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CITY OF HAZLEHURST

HENRY C. BANKS, SR., Mayor

SUE B. BROWN, City Clerk

September 28, 2016

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, 2015. In connection with this audit, and electronic copy of the audit was sent also.

Sincerely,

A handwritten signature in cursive script that reads "Henry Banks, Sr." with a stylized flourish at the end.

Henry Banks, Sr.
Mayor

HCB/sbb

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CITY OF HAZLEHURST, MISSISSIPPI

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

SEPTEMBER 30, 2015

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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, 2015, 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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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 respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of September 30, 2015, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in 2015 the City of Hazlehurst, Mississippi adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, budgetary comparison information on pages 56-59, schedule of changes in net positions liability and related ratios on page 60, and the schedule of employer contributions on page 61 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 section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters - continued:

Other Information - continued:

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 Betty PLLC

Jackson, Mississippi
September 27, 2016

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015. 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 14 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 \$437,431 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 \$221,791 during the current fiscal year compared to a decrease of \$114,740 for the fiscal year ended September 30, 2014. The current year decrease in net position of the Water and Sewer Fund in the amount of \$215,640 was comparable to the decrease in net position for the fiscal year ended September 30, 2014, in the amount of \$304,387. The decrease in net position for the Water and Sewer Fund for both September 30, 2015 and September 30, 2014, results from depreciation expenses in the amount of \$404,228 and \$408,089, respectively.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, during the current fiscal year. The implementation resulted in the following items reported in the financial statements:

- A prior period adjustment resulting in a decrease to beginning net position as previously reported in the amount of \$3,073,120.
- A net pension liability in the amount of \$3,988,171 at September 30, 2015.
- An increase in the current year pension expense as determined prior to the implementation of GASB 68 in the amount of \$256,331 to \$470,935 as determined in accordance with GASB 68.

The City's General Fund reflected an increase in total revenue compared to the prior year (\$3,349,784 in 2015 compared to \$3,329,004 in 2014). The increase in total revenue is attributed to an increase in current year sales tax and ad valorem taxes collected. Total expenditures reflected a decrease (\$3,351,060 in 2015 compared to \$3,593,613 in 2014). The overall decrease in expenditures is attributed to the purchase of machinery and equipment for both the public safety and public works departments during 2014.

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

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 2015 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:

- **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.

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 16. The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. Some funds are required to be established by State law while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two types of funds - governmental and proprietary - utilize different accounting approaches.

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

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is trustee, or fiduciary, for its Unemployment Compensation Private-Purpose Trust Fund. This fiduciary activity is reported in a separate Statement of Fiduciary Net 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.

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

The Statement of Net Position looks at the City as a whole. The City's combined net position was \$7,127,343 as of September 30, 2015. **Table 1** provides a summary of the City's net position. Prior year amounts were not restated to reflect the implementation of GASB Statement No. 68.

(Table 1)
Condensed Statement of Net Position
at September 30, 2015 and 2014

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--------------------------------------|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$ 2,318,248 | 2,254,046 | 1,098,626 | 990,024 | 3,416,874 | 3,244,070 |
| Capital assets, net | <u>3,518,987</u> | <u>3,679,752</u> | <u>5,927,752</u> | <u>6,235,818</u> | <u>9,446,739</u> | <u>9,915,570</u> |
| Total assets | <u>5,837,235</u> | <u>5,933,798</u> | <u>7,026,378</u> | <u>7,225,842</u> | <u>12,863,613</u> | <u>13,159,640</u> |
| Deferred outflows of resources: | | | | | | |
| Deferred outflows related to pension | <u>587,009</u> | <u>-</u> | <u>137,769</u> | <u>-</u> | <u>724,778</u> | <u>-</u> |
| Total deferred outflows of resources | <u>587,009</u> | <u>-</u> | <u>137,769</u> | <u>-</u> | <u>724,778</u> | <u>-</u> |

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 1)
Condensed Statement of Net Position - continued:
at September 30, 2015 and 2014

