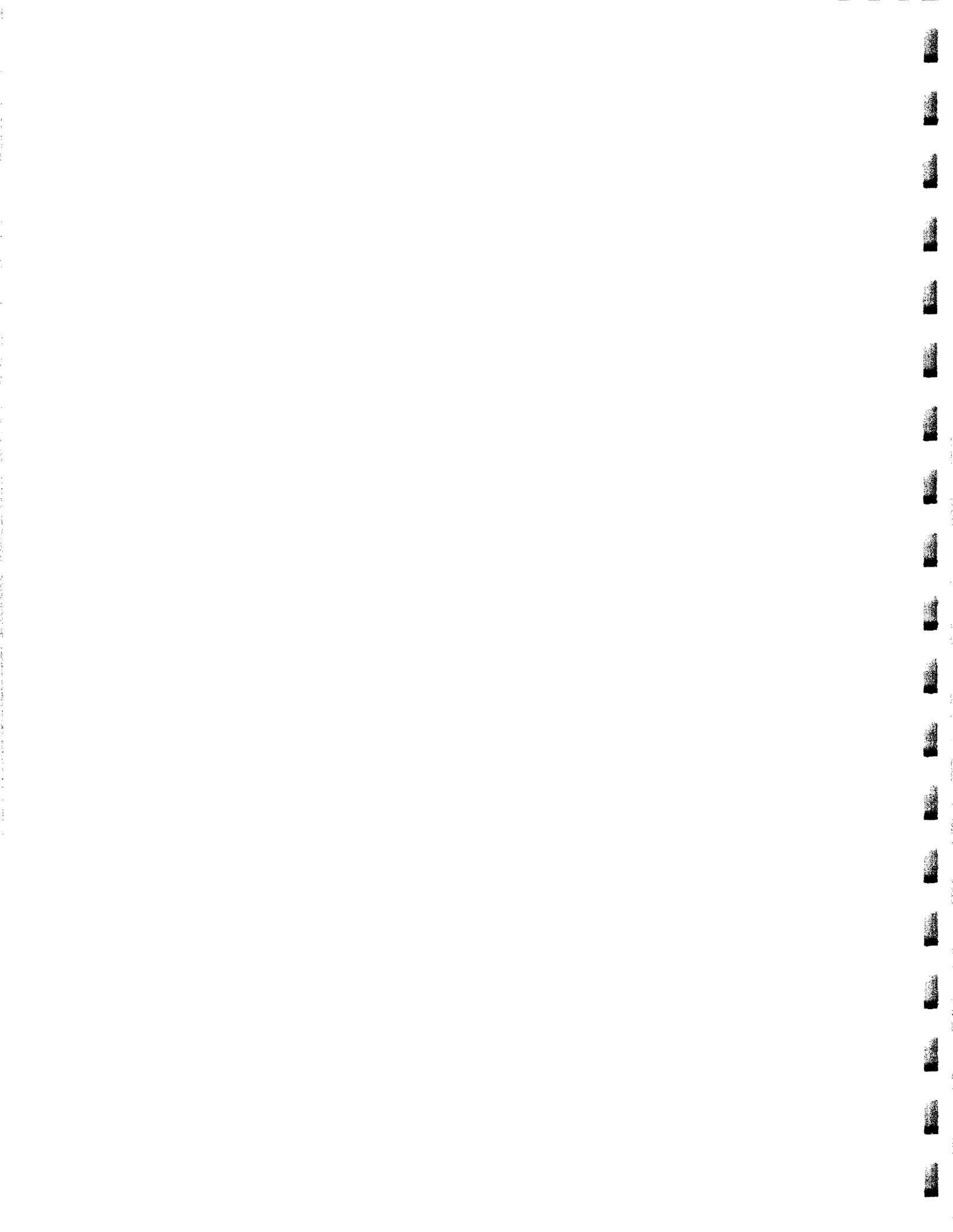
In conformity with authoritative guidance, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During fiscal year 2014, no interest costs were capitalized.

L. 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 \$136,436 has been made in the Statement of Net Position for vacation time available at September 30, 2014. No liability is recorded for nonvesting accumulating rights to receive sick pay.

M. LONG-TERM LIABILITIES

In the government-wide financial statements, and for the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

M. LONG-TERM LIABILITIES - CONTINUED:

liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. NET POSITION AND FUND BALANCE

Net position in government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

Restricted net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five (5) components: nonspendable, restricted, committed, assigned and unassigned.

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CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

N. NET POSITION AND FUND BALANCE - CONTINUED:

Nonspendable - This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the city charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned - This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Alderpersons.

Unassigned - This classification represents amounts that have not been restricted, committed or assigned to specific purpose within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount.

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



CITY OF HAZLEHURST, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. 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.

P. RECLASSIFICATION

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

NOTE 2 - PROPERTY TAX

Property taxes for fiscal year 2014 were levied in September 2013 on the assessed valuation of property located in the City of Hazlehurst as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2015 property taxes levied in September 2014 within accounts receivable in the amount of \$921,300. The City has recorded deferred inflows of resources for the estimated fiscal year 2014 property taxes in the amount of \$921,300.

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, 2014 was set at 94.57 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 3.789
Debt service fund	.470
Parks and playground fund	.250
Public library	.250
Schools (Hazlehurst Municipal Separate School District)	<u>4.698</u>
	<u>\$ 9.457</u>



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

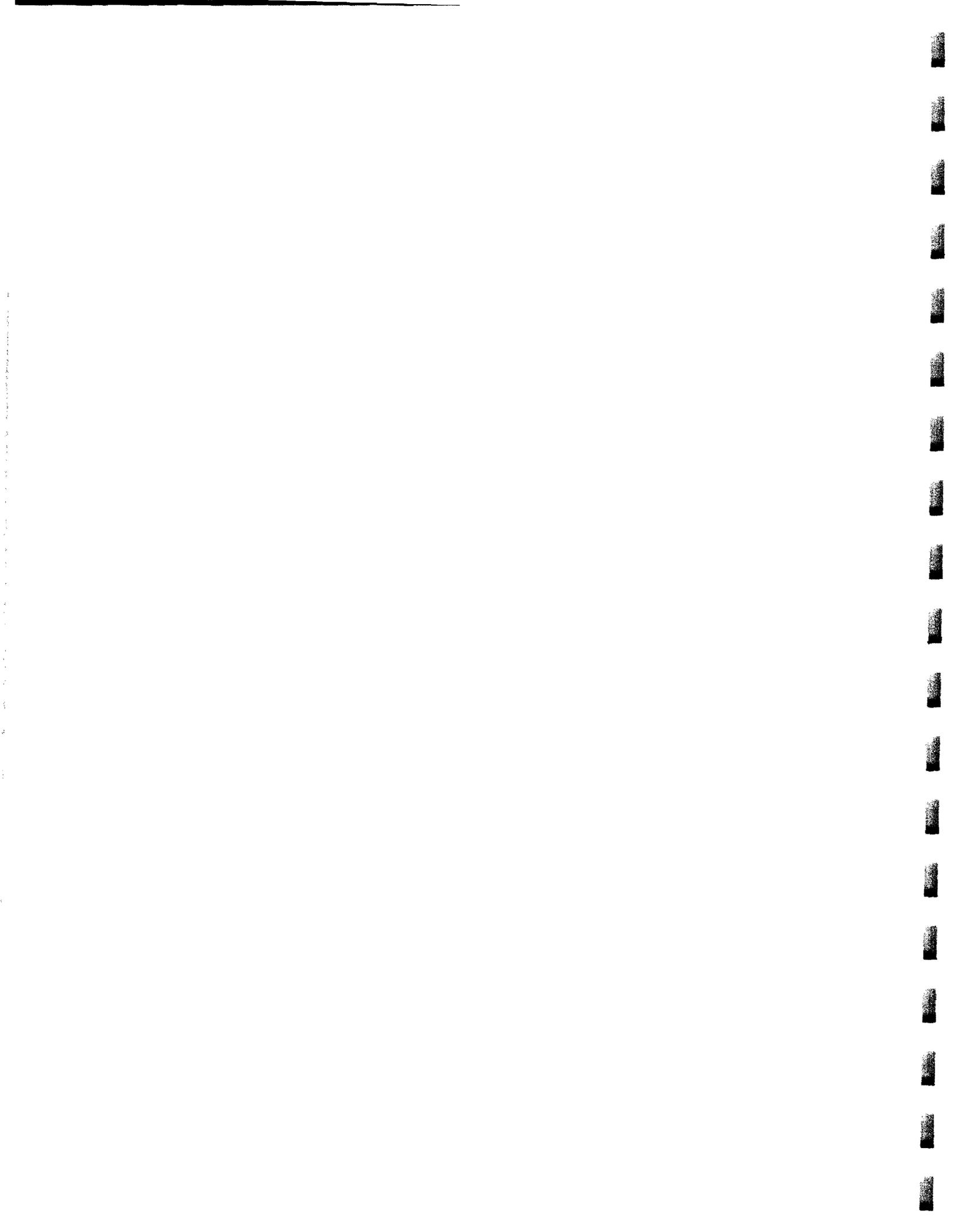
NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2014:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 1,006,962	-	-	-	1,006,962
Nonmajor governmental funds	<u>63,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,538</u>
Total governmental activities	<u>1,070,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,070,500</u>
Business-type activities:					
Water and sewer enter- prise fund	<u>611,345</u>	<u>-</u>	<u>206,916</u>	<u>-</u>	<u>818,261</u>
Total business- type activities	<u>611,345</u>	<u>-</u>	<u>206,916</u>	<u>-</u>	<u>818,261</u>
Government-wide total	1,681,845	-	206,916	-	1,888,761
Fiduciary fund	<u>-</u>	<u>-</u>	<u>10,647</u>	<u>-</u>	<u>10,647</u>
Total cash and investments	<u>\$ 1,681,845</u>	<u>-</u>	<u>217,563</u>	<u>-</u>	<u>1,899,408</u>

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, 2014 are summarized as follows:



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits - continued:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,899,408	2,110,017
Certificates of deposit	-	-
Total deposits	<u>\$ 1,899,408</u>	<u>2,110,017</u>

The difference of \$210,609 was principally due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