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-------------------------------------|-------------------------|------------------|--------------------------|------------------|--------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Liabilities: | | | | | | |
| Current liabilities | \$ 363,119 | 328,744 | 264,210 | 268,883 | 627,329 | 597,627 |
| Noncurrent liabilities | 3,704,909 | 529,586 | 1,184,675 | 457,511 | 4,889,584 | 987,097 |
| Total liabilities | <u>4,068,028</u> | <u>858,330</u> | <u>1,448,885</u> | <u>726,394</u> | <u>5,516,913</u> | <u>1,584,724</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows related to pension | 16,533 | - | 3,880 | - | 20,413 | - |
| Unavailable property taxes | <u>923,722</u> | <u>937,022</u> | <u>-</u> | <u>-</u> | <u>923,722</u> | <u>937,022</u> |
| Total deferred inflows of resources | <u>940,255</u> | <u>937,022</u> | <u>3,880</u> | <u>-</u> | <u>944,135</u> | <u>937,022</u> |
| Net assets: | | | | | | |
| Net investment in capital assets | 3,117,817 | 3,217,870 | 5,478,948 | 5,751,868 | 8,596,765 | 8,969,738 |
| Restricted: | | | | | | |
| Fire protection | 8,587 | 8,914 | - | - | 8,587 | 8,914 |
| Streets | 2,012 | 7,670 | - | - | 2,012 | 7,670 |
| Parks | 32,035 | 17,298 | - | - | 32,035 | 17,298 |
| Library | 17,375 | 12,560 | - | - | 17,375 | 12,560 |
| Debt service | 18,588 | 16,063 | - | - | 18,588 | 16,063 |
| Unrestricted | <u>(1,780,453)</u> | <u>858,071</u> | <u>232,434</u> | <u>747,580</u> | <u>(1,548,019)</u> | <u>1,605,651</u> |
| Total net position | \$ <u>1,415,961</u> | <u>4,138,446</u> | <u>5,711,382</u> | <u>6,499,448</u> | <u>7,127,343</u> | <u>10,637,894</u> |

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following information:

| | |
|---|---------------------|
| Total unrestricted net position (deficit) | \$ (1,548,018) |
| Less unrestricted deficit in net pension resulting from implementation of GASB No. 68 and 71. | <u>3,283,806</u> |
| Unrestricted net position, exclusive of the net pension liability effect | \$ <u>1,735,788</u> |

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

By far the largest portion of the City's total assets (73.4%) is in net capital assets (e.g., land, buildings, machinery, and equipment). 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, 2015 and 2014. GASB Statement No. 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB Statement No. 68.

(Table 2)
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2015 and 2014

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|-------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| REVENUES: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 702,308 | 743,629 | 1,205,524 | 1,212,178 | 1,907,832 | 1,955,807 |
| Operating grants and contributions | - | - | - | - | - | - |
| Capital grants and contributions | - | - | 69,319 | - | 69,319 | - |
| General revenues: | | | | | | |
| Property taxes | 934,600 | 934,096 | - | - | 934,600 | 934,096 |
| Sales taxes | 1,349,181 | 1,288,345 | - | - | 1,349,181 | 1,288,345 |
| Other | 530,691 | 569,771 | 134 | 123 | 530,825 | 569,894 |
| Total revenues | <u>3,516,780</u> | <u>3,535,841</u> | <u>1,274,977</u> | <u>1,212,301</u> | <u>4,791,757</u> | <u>4,748,142</u> |
| EXPENSES: | | | | | | |
| General government | 535,355 | 509,876 | - | - | 535,355 | 509,876 |
| Public safety | 1,626,122 | 1,555,990 | - | - | 1,626,122 | 1,555,990 |
| Court | 290,063 | 317,790 | - | - | 290,063 | 317,790 |
| Public works | 1,142,345 | 1,108,833 | - | - | 1,142,345 | 1,108,833 |
| Instruction and recreation | 151,373 | 161,324 | - | - | 151,373 | 161,324 |
| Interest | 10,908 | 12,210 | - | - | 10,908 | 12,210 |
| Water and sewer | - | - | 1,460,617 | 1,468,433 | 1,460,617 | 1,468,433 |
| Total expenses | <u>3,756,166</u> | <u>3,666,023</u> | <u>1,460,617</u> | <u>1,468,433</u> | <u>5,216,783</u> | <u>5,134,456</u> |
| CHANGE IN NET POSITION BEFORE TRANSFERS AND LOSS ON DISPOSAL OF CAPITAL ASSETS | (239,386) | (130,182) | (185,640) | (256,132) | (425,026) | (386,314) |

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 2) - continued:
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2015 and 2014

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|-------------------------|-----------|--------------------------|-----------|--------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| LOSS ON DISPOSAL OF CAPITAL ASSETS | \$ (12,405) | (14,558) | - | (18,255) | (12,405) | (32,813) |
| TRANSFERS | 30,000 | 30,000 | (30,000) | (30,000) | - | - |
| CHANGE IN NET POSITION | (221,791) | (114,740) | (215,640) | (304,387) | (437,431) | (419,127) |
| NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | 4,138,446 | 4,253,186 | 6,499,448 | 6,803,835 | 10,637,894 | 11,057,021 |
| PRIOR PERIOD ADJUSTMENT | (2,500,694) | - | (572,436) | - | (3,073,120) | - |
| NET POSITION AT BEGINNING OF YEAR, AS RESTATED | 1,637,752 | 4,253,186 | 5,927,022 | 6,803,835 | 7,564,774 | 11,057,021 |
| NET POSITION, END OF YEAR | \$ 1,415,961 | 4,138,466 | 5,711,382 | 6,499,448 | 7,127,343 | 10,637,894 |

Governmental Activities

Several revenue sources fund our Governmental Activities. The City's sales tax accounted for \$1,349,181 or 38.4% of gross revenue; revenues from property taxes accounted for \$934,600 or 26.6% of revenues; and revenues from charges for services accounted for \$702,308 or 20.0% of gross revenues.