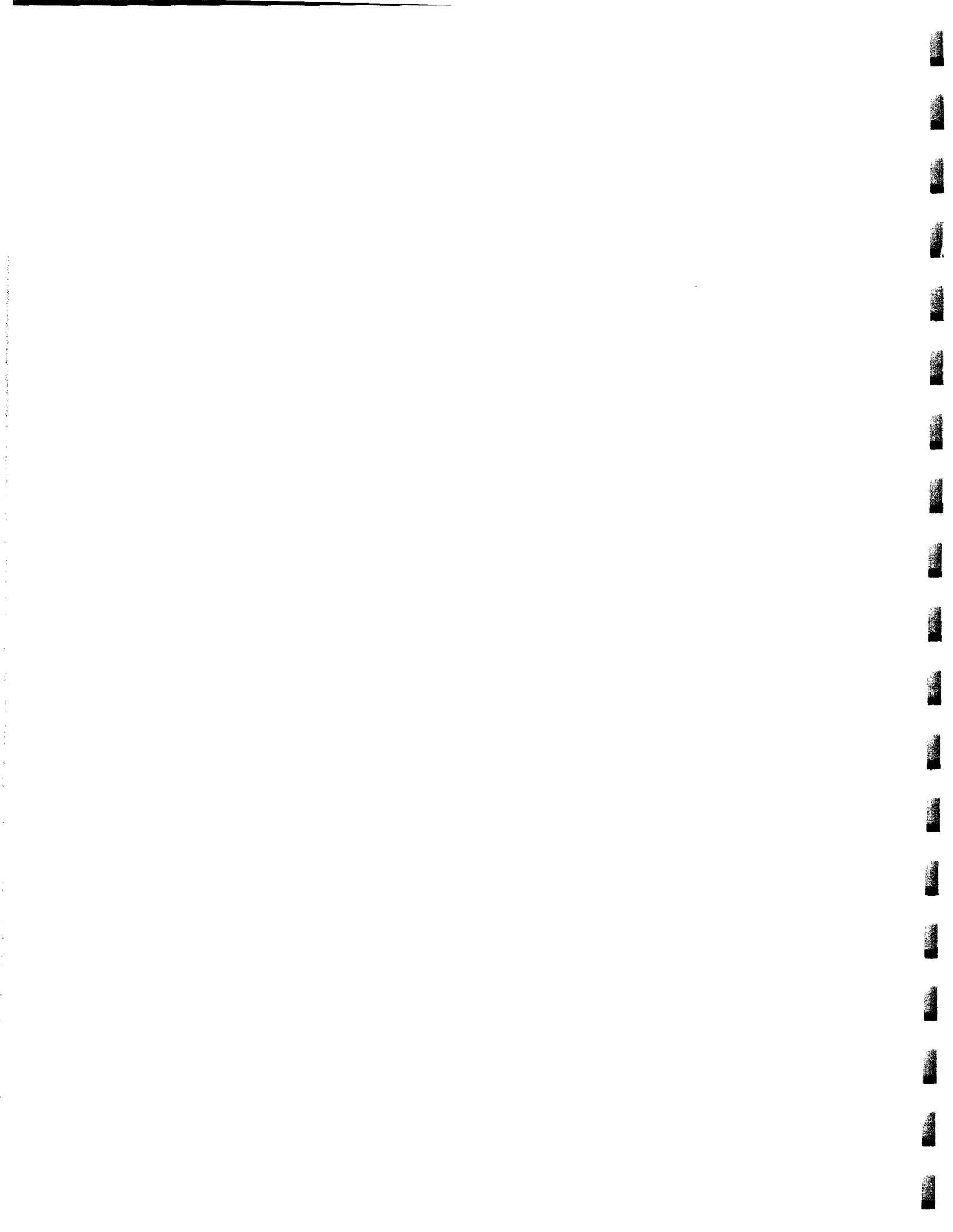
Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2014, \$1,610,017 of the City's bank balance of \$2,110,017 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds:	
Guaranty Pool	\$ <u>1,610,017</u>
Total	\$ <u>1,610,017</u>

Custodial Credit Risk - Deposits - Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2014, the entire bank balance was covered by Federal depository insurance or collateralized in accordance with state law.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Custodial Credit Risk - Investments - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. The City held no investments as of September 30, 2014.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2014, the City had no investments.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

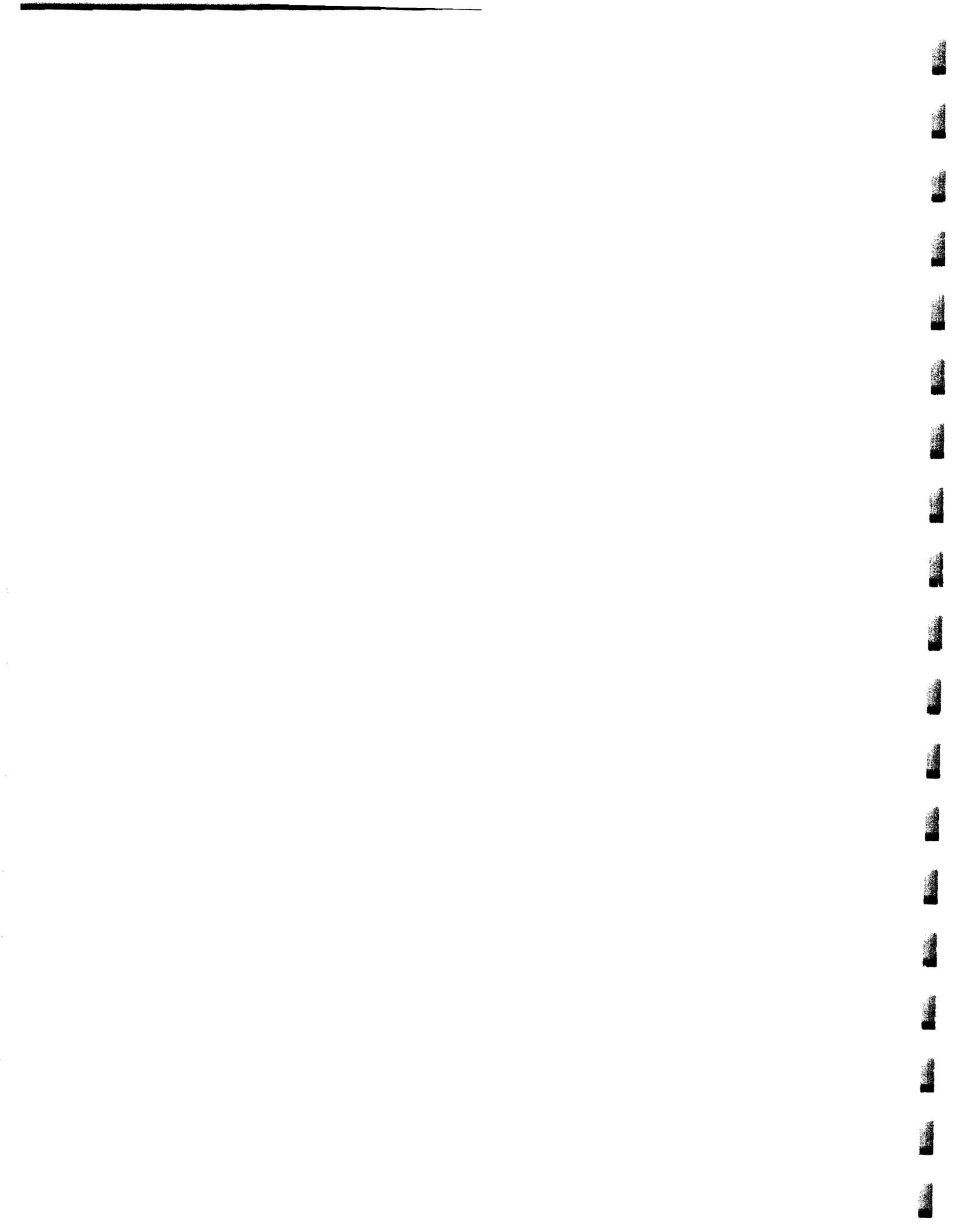
Certificates of deposit with municipal depositories approved annually by the State Treasurer bonds or direct obligations of the:

- United States of America
- State of Mississippi
- County or Municipality of Mississippi
- School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

NOTE 4 - RECEIVABLES

Receivables at September 30, 2014 for the City's governmental activities, business-type activities 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, 2014**

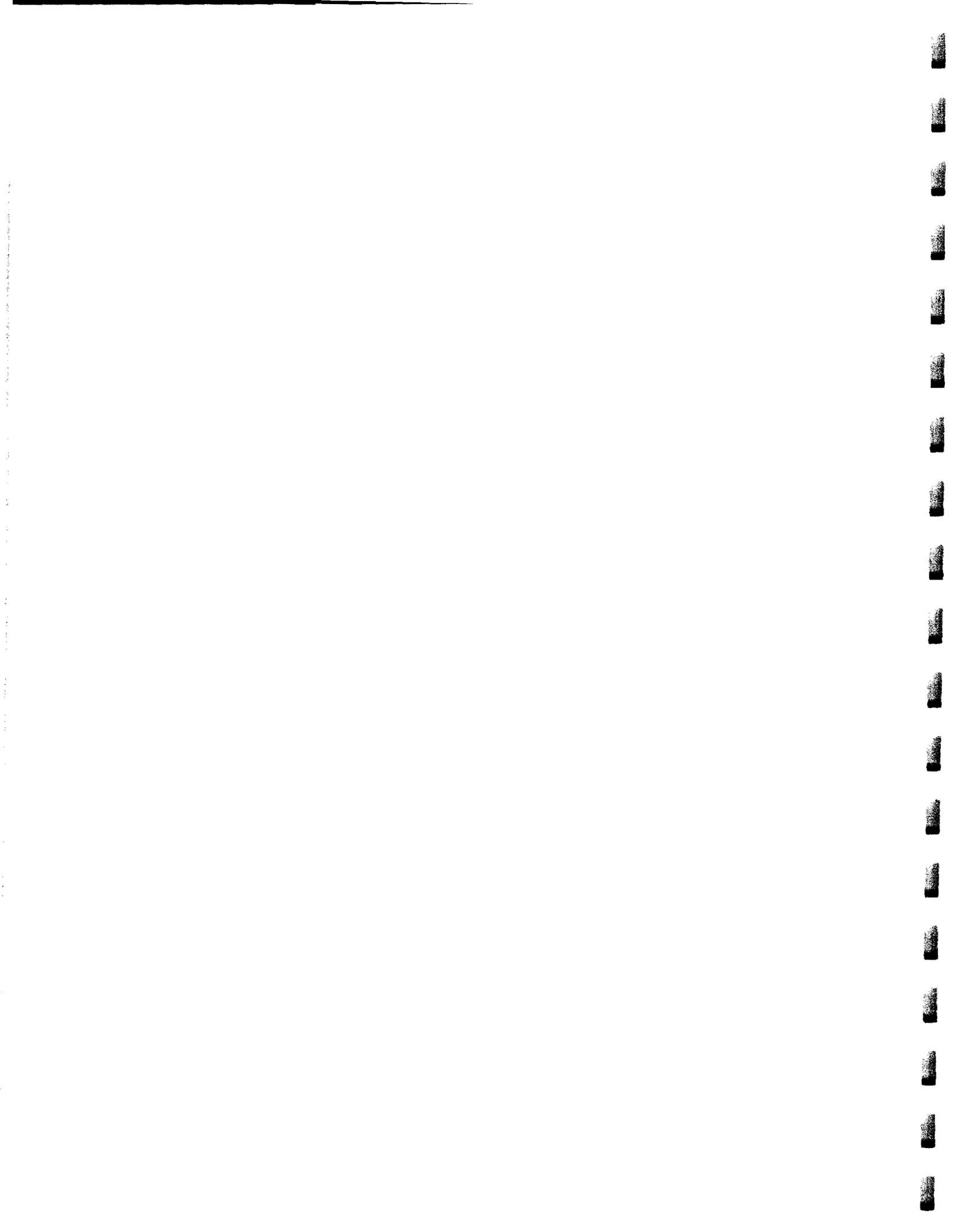
NOTE 4 - RECEIVABLES - CONTINUED:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 128,438	-	135,498	263,936
Taxes	825,967	104,619	-	930,586
Due from other governments	<u>108,318</u>	<u>-</u>	<u>-</u>	<u>108,318</u>
Gross receivables	1,062,723	104,619	135,498	1,302,840
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>(31,830)</u>	<u>(31,830)</u>
Net total receivables	<u>\$ 1,062,723</u>	<u>104,619</u>	<u>103,668</u>	<u>1,271,010</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended September 30, 2014 were as follows:

	<u>Balance at October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2014</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ <u>133,327</u>	<u>-</u>	<u>-</u>	<u>133,327</u>
Depreciable assets:				
Buildings	2,321,611	-	-	2,321,611
Improvements other than buildings	1,019,950	-	-	1,019,950
Machinery and equipment	912,412	529,060	108,299	1,333,173
Motor vehicles	931,071	96,112	37,283	989,900
Infrastructure	<u>1,412,233</u>	<u>-</u>	<u>-</u>	<u>1,412,233</u>
Total	<u>6,597,277</u>	<u>625,172</u>	<u>145,582</u>	<u>7,076,867</u>
Total capital assets	<u>6,730,604</u>	<u>625,172</u>	<u>145,582</u>	<u>7,210,194</u>
Less accumulated depreciation				
Buildings	(801,955)	(46,432)	-	(848,387)
Improvements other than buildings	(363,410)	(32,274)	-	(395,684)
Machinery and equipment	(686,157)	(88,443)	(97,469)	(677,131)
Motor vehicles	(785,579)	(30,594)	(33,555)	(782,618)
Infrastructure	<u>(791,120)</u>	<u>(35,502)</u>	<u>-</u>	<u>(826,622)</u>
Total accumulated depreciation	<u>(3,428,221)</u>	<u>(233,245)</u>	<u>(131,024)</u>	<u>(3,530,442)</u>
Total governmental activities capital assets, net	<u>\$ 3,302,383</u>	<u>391,927</u>	<u>14,558</u>	<u>3,679,752</u>



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 - CAPITAL ASSETS - CONTINUED:

Infrastructure acquired prior to the implementation of GASB Statement No. 34 is included in the amount above. However, infrastructure acquired prior to fiscal years ended after June 30, 1980 is not included in the amount above.

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

General government	\$ 34,954
Public safety	74,071
Public works	91,558
Instruction and recreation	<u>32,662</u>
Total depreciation expense - governmental activities	<u>\$ 233,245</u>

	Balance at October 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2014</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 38,400	-	-	38,400
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>38,400</u>	<u>-</u>	<u>-</u>	<u>38,400</u>
Depreciable assets:				
Buildings	56,107	-	-	56,107
Machinery and equipment	410,379	85,396	(46,888)	448,887
Motor vehicles	263,536	24,660	-	288,196
Water system	6,753,202	-	-	6,753,202
Sewer system	<u>8,261,555</u>	<u>-</u>	<u>-</u>	<u>8,261,555</u>
Total	<u>15,744,779</u>	<u>110,056</u>	<u>(46,888)</u>	<u>15,807,947</u>
Total capital assets	<u>15,783,179</u>	<u>110,056</u>	<u>(46,888)</u>	<u>15,846,347</u>
Less accumulated depreciation for:				
Buildings	(48,256)	(2,355)	-	(50,611)
Machinery and equipment	(311,147)	(26,296)	9,064	(328,379)
Motor vehicles	(223,410)	(12,787)	-	(236,197)
Water system	(3,462,945)	(162,407)	-	(3,625,352)
Sewer system	<u>(5,165,746)</u>	<u>(204,244)</u>	<u>-</u>	<u>(5,369,990)</u>
Total accumulated depreciation	<u>(9,211,504)</u>	<u>(408,089)</u>	<u>9,064</u>	<u>(9,610,529)</u>
Total business-type activities capital assets, net	<u>\$ 6,571,675</u>	<u>(298,033)</u>	<u>(37,824)</u>	<u>6,235,818</u>



CITY OF HAZLEHURST, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 - CAPITAL ASSETS - CONTINUED:

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

Water and sewer	\$ <u>408,089</u>
Total depreciation expense - business-type activities	\$ <u>408,089</u>

NOTE 6 - LONG-TERM LIABILITIES

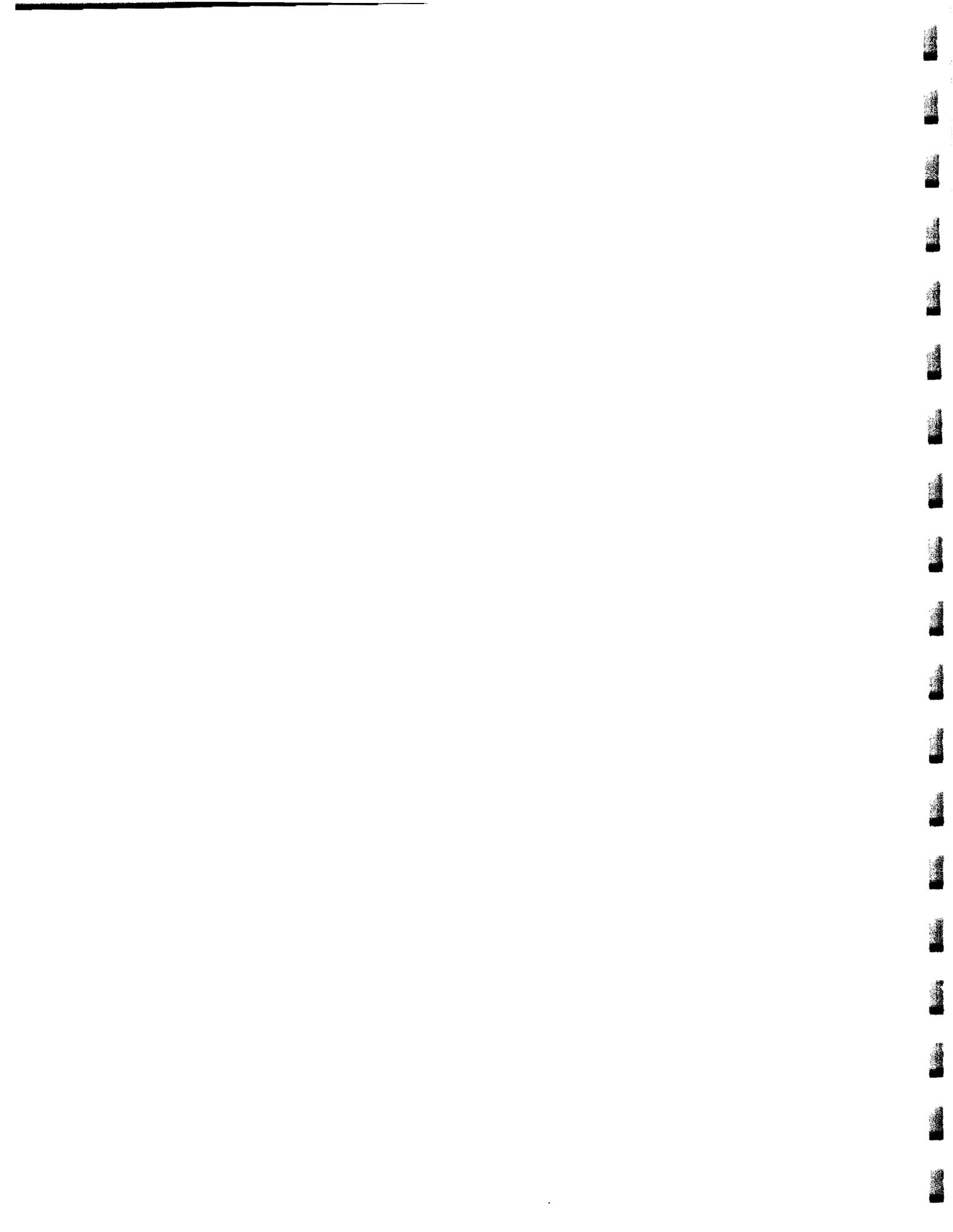
The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2014:

	Beginning Balance October 1, <u>2013</u>	Additions/ Proceeds	Reductions/ Payments	Ending Balance September <u>30, 2014</u>	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 91,000	-	(91,000)	-	-
Capital lease obligations	-	497,982	(36,100)	461,882	60,808
Compensated absences	<u>91,413</u>	<u>37,099</u>	-	<u>128,512</u>	-
Governmental activities total	<u>182,413</u>	<u>535,081</u>	<u>(127,100)</u>	<u>590,394</u>	<u>60,808</u>
Business-type activities:					
Notes payable	517,717	-	(33,767)	483,950	34,363
Compensated absences	<u>15,448</u>	-	<u>(7,524)</u>	<u>7,924</u>	-
Business-type activities total	<u>533,165</u>	-	<u>(41,291)</u>	<u>491,874</u>	<u>34,363</u>
Government-wide total	\$ <u>715,578</u>	<u>535,081</u>	<u>(168,391)</u>	<u>1,082,268</u>	<u>95,171</u>

Debt service requirements at September 30, 2014 were as follows:

Fiscal Year Ended <u>September 30</u>	<u>Governmental Activities</u>			
	<u>Capital</u>		<u>Total</u>	
	<u>Lease Obligations</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 60,808	11,163	60,808	11,163
2016	62,219	9,751	62,219	9,751
2017	63,695	8,275	63,695	8,275
2018	65,191	6,779	65,191	6,779
2019	89,589	4,891	89,589	4,891
Thereafter	<u>120,380</u>	<u>12,522</u>	<u>120,380</u>	<u>12,522</u>
	\$ <u>461,882</u>	<u>53,381</u>	<u>461,882</u>	<u>53,381</u>

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CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

Fiscal Year Ended September 30, 2014	<u>Business-Type Activities</u>		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 34,363	11,886	34,363	11,886
2016	35,283	10,866	35,283	10,866
2017	36,229	9,920	36,229	9,920
2018	37,202	8,948	37,202	8,948
2019	38,201	7,948	38,201	7,948
Thereafter	<u>302,672</u>	<u>42,148</u>	<u>302,672</u>	<u>42,148</u>
	<u>\$ 483,950</u>	<u>91,716</u>	<u>483,950</u>	<u>91,716</u>