Major expense activities included public safety expenses accounting for 43.3% of the total program expenses and public works accounting for 30.4%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

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CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Business-Type Activity

Operating revenues of the City's business-type activities were \$1,274,977 for the fiscal year ended September 30, 2015. Operating expenses for the City's business-type activities were \$1,460,617, resulting in an operating loss of \$185,640. The net non-operating expenses and transfers were \$30,000, resulting in a decrease in net position of \$215,640. Key operating results are detailed below:

- The City's water and sewer enterprise fund recorded charges for services of \$1,205,524, which reflects a 0.01% decrease from the prior year. The most significant expenses of the water and sewer enterprise fund were \$512,906 for salaries and benefits, and \$404,228 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 2015, 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 2015 were \$3,254,765; final budget amounts were \$3,264,765; and actual revenue collections were \$3,335,197. General fund operating expenditures were \$3,366,845 compared to final budgeted amounts of \$3,569,849.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the City had over \$9.4 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, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

**(Table 3)
Capital Assets at September 30, 2015 and 2014
(Net of Depreciation)**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|-----------------------------------|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 133,327 | 133,327 | 38,400 | 38,400 | 171,727 | 171,727 |
| Improvements other than buildings | 591,992 | 624,266 | - | - | 591,992 | 624,266 |
| Buildings | 1,426,792 | 1,473,224 | 3,603 | 5,496 | 1,430,395 | 1,478,720 |
| Machinery and equipment | 576,104 | 656,042 | 127,338 | 120,508 | 703,442 | 776,550 |
| Motor vehicles | 240,005 | 207,282 | 39,986 | 51,999 | 279,991 | 259,281 |
| Infrastructure | 550,767 | 585,611 | - | - | 550,767 | 585,611 |
| Construction in progress | - | - | 96,162 | - | 96,162 | - |
| Water system | - | - | 2,934,935 | 3,127,850 | 2,934,935 | 3,127,850 |
| Sewer system | - | - | 2,687,328 | 2,891,565 | 2,687,328 | 2,891,565 |
| Total | \$ 3,518,987 | 3,679,752 | 5,927,752 | 6,235,818 | 9,446,739 | 9,915,570 |

This year's major additions included:

| | |
|-----------------------------------|-----------|
| Police department motor vehicles | \$ 81,360 |
| Public works department equipment | 10,178 |
| General government equipment | 9,150 |
| Improvements to sewer system | 96,162 |

Debt

At September 30, 2015 and 2014, the City of Hazlehurst had \$999,646 and \$1,082,268 respectively, in outstanding debt from Notes Payable, Capital Leases Payable and Compensated Absences. **Table 4** summarizes the total outstanding long-term obligations of the City.

**(Table 4)
Outstanding Debt at September 30, 2015 and 2014**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|------------------------|--------------------------------|----------------|---------------------------------|----------------|---------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Capital leases payable | \$ 401,170 | 461,882 | - | - | 401,170 | 461,882 |
| Notes payable | - | - | 448,804 | 483,950 | 448,804 | 483,950 |
| Compensated absences | 135,876 | 128,512 | 13,795 | 7,924 | 149,671 | 136,436 |
| Total | \$ 537,046 | 590,394 | 462,599 | 491,874 | 999,645 | 1,082,268 |

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

The City paid \$95,858 in principal on outstanding debt during the year. The City did not issue any new debt in 2015.

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 2016 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, 2015**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,056,930 | 689,467 | 1,746,397 |
| Receivables (net, where applicable, of allowances for uncollectibles): | | | |
| Accounts | 206,193 | 129,922 | 336,115 |
| Taxes | 924,340 | - | 924,340 |
| Due from other governments | 108,063 | - | 108,063 |
| Inventories at cost | - | 52,863 | 52,863 |
| Prepaid expenses | 22,722 | 5,924 | 28,646 |
| Restricted cash and cash equivalents | - | 220,450 | 220,450 |
| Capital assets: | | | |
| Nondepreciable | 133,327 | 134,562 | 267,889 |
| Depreciable, net of accumulated depreciation | <u>3,385,660</u> | <u>5,793,190</u> | <u>9,178,850</u> |
| | <u>5,837,235</u> | <u>7,026,378</u> | <u>12,863,613</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows related to pension | <u>587,009</u> | <u>137,769</u> | <u>724,778</u> |
| Total deferred outflows of resources | <u>587,009</u> | <u>137,769</u> | <u>724,778</u> |

The accompanying notes are an integral part of this statement.

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 171,648 | 76,922 | 248,570 |
| Accrued liabilities | 45,609 | 9,074 | 54,683 |
| Accrued interest payable | 1,966 | 624 | 2,590 |
| Customer deposits | - | 220,450 | 220,450 |
| Due to other governments | - | 2,804 | 2,804 |
| Internal balances | 81,677 | (81,677) | - |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Notes and leases payable | 62,219 | 36,013 | 98,232 |
| Due in more than one year: | | | |
| Compensated absences | 135,876 | 13,795 | 149,671 |
| Notes and leases payable | 338,951 | 412,791 | 751,742 |
| Net pension liability | 3,230,082 | 758,089 | 3,988,171 |
| Total liabilities | <u>4,068,028</u> | <u>1,448,885</u> | <u>5,516,913</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred inflows related to pension | 16,533 | 3,880 | 20,413 |
| Unavailable revenue - property taxes | <u>923,722</u> | - | <u>923,722</u> |
| Total deferred inflows of resources | <u>940,255</u> | <u>3,880</u> | <u>944,135</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 3,117,817 | 5,478,948 | 8,596,765 |
| Restricted for: | | | |
| Fire prevention | 8,587 | - | 8,587 |
| Streets | 2,012 | - | 2,012 |
| Parks | 32,035 | - | 32,035 |
| Library | 17,375 | - | 17,375 |
| Debt Service | 18,588 | - | 18,588 |
| Unrestricted | <u>(1,780,453)</u> | <u>232,434</u> | <u>(1,548,019)</u> |
| Total net position | \$ <u>1,415,961</u> | <u>5,711,382</u> | <u>7,127,343</u> |

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| <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 | \$ 535,355 | - | - | - |
| Public safety | 1,626,122 | 270,976 | - | - |
| Court | 290,063 | - | - | - |
| Public works | 1,142,345 | 426,031 | - | - |
| Instruction and recreation | 151,373 | 5,301 | - | - |
| Interest on long-term debt | 10,908 | - | - | - |
| Total governmental activities | <u>3,756,166</u> | <u>702,308</u> | <u>-</u> | <u>-</u> |
| Business-type activities: | | | | |
| Water and sewer | <u>1,460,617</u> | <u>1,205,524</u> | <u>-</u> | <u>69,319</u> |
| Total business-type activities | <u>1,460,617</u> | <u>1,205,524</u> | <u>-</u> | <u>69,319</u> |
| Total government | \$ <u>5,216,783</u> | <u>1,907,832</u> | <u>-</u> | <u>69,319</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | | | | |
| Sales tax | | | | |
| Utility in lieu of tax | | | | |
| Franchise fees | | | | |
| County road tax | | | | |
| Interest and penalties on tax | | | | |
| 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, as previously reported | | | | |
| Prior period adjustment | | | | |
| Net position at beginning of year, as restated | | | | |
| Net position at end of year | | | | |

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

| Governmental Activities | Business- Type Activities | Total |
|----------------------------|---------------------------------|--------------------|
| (535,355) | - | (535,355) |
| (1,355,146) | - | (1,355,146) |
| (290,063) | - | (290,063) |
| (716,314) | - | (716,314) |
| (146,072) | - | (146,072) |
| (10,908) | - | (10,908) |
| <u>(3,053,858)</u> | <u>-</u> | <u>(3,053,858)</u> |
| - | (185,774) | (185,774) |
| - | (185,774) | (185,774) |
| <u>(3,053,858)</u> | <u>(185,774)</u> | <u>(3,239,632)</u> |
| 934,600 | - | 934,600 |
| 1,349,181 | - | 1,349,181 |
| 57,610 | - | 57,610 |
| 140,785 | - | 140,785 |
| 123,405 | - | 123,405 |
| 19,097 | - | 19,097 |
| 114,953 | - | 114,953 |
| 786 | 134 | 920 |
| 74,055 | - | 74,055 |
| (12,405) | - | (12,405) |
| 30,000 | (30,000) | - |
| <u>2,832,067</u> | <u>(29,866)</u> | <u>2,802,201</u> |
| <u>(221,791)</u> | <u>(215,640)</u> | <u>(437,431)</u> |
| 4,138,446 | 6,499,448 | 10,637,894 |
| <u>(2,500,694)</u> | <u>(572,426)</u> | <u>(3,073,120)</u> |
| <u>1,637,752</u> | <u>5,927,022</u> | <u>7,564,774</u> |
| <u>1,415,961</u> | <u>5,711,382</u> | <u>7,127,343</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 975,900 | 81,030 | 1,056,930 |
| Investments | | | |
| Receivables (net of allowance for uncollectibles, where applicable): | | | |
| Accounts | 141,623 | - | 141,623 |
| Taxes | 820,516 | 103,824 | 924,340 |
| Due from other funds | 19,863 | 17,232 | 37,095 |
| Due from other governments | 108,063 | - | 108,063 |
| Prepaid expenses | 21,341 | 1,381 | 22,722 |
| Total assets | \$ 2,087,306 | 203,467 | 2,290,773 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 164,626 | 7,022 | 171,648 |
| Accrued liabilities | 24,088 | - | 24,088 |
| Due to other funds | 103,949 | 14,823 | 118,772 |
| Unearned revenue | 15,722 | - | 15,722 |
| Total liabilities | 308,385 | 21,845 | 330,230 |
| Deferred inflows of resources: | | | |
| Unavailable property taxes | 805,000 | 103,000 | 908,000 |
| Unavailable fine revenue | 43,049 | - | 43,049 |
| Total deferred inflows of resources | 848,049 | 103,000 | 951,049 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepays | 21,341 | 1,381 | 22,722 |
| Restricted for: | | | |
| Fire prevention | - | 8,587 | 8,587 |
| Streets | - | 2,012 | 2,012 |
| Parks | - | 32,035 | 32,035 |
| Library | - | 17,375 | 17,375 |
| Debt service | - | 18,588 | 18,588 |
| Assigned to: | | | |
| Subsequent year's budget | 438,617 | - | 438,617 |
| Unassigned | 470,914 | (1,356) | 469,558 |
| Total fund balances | 930,872 | 78,622 | 1,009,494 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 2,087,306 | 203,467 | 2,290,773 |