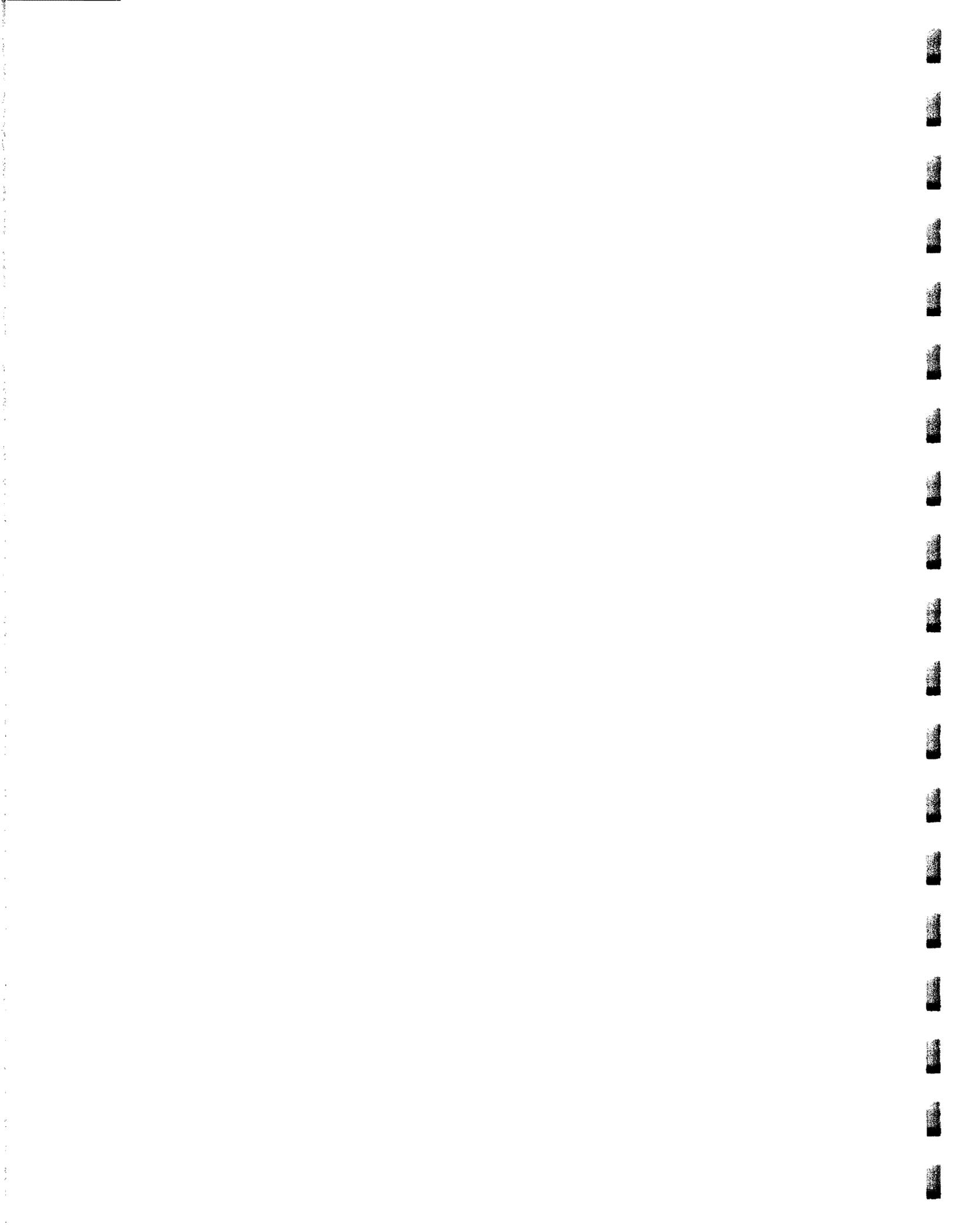
Notes payable and obligations under capital leases at September 30, 2014 are comprised of the following:

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.	\$ 274,800
\$221,556 note payable to the Mississippi Department of Environmental Quality to be used for the construction of pollution control projects. 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>209,150</u>
	<u>\$ 483,950</u>

Capital Lease Obligations

The City has entered into lease agreements for financing the acquisition of equipment utilized in the police, fire and public works departments. The leases qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of the future minimum lease payments as of the inception date. The equipment purchased under the capital leases total \$607,560, and are included in the capital assets of the City. The amortization of the equipment has been included in the City's depreciation expense. The outstanding balance due on lease agreements was \$461,882 at September 30, 2014.



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS

The following interfund receivables and payables are included in the fund financial statements at September 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Funds	General Fund	\$ 2,387
Water and Sewer Enterprise Fund	General Fund	<u>78,339</u>
		\$ <u>80,726</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.

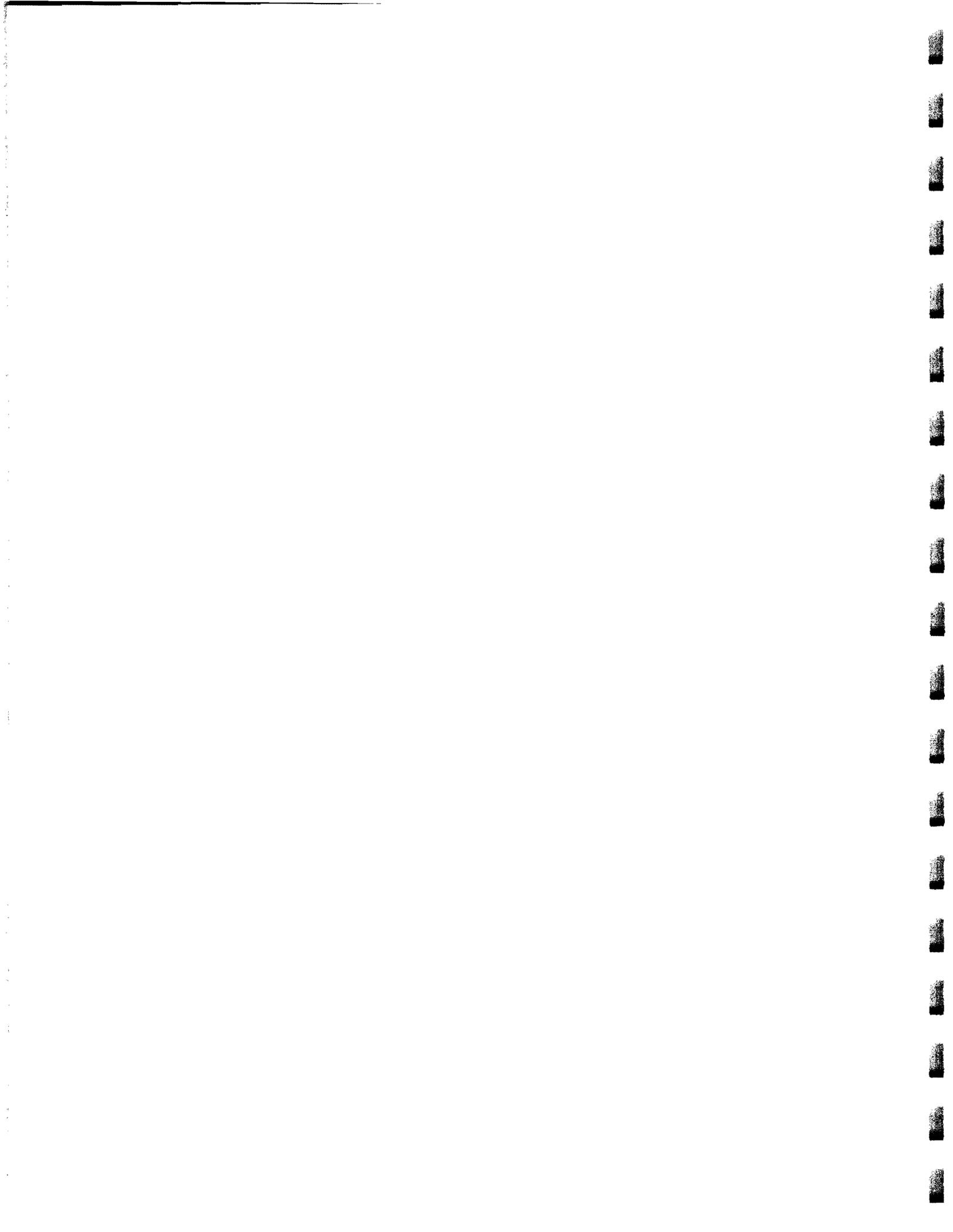
There were no interfund transfers during the year ended September 30, 2014.

NOTE 8 - 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 period October 1, 2013 through September 30, 2014 was 15.75%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.



CITY OF HAZLEHURST, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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>
9/30/2012	\$ 212,938	100%	-
9/30/2013	229,502	100%	-
9/30/2014	252,624	100%	-

NOTE 9 - 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.

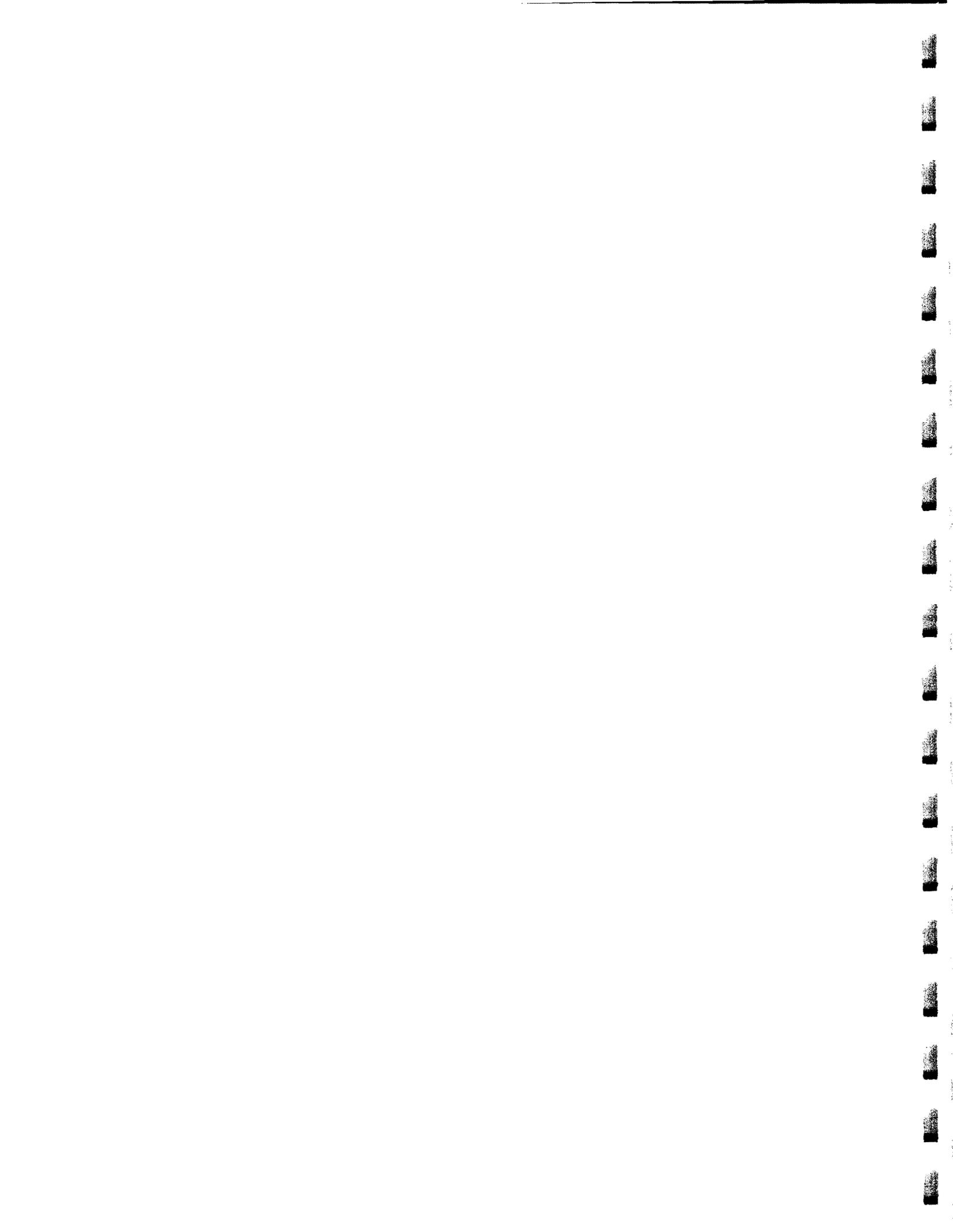
Federal Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which, may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 10 - 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.



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 10 - RISK MANAGEMENT - CONTINUED:

The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers' liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

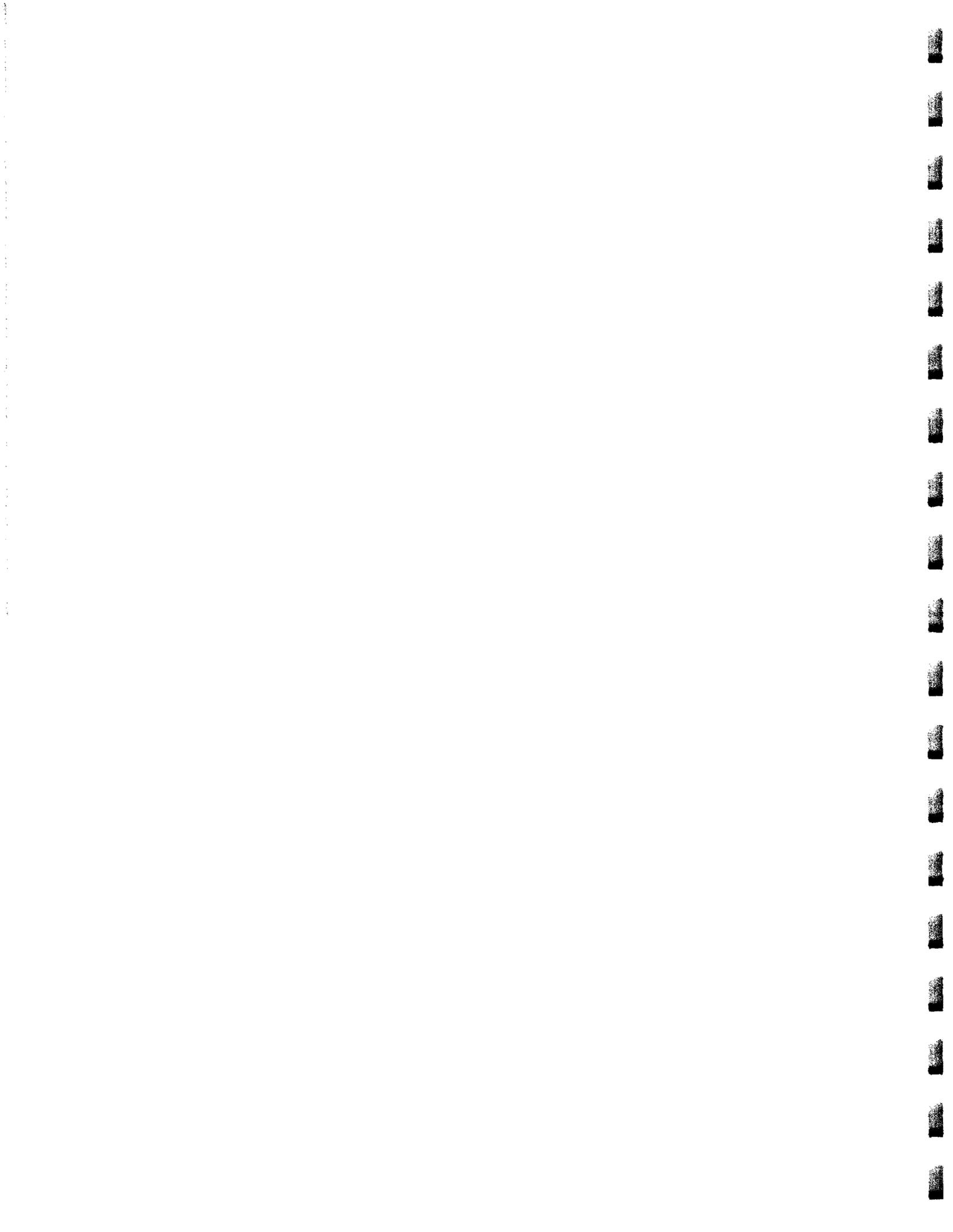
Recently Adopted Accounting Principles

The City implemented the following GASB pronouncements during fiscal year 2014:

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for the year ended September 30, 2014.

In March 2012, the GASB issued Statement 66, *Technical Corrections -2012 -an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for the year ended September 30, 2014.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans -an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for the year ended September 30, 2014.



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, provides accounting and reporting guidance for nonexchange financial guarantees, a subset of financial guarantees. It prescribes the accounting and financial reporting for governments that extend, without receiving consideration, a guarantee of financial obligation of another legally separate entity to indemnify a third party if the issuer of the obligation fails to fulfill its payment requirement under the obligation, and governments that issue debt that has been guaranteed by another legally separate entity without providing consideration. GASBS No. 70 is effective for the year ended September 30, 2014.

Recently Issued Accounting Pronouncements

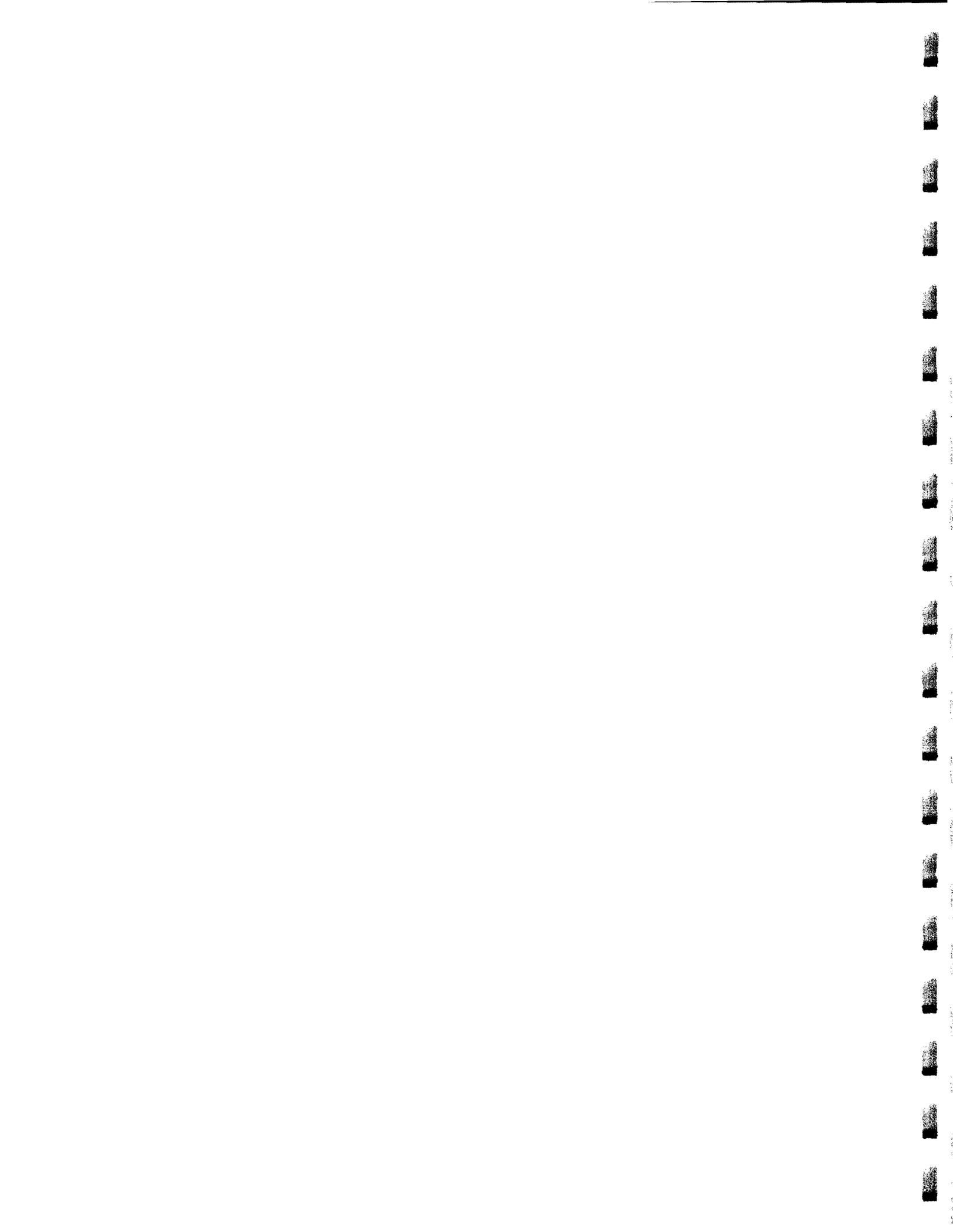
In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

GASB No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, provides accounting and financial reporting guidance, including disclosure requirements, for combinations (mergers, acquisitions, or transfers of operations) and disposals of operations in the government environment. GASB No. 69 is effective for such transactions occurring in financial reporting periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In November 2013, the GASB amended GASB No. 68 by issuing GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which is to be applied simultaneously with GASB No. 68. At the beginning of the period in which GASB No. 68 is adopted, it may not be practical for a government to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, GASB No. 71, paragraph 3,

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CITY OF HAZLEHURST, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