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, 2015**

Total fund balances - governmental funds \$ 1,009,494

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 | 7,228,558 | |
| Less accumulated depreciation | <u>(3,709,571)</u> | 3,518,987 |

Fines and forfeits that were earned in the current
period but not received within 60 days are
not recognized in the fund statement but
recognized under full accrual.

86,098

Some liabilities, including net pension obligations,
are not due and payable in the current period
and therefore, are not reported in the funds:

| | | |
|-----------------------|--|-------------|
| Net pension liability | | (3,230,082) |
|-----------------------|--|-------------|

Deferred outflows and inflows of resources
related to pensions are applicable to future
periods and, therefore, are not reported in
the funds:

| | | |
|---|-----------------|---------|
| Deferred outflows of resources related to pension | 587,009 | |
| Deferred inflows of resources related to pension | <u>(16,533)</u> | 570,476 |

Long-term liabilities of governmental funds,
including capital leases 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 | (401,170) | |
| Accrued interest payable | (1,966) | |
| Compensated absences | <u>(135,876)</u> | <u>(539,012)</u> |

Net position of governmental activities \$ 1,415,961

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, 2015

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|
| REVENUES: | | | |
| Taxes: | | | |
| Ad valorem | \$ 801,311 | 101,676 | 902,987 |
| Prior years ad valorem | 25,637 | 5,976 | 31,613 |
| Interest and penalties on taxes | 19,097 | - | 19,097 |
| In lieu of taxes - utility | 57,610 | - | 57,610 |
| Franchise fees | 140,785 | - | 140,785 |
| Licenses and permits | 23,815 | - | 23,815 |
| Intergovernmental | 1,552,822 | 34,717 | 1,587,539 |
| Charges for services | 402,216 | - | 402,216 |
| Fines and forfeits | 221,705 | - | 221,705 |
| Interest earned | 701 | 85 | 786 |
| Interfund charges | 30,000 | - | 30,000 |
| Other | 74,085 | 5,301 | 79,386 |
| Total revenues | <u>3,349,784</u> | <u>147,755</u> | <u>3,497,539</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 462,120 | - | 462,120 |
| Public safety | 1,510,554 | - | 1,510,554 |
| Court | 281,459 | - | 281,459 |
| Public works | 1,022,311 | 11,146 | 1,033,457 |
| Instruction and recreation | - | 66,744 | 66,744 |
| Grants, subsidies, and other expenditures | 24,826 | - | 24,826 |
| Pay to other agencies | - | 51,492 | 51,492 |
| Debt service: | | | |
| Principal | 44,633 | 16,079 | 60,712 |
| Interest | 5,187 | 6,071 | 11,258 |
| Total expenditures | <u>3,351,090</u> | <u>151,532</u> | <u>3,502,622</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,306)</u> | <u>(3,777)</u> | <u>(5,083)</u> |
| Other financing sources (uses): | | | |
| Operating transfer in (out) | <u>(20,000)</u> | <u>20,000</u> | <u>-</u> |
| Total financing sources (uses) | <u>(20,000)</u> | <u>20,000</u> | <u>-</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | General <u>Fund</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|------------------------|--|---------------------------------------|
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | \$ (21,306) | 16,223 | (5,083) |
| Fund balances at beginning of year | <u>952,178</u> | <u>62,399</u> | <u>1,014,577</u> |
| Fund balances at end of year | \$ <u>930,872</u> | <u>78,622</u> | <u>1,009,494</u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | | |
|--|------------------|-------------------------|
| Net changes in fund balances - total governmental funds | \$ | (5,083) |
| 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 | 100,688 | |
| Less current year depreciation expense | <u>(249,048)</u> | (148,360) |
| The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | | (12,405) |
| The change in revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues. | | 49,271 |
| 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. | | 60,712 |
| The Statement of Activities reports pension expense and other activity related to the net pension liability: | | |
| Contributions made after the measurement date | 70,045 | |
| Pension expense | <u>(228,957)</u> | (158,912) |
| 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 | 350 | |
| Change in long-term compensated absences. | <u>(7,364)</u> | <u>(7,014)</u> |
| Change in net position of governmental activities | \$ | <u>(221,791)</u> |