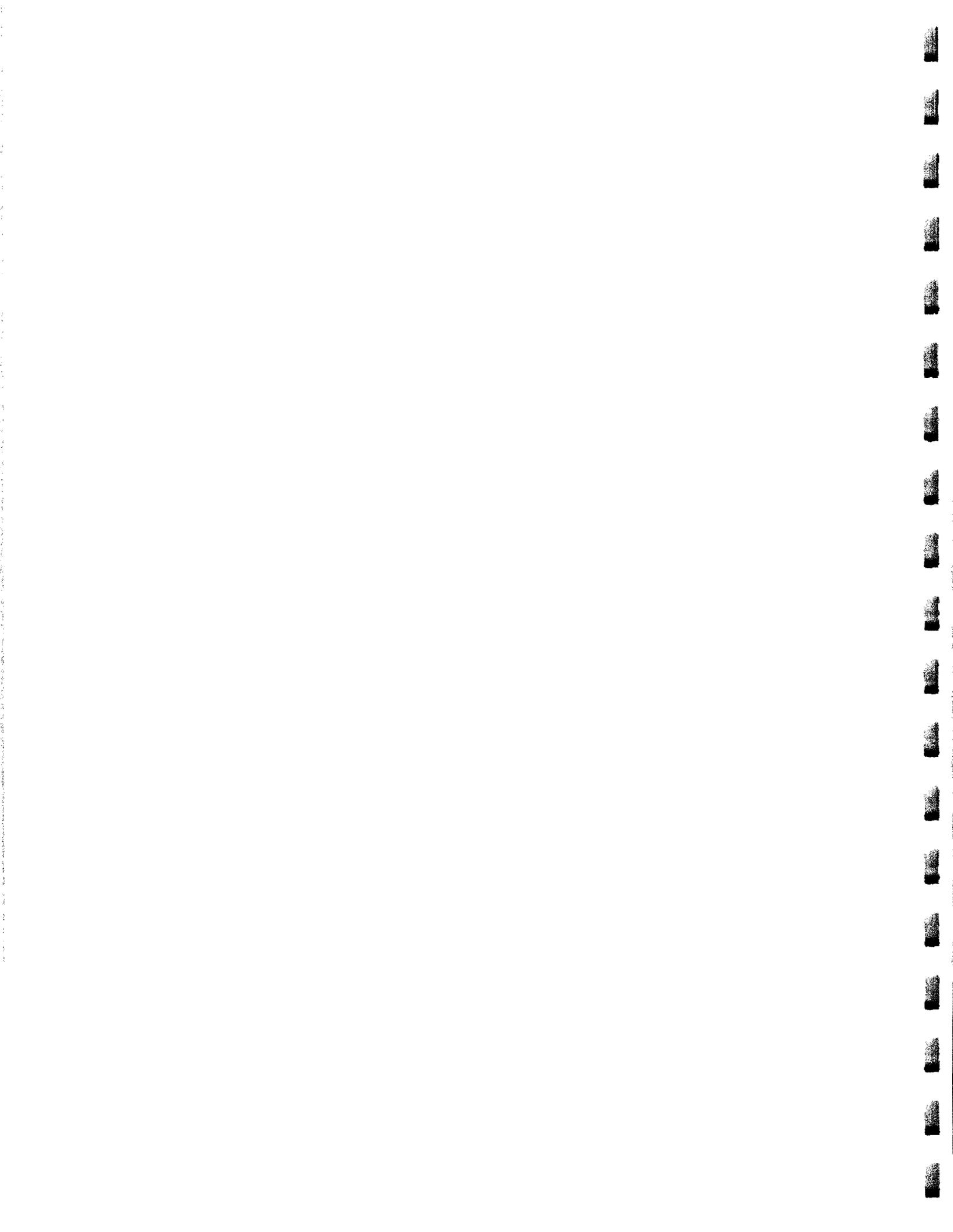
NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

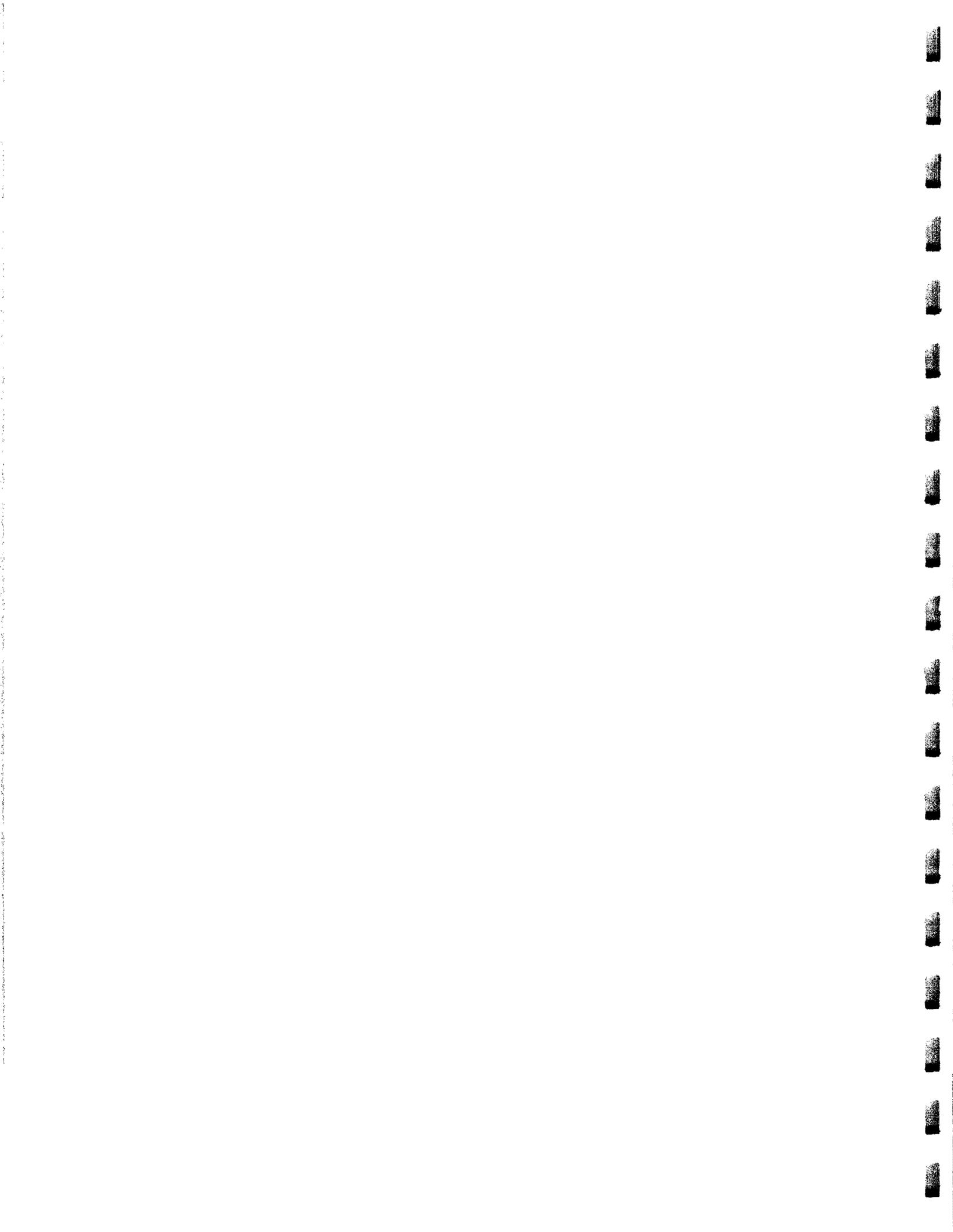
requires the government to recognize a beginning deferred outflow of resources only for any pension contributions it made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. No beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

NOTE 12 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through September 24, 2015, the date the financial statements were approved by the City's management and thereby available to be issued.