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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, 2015

ASSETS

Current assets:

| | |
|---|----------------|
| Cash and cash equivalents | \$ 689,467 |
| Receivables (net of allowance for uncollectibles, where applicable): | |
| Accounts | 129,922 |
| Due from other funds | 81,677 |
| Inventories at cost | 52,863 |
| Prepaid expenses | 5,924 |
| Total current assets | <u>959,853</u> |

Restricted assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | <u>220,450</u> |
|---------------------------|----------------|

Property, plant and equipment:

| | |
|-----------------------------------|---------------------|
| Land | 38,400 |
| Buildings | 56,107 |
| Water system | 6,706,314 |
| Sewer system | 8,261,556 |
| Machinery and equipment | 495,774 |
| Motor vehicles | 288,195 |
| | <u>15,846,346</u> |
| Less accumulated depreciation | <u>(10,014,756)</u> |
| | 5,831,590 |
| Construction in progress | 96,162 |
| Net property, plant and equipment | <u>5,927,752</u> |
| Total assets | <u>7,108,055</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|-------------------|
| Deferred outflows related to pension | <u>137,769</u> |
| Total deferred outflows or resources | \$ <u>137,769</u> |

The accompanying notes are an integral part of this statement.

LIABILITIES

Current liabilities:

| | |
|--|----------------|
| Accounts payable | \$ 76,922 |
| Accrued liabilities | 9,698 |
| Current portion of long-term liabilities | 36,013 |
| Due to other governments | <u>2,804</u> |
| Total current liabilities | <u>125,437</u> |

Current liabilities payable from restricted assets:

| | |
|-------------------|----------------|
| Customer deposits | <u>220,450</u> |
|-------------------|----------------|

Long-term liabilities:

| | |
|-----------------------------|------------------|
| Notes payable | 412,791 |
| Compensated absences | 13,795 |
| Net pension liability | <u>758,089</u> |
| Total long-term liabilities | <u>1,184,675</u> |

| | |
|-------------------|------------------|
| Total liabilities | <u>1,530,562</u> |
|-------------------|------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------------------|--------------|
| Deferred inflows related to pension | <u>3,880</u> |
| Total deferred outflows or resources | <u>3,880</u> |

NET POSITION

| | |
|----------------------------------|---------------------|
| Net investment in capital assets | 5,478,948 |
| Unrestricted | <u>232,434</u> |
| Total net position | \$ <u>5,711,382</u> |

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, 2015**

OPERATING REVENUES:

| | |
|------------------------------|------------------|
| Water sales | \$ 752,560 |
| Sewer rentals | 387,756 |
| Tap fees and connection fees | 21,162 |
| Miscellaneous receipts | <u>44,046</u> |
| Total operating revenues | <u>1,205,524</u> |

OPERATING EXPENSES:

| | |
|---------------------------|------------------|
| Personal services | 512,906 |
| Supplies | 131,386 |
| Other service and charges | 400,660 |
| Depreciation | <u>404,228</u> |
| Total operating expenses | <u>1,449,180</u> |

OPERATING LOSS (243,656)

NON-OPERATING REVENUES (EXPENSES):

| | |
|---|-----------------|
| Interest on investments | 134 |
| Interest and fiscal charges | (11,437) |
| Operating transfers | <u>(30,000)</u> |
| Total non-operating revenues (expenses) | <u>(41,303)</u> |

LOSS BEFORE CONTRIBUTIONS (284,959)

| | |
|--------------------------------|---------------|
| Capital contributions - grants | <u>69,319</u> |
|--------------------------------|---------------|

DECREASE IN NET POSITION (215,640)

**NET POSITION AT BEGINNING OF YEAR,
AS PREVIOUSLY REPORTED**

6,499,448

PRIOR PERIOD ADJUSTMENT

(572,426)

NET POSITION AT END OF YEAR, AS RESTATED

5,927,022

NET POSITION AT END OF YEAR

\$ 5,711,382

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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|--------------------|
| Cash received from customers | \$ 1,198,329 |
| Cash paid to suppliers and employees | <u>(1,003,318)</u> |
| Net cash provided by operating activities | <u>195,011</u> |

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES:**

| | |
|-------------------------|-----------------|
| Operating transfers out | <u>(30,000)</u> |
|-------------------------|-----------------|

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

| | |
|--|-----------------|
| Principal paid on notes | (35,146) |
| Acquisition of fixed assets | (96,162) |
| Interest paid on notes | (11,500) |
| Capital contributions | <u>69,319</u> |
| Net cash used for capital and related financing activities | <u>(73,489)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------|
| Earnings on invested proceeds | <u>134</u> |
| Net cash provided by investing activities | <u>134</u> |

NET INCREASE IN CASH 91,656

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

818,261

CASH AND CASH EQUIVALENTS - end of year
(including \$220,450 in restricted accounts)