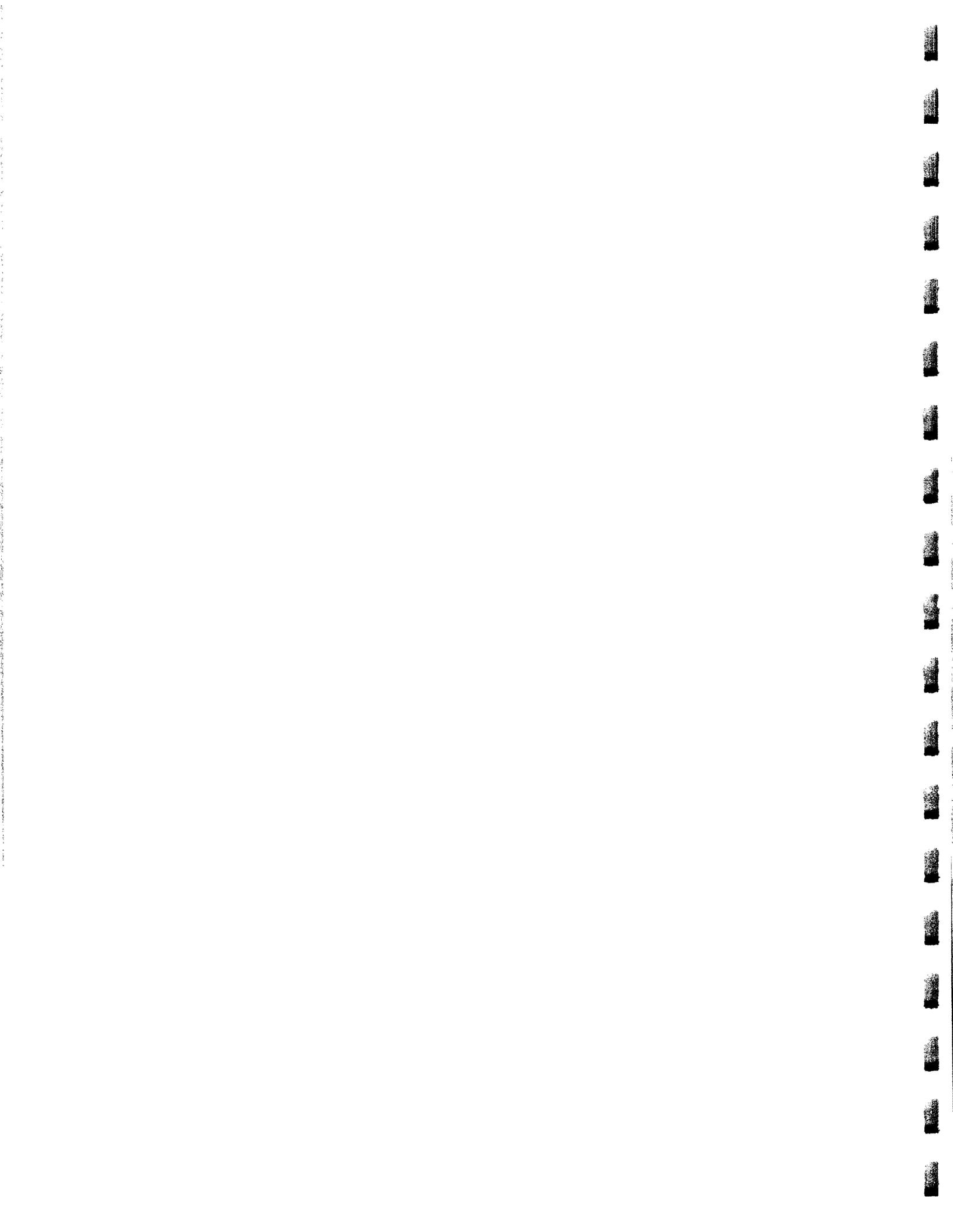


REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A



CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Taxes:				
Ad valorem, penalties and interest	\$ 763,765	763,765	759,894	(3,871)
In lieu of taxes - utility	64,000	61,700	61,702	2
Franchise fees	150,000	150,000	134,304	(15,696)
Licenses and permits	20,000	20,000	22,217	2,217
Intergovernmental	1,373,528	1,480,000	1,509,391	29,391
Charges for services	424,000	424,000	398,432	(25,568)
Fines and forfeits	275,000	300,000	292,690	(7,310)
Interest earned	7,000	7,000	1,115	(5,885)
Water department administration fees	30,000	30,000	30,000	-
Miscellaneous	<u>244,000</u>	<u>60,000</u>	<u>111,493</u>	<u>51,493</u>
Total revenues	<u>3,351,293</u>	<u>3,296,465</u>	<u>3,321,238</u>	<u>24,773</u>
EXPENDITURES:				
General government	468,912	485,000	453,842	31,158
Public safety:				
Police	995,986	1,043,723	958,730	84,993
Fire	387,947	397,987	346,712	51,275
Communications	178,290	194,000	185,373	8,627
Court	285,112	331,000	312,320	18,680
Public works	1,299,697	1,331,497	1,302,374	29,123
Grants, subsidies and other expenditures	<u>39,486</u>	<u>39,486</u>	<u>26,348</u>	<u>13,138</u>
Total expenditures	<u>3,655,430</u>	<u>3,822,693</u>	<u>3,585,699</u>	<u>236,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(304,137)</u>	<u>(526,228)</u>	<u>(264,461)</u>	<u>261,767</u>
Other financing uses:				
Operating transfer in	10,000	40,000	-	(40,000)
Operating transfer out	-	(10,000)	(10,000)	-
Proceeds from capital leases	<u>-</u>	<u>175,520</u>	<u>273,790</u>	<u>98,270</u>
Total financing uses	<u>10,000</u>	<u>205,520</u>	<u>263,790</u>	<u>58,270</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	(294,137)	(320,708)	(671)	320,037
FUND BALANCE AT BEGINNING OF YEAR	<u>747,979</u>	<u>747,979</u>	<u>747,979</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 453,842</u>	<u>427,271</u>	<u>747,308</u>	<u>320,037</u>

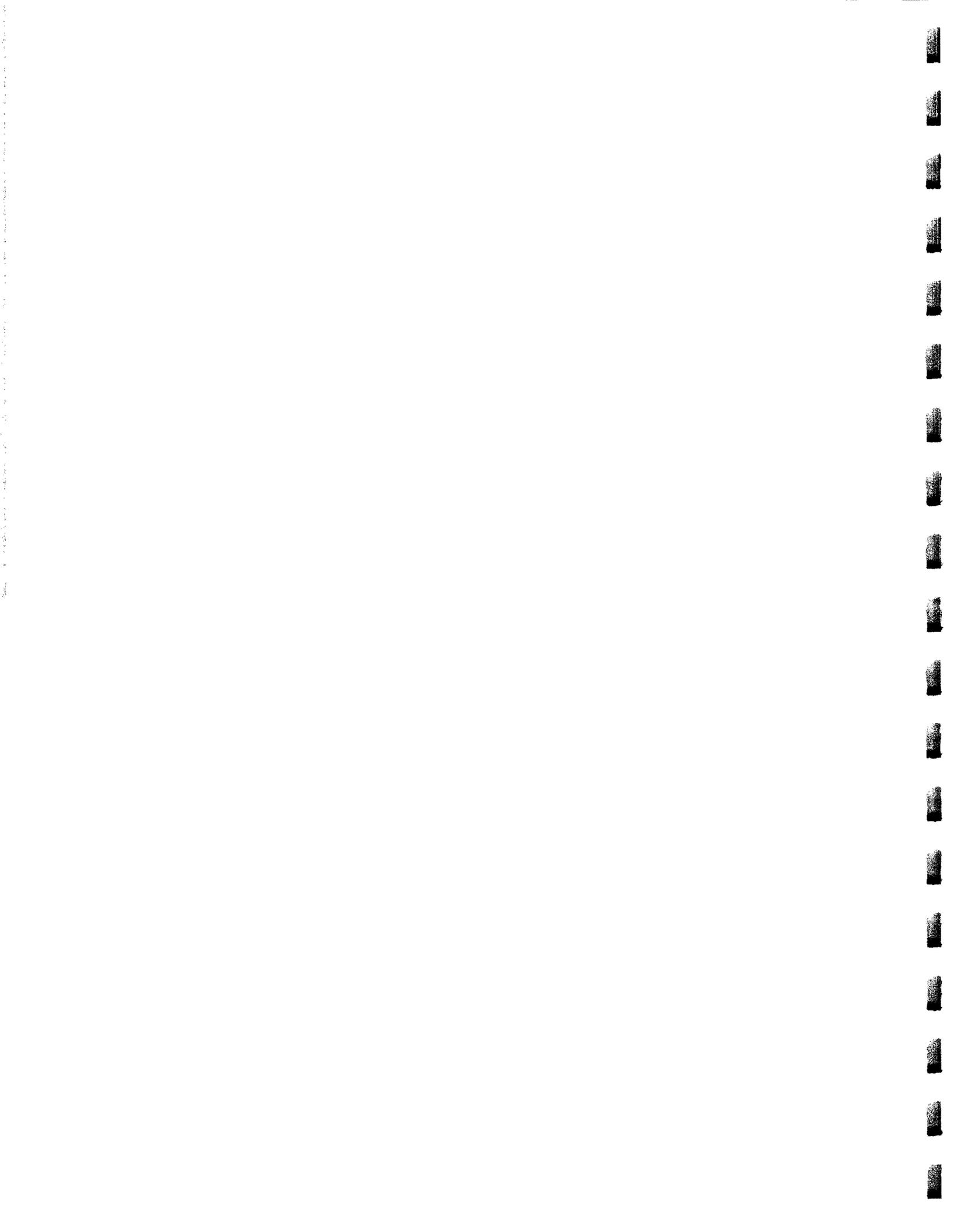


CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

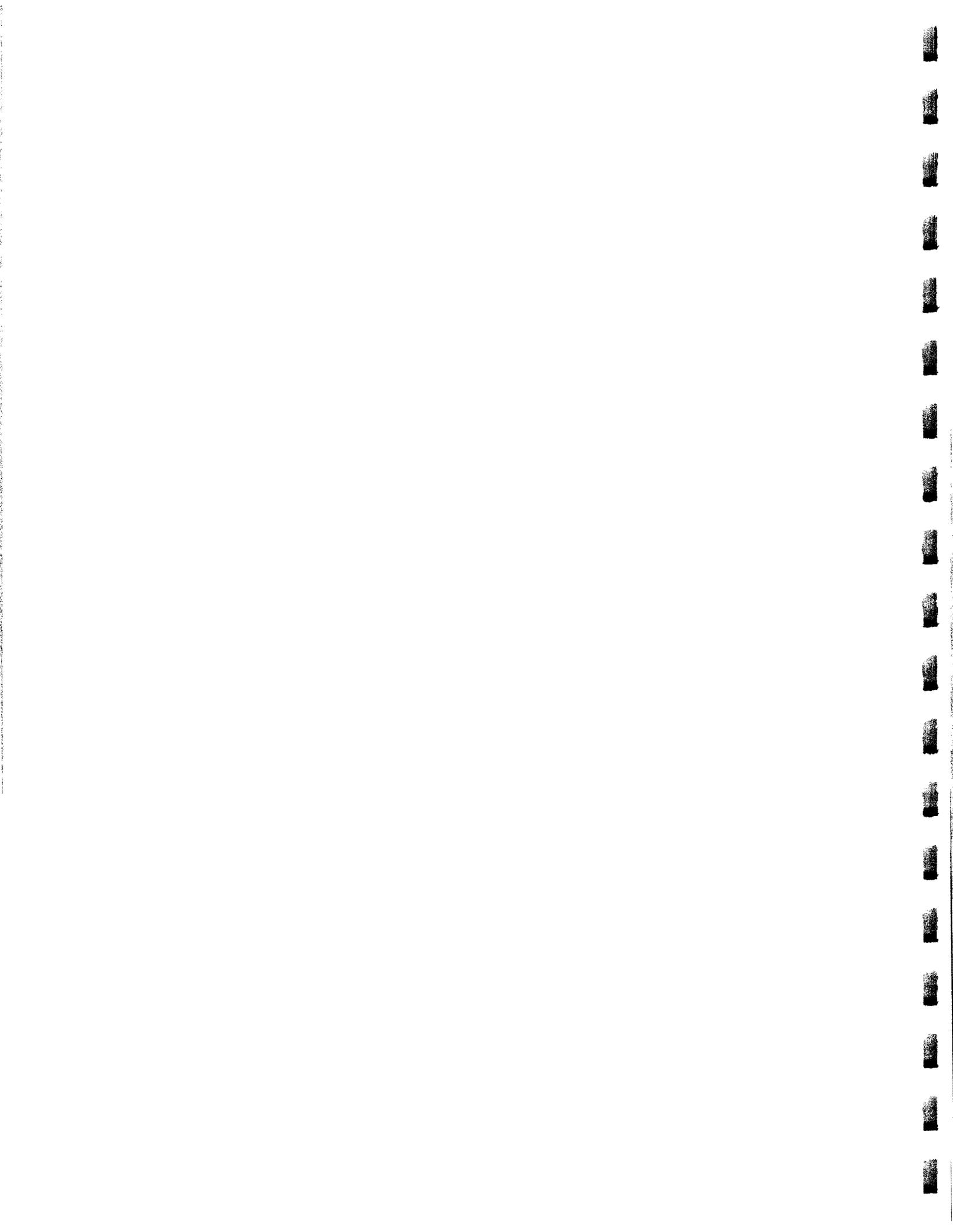
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:

Fund balance - budgetary basis	\$ 747,308
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	7,667
Franchise fees	28,240
Intergovernmental	108,318
Administrative fees - water	2,500
Police fines	27,470
Sanitation fees	33,401
Add prepaid expenses	14,954
Subtract accounts payable paid 30 days or more after year-end	<u>(17,680)</u>
Fund balance - GAAP basis	<u>\$ 952,178</u>



CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 309,354	315,000	314,962	38
Supplies	14,000	22,000	19,429	2,571
Other services and charges	127,558	130,000	111,775	18,225
Capital outlay	<u>18,000</u>	<u>18,000</u>	<u>7,676</u>	<u>10,324</u>
Total general government	<u>468,912</u>	<u>485,000</u>	<u>453,842</u>	<u>31,158</u>
Public safety:				
Police:				
Personal services	740,323	740,323	696,575	43,748
Supplies	103,400	103,400	90,552	12,848
Other services and charges	86,000	120,000	100,686	19,314
Capital outlay	<u>66,263</u>	<u>80,000</u>	<u>70,917</u>	<u>9,083</u>
Total police	<u>995,986</u>	<u>1,043,723</u>	<u>958,730</u>	<u>84,993</u>
Fire:				
Personal services	298,812	298,812	263,255	35,557
Supplies	39,175	39,175	32,115	7,060
Other services and charges	44,960	55,000	46,054	8,946
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>5,288</u>	<u>(288)</u>
Total fire	<u>387,947</u>	<u>397,987</u>	<u>346,712</u>	<u>51,275</u>
Communications:				
Personal services	176,790	192,000	186,809	5,191
Supplies	1,500	500	-	500
Other services and charges	-	1,500	(1,436)	2,936
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total communications	<u>178,290</u>	<u>194,000</u>	<u>185,373</u>	<u>8,627</u>
Total public safety	<u>1,562,223</u>	<u>1,635,710</u>	<u>1,490,815</u>	<u>144,895</u>
Court:				
Personal services	81,621	100,000	96,075	3,925
Supplies	1,000	1,000	350	650
Other services and charges	202,491	230,000	215,895	14,105
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total court	<u>285,112</u>	<u>331,000</u>	<u>312,320</u>	<u>18,680</u>



CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2014**

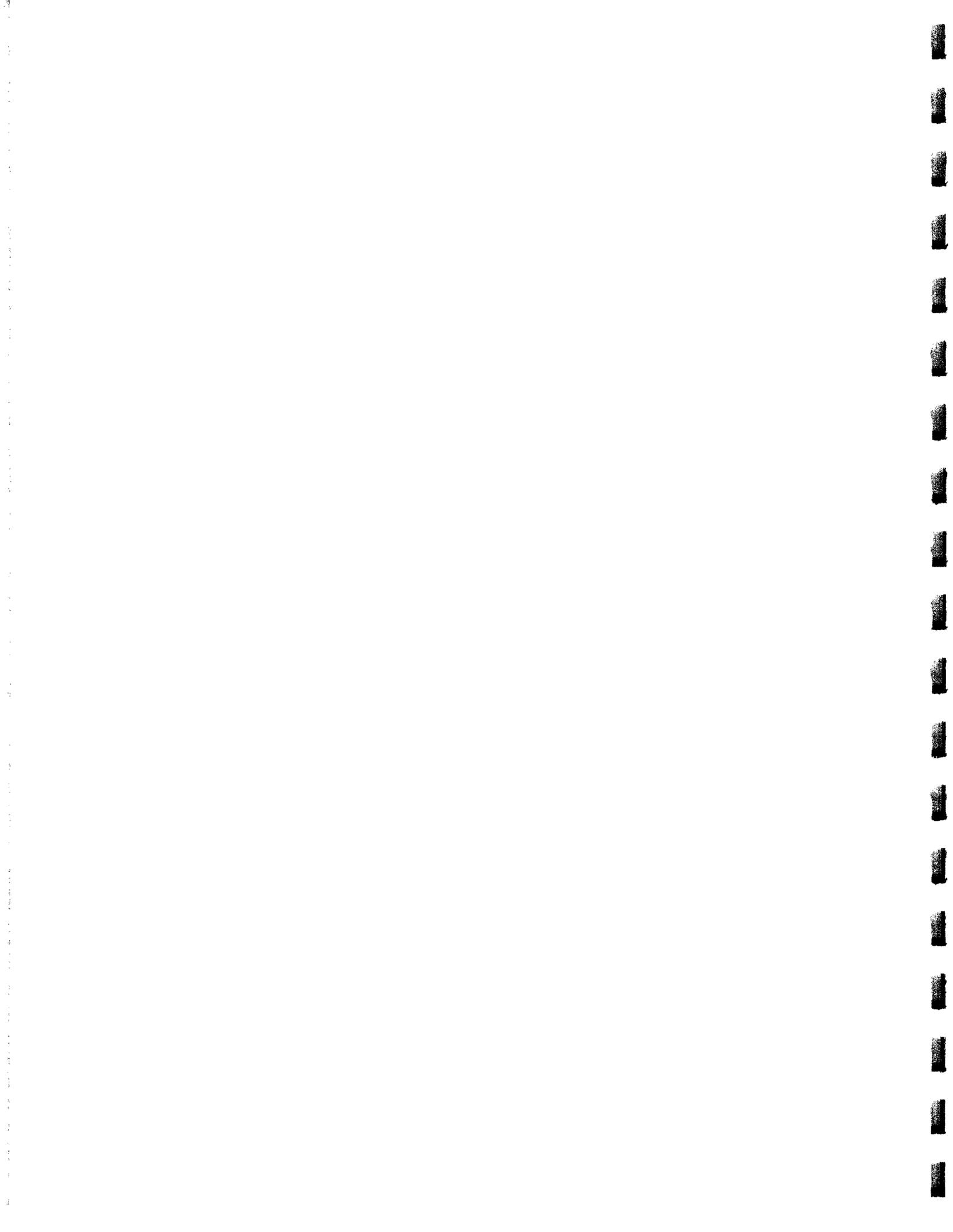
	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Personal services	\$ 310,700	335,000	326,374	8,626
Supplies	97,500	105,000	105,171	(171)
Other services and charges	580,910	580,910	573,244	7,666
Capital outlay	<u>310,587</u>	<u>310,587</u>	<u>297,585</u>	<u>13,002</u>
Total public works	<u>1,299,697</u>	<u>1,331,497</u>	<u>1,302,374</u>	<u>29,123</u>
Grants, subsidies and other				
 expenditures	<u>39,486</u>	<u>39,486</u>	<u>26,348</u>	<u>13,138</u>
 Total expenditures	<u>\$ 3,655,430</u>	<u>3,822,693</u>	<u>3,585,699</u>	<u>236,994</u>



SUPPLEMENTAL INFORMATION

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CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2014**

<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
Tammye D. Hall	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



CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

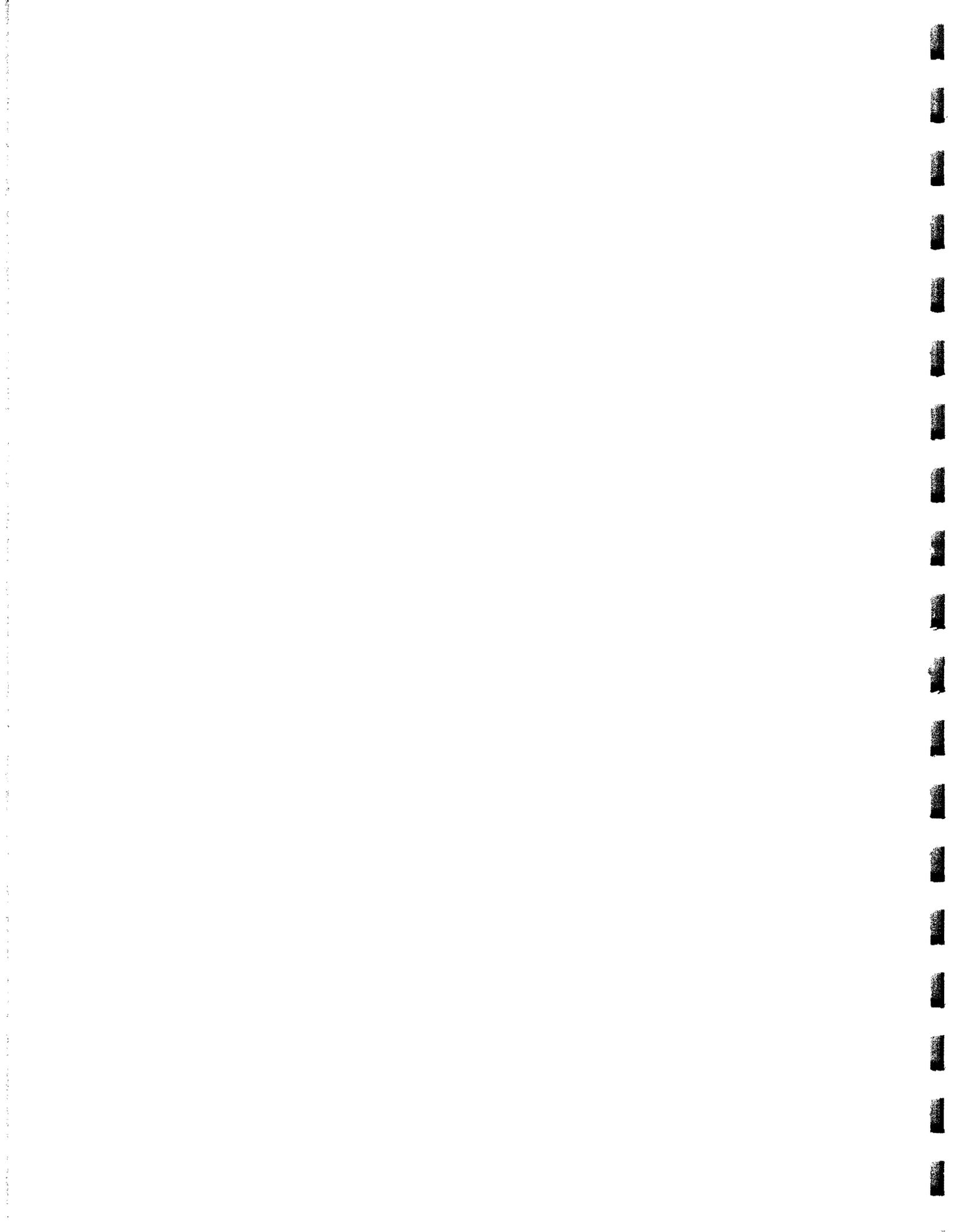
	<u>Original Issue</u>	<u>Balance Outstanding October 1, 2013</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2014</u>
			<u>Issued</u>	<u>Redeemed</u>	
GENERAL OBLIGATION BONDS:					
General Obligation Bonds of 1999	\$ 985,000	\$ 91,000	-	91,000	-
NOTE:					
Mississippi Department of Economic and Community Development Capital Improvement Loan Program - Water tank	\$ 517,534	299,333	-	24,533	274,800
Mississippi Department of Environmental Quality - Pollution Control Project	\$ 221,556	218,385	-	9,235	209,150
CAPITAL LEASE:					
Copiah Bank - Fire truck	\$ 224,191	-	224,191	18,125	206,066
Caterpillar Financial Service - 2014 Caterpillar D3K2 track type tractor	\$ 98,270	-	98,270	5,165	93,105
Hancock Bank - 2014 Freightliner	\$ 75,671	-	75,671	-	75,671
Trustmark National Bank - (2) 2014 Dodge Chargers	\$ 53,361	-	53,361	7,645	45,716
Trustmark National Bank - (2) Ford F150 trucks	\$ 46,489	-	46,489	5,165	41,324
		<u>\$ 608,718</u>	<u>497,982</u>	<u>160,868</u>	<u>945,832</u>

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OCT 06 2015



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, 2014, which collectively comprise the City of Hazlehurst's basic financial statements and have issued our report thereon dated September 24, 2015. 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 Mississippi 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 Mississippi 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.

Haddock Reid Embank Better PLLC

Jackson, Mississippi
September 24, 2015