\$ 909,917

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - CONTINUED:
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

| | |
|--|------------------------------|
| Operating loss | \$ <u>(243,656)</u> |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 404,228 |
| (Increase) decrease in: | |
| Accounts receivable | (26,254) |
| Prepaid expenses | (1,190) |
| Deferred outflows related to pension | (122,345) |
| Inventory | 10,498 |
| Increase (decrease) in: | |
| Accounts payable | (20,953) |
| Accrued liabilities | 4,498 |
| Due to other funds | (3,338) |
| Compensated absences | 5,870 |
| Customer deposits | 13,534 |
| Net pension liability | 170,239 |
| Deferred inflows related to pension | <u>3,880</u> |
| Total adjustments | <u>438,667</u> |
| Net cash provided by operating activities | \$ <u><u>195,011</u></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, 2015**

ASSETS

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ <u>10,656</u> |
| Total assets | \$ <u>10,656</u> |

NET POSITION

| | |
|---|------------------|
| Held in trust for unemployment benefits | \$ <u>10,656</u> |
| Total net position | \$ <u>10,656</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, 2015**

| | |
|--|-------------------------|
| ADDITIONS: | |
| Interest earnings | \$ <u>9</u> |
| Total additions | 9 |
| DEDUCTIONS | <u>-</u> |
| CHANGES IN NET POSITION HELD IN TRUST | 9 |
| NET POSITION, BEGINNING OF YEAR | <u>10,647</u> |
| NET POSITION, END OF YEAR | \$ <u><u>10,656</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 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. The following is a summary of the more significant policies:

A. GOVERNMENT - WIDE AND FUND 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.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

A. GOVERNMENT - WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED:

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.

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.

B. 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

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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 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.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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.

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.

C. 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 Note 3, is pledged by the various banks to collateralize City funds.

D. RECEIVABLES

Receivables, net of estimated uncollectable accounts, are reported in the governmental and proprietary financial statements for goods and services, taxes, loans, grants and interest. The estimated uncollectable amounts by fund are reported in Note 4.

E. INVENTORIES

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

F. 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.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

G. 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.

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 then.

H. 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 Clerk 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.
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).

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED:

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.

I. CAPITAL ASSETS

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

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

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

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

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. CAPITAL ASSETS - CONTINUED:

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

J. 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 2015, no interest costs were capitalized.

K. RESTRICTED ASSETS

The Water and Sewer Enterprise Fund is required to set aside customer water deposits 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.

L. COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. The accrual rate is based on years of service. Employees are allowed to carry unused vacation days forward from year to year. For proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds in the fund financial statements all of the compensated absences are considered to be long-term and therefore, are

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

L. COMPENSATED ABSENCES - CONTINUED:

not a fund liability. An accrual of \$149,671 has been made in the Statement of Net Position for vacation time available at September 30, 2015. No liability is recorded for nonvesting accumulating rights to receive sick pay.

M. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Unearned revenue is a liability that arises when resources are obtained before revenue recognition criteria, other than time recognition criteria, have been satisfied. Resources that are obtained before time recognition criteria have been satisfied are classified as deferred inflows of resources.

N. 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 liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. The unamortized portion of the deferred on refunding is recorded as either a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs are expensed during the current period. Amortization of bond premiums, discounts, and deferred amounts on refunding are included in interest expense.

O. 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.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. NET POSITION AND FUND BALANCE - CONTINUED:

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

P. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

P. PENSIONS - CONTINUED:

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

Q. 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.

R. 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 2015 were levied in September 2014 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 2016 property taxes levied in September 2015 in accounts receivable in the amount of \$908,000. The City has recorded deferred inflows of resources for the estimated fiscal year 2016 property taxes in the amount of \$908,000.

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, 2015 was set at 91.92 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 2 - PROPERTY TAX - CONTINUED:

| | |
|---|-----------------|
| General fund | \$ 3.939 |
| Parks and playground fund | 0.250 |
| Public library | 0.250 |
| Schools (Hazlehurst Municipal Separate School District) | <u>4.753</u> |
| | \$ <u>9.192</u> |

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2015:

| | <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 | \$ 975,900 | - | - | - | 975,900 |
| Nonmajor governmental funds | <u>81,030</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>81,030</u> |
| Total governmental activities | <u>1,056,930</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,056,930</u> |
| Business-type activities: | | | | | |
| Water and sewer enterprise fund | <u>689,467</u> | <u>-</u> | <u>220,450</u> | <u>-</u> | <u>909,917</u> |
| Total business-type activities | <u>689,467</u> | <u>-</u> | <u>220,450</u> | <u>-</u> | <u>909,917</u> |
| Government-wide total | 1,746,397 | - | 220,450 | - | 1,966,847 |
| Fiduciary fund | <u>-</u> | <u>-</u> | <u>10,656</u> | <u>-</u> | <u>10,656</u> |
| Total cash and investments \$ | <u>1,746,397</u> | <u>-</u> | <u>231,106</u> | <u>-</u> | <u>1,977,503</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at September 30, 2015 are summarized as follows:

| | <u>Reported Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| Cash | \$ 1,977,503 | 2,291,607 |
| Certificates of deposit | <u>-</u> | <u>-</u> |
| Total deposits | \$ <u>1,977,503</u> | <u>2,291,607</u> |

The difference of \$314,104 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, 2015, \$1,791,607 of the City's bank balance of \$2,291,607 was exposed to custodial credit risk as follows:

| | |
|---|---------------------|
| Collateralized by the State Public Funds: | |
| Guaranty Pool | \$ <u>1,791,607</u> |
| Total | \$ <u>1,791,607</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, 2015, the entire bank balance was covered by Federal depository insurance or collateralized in accordance with state law.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

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.

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, 2015.

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, 2015, 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.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 4 - RECEIVABLES

Receivables at September 30, 2015 were as follows:

| | <u>Governmental Activities</u> | | <u>Business- Type Activities</u> | |
|---|--------------------------------|--|--|--------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Water and Sewer Fund</u> | <u>Total</u> |
| Receivables: | | | | |
| Accounts | \$ 206,193 | - | 156,227 | 362,420 |
| Taxes | 820,516 | 103,824 | - | 924,340 |
| Due from other governments | 108,063 | - | - | 108,063 |
| Gross receivables | 1,134,772 | 103,824 | 156,227 | 1,394,823 |
| Less: allowance for uncollectible accounts | - | - | (26,305) | (26,305) |
| Net total receivables | \$ 1,134,772 | 103,824 | 129,922 | 1,368,518 |

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

| | <u>Balance at October 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at September 30, 2015</u> |
|-----------------------------------|---|------------------|------------------|--|
| Governmental activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 133,327 | - | - | 133,327 |
| Depreciable assets: | | | | |
| Buildings | 2,321,611 | - | - | 2,321,611 |
| Improvements other than buildings | 1,019,950 | - | - | 1,019,950 |
| Machinery and equipment | 1,333,173 | 19,328 | 60,124 | 1,292,377 |
| Motor vehicles | 989,900 | 81,360 | 22,200 | 1,049,060 |
| Infrastructure | 1,412,233 | - | - | 1,412,233 |
| Total | 7,076,867 | 100,688 | 82,324 | 7,095,231 |
| Total capital assets | 7,210,194 | 100,688 | 82,324 | 7,228,558 |

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

| | Balance at October 1, 2014 | Additions | Deletions | Balance at September 30, 2015 |
|---|----------------------------------|-----------|-----------|-------------------------------------|
| Less accumulated depreciation: | | | | |
| Buildings | \$ (848,387) | (46,432) | - | (894,819) |
| Improvements rather than buildings | (395,684) | (32,274) | - | (427,958) |
| Machinery and equipment | (677,131) | (92,411) | (53,269) | (716,273) |
| Motor vehicles | (782,618) | (43,087) | (16,650) | (809,055) |
| Infrastructure | (826,622) | (34,844) | - | (861,466) |
| Total accumulated depreciation | (3,530,442) | (249,048) | (69,919) | (3,709,571) |
| Total governmental activities capital assets, net | \$ 3,679,752 | (148,360) | 12,405 | 3,518,987 |

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

| | |
|--|------------|
| General government | \$ 36,023 |
| Public safety | 85,384 |
| Public works | 94,979 |
| Instruction and recreation | 32,662 |
| Total depreciation expense - governmental activities | \$ 249,048 |

| | Balance at October 1, 2014 | Additions | Deletions | Balance at September 30, 2015 |
|---------------------------|----------------------------------|-----------|-----------|-------------------------------------|
| Business-type activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 38,400 | - | - | 38,400 |
| Construction in progress | - | 96,162 | - | 96,162 |
| Total | 38,400 | 96,162 | - | 134,562 |
| Depreciable assets: | | | | |
| Buildings | 56,107 | - | - | 56,107 |
| Machinery and equipment | 495,775 | - | - | 495,775 |
| Motor vehicles | 288,195 | - | - | 288,195 |
| Water system | 6,706,314 | - | - | 6,706,314 |
| Sewer system | 8,261,555 | - | - | 8,261,555 |
| Total | 15,807,946 | - | - | 15,807,946 |
| Total capital assets | 15,846,346 | 96,162 | - | 15,942,508 |

CITY OF HAZLEHURST, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015



NOTE 5 - CAPITAL ASSETS - CONTINUED:

| | Balance at October 1, 2014 | Additions | Deletions | Balance at September 30, 2015 |
|--|----------------------------------|-----------|-----------|-------------------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | \$ (50,611) | (1,893) | - | (52,504) |
| Machinery and equipment | (328,379) | (40,058) | - | (368,437) |
| Motor vehicles | (236,197) | (12,012) | - | (248,209) |
| Water system | (3,625,352) | (146,027) | - | (3,771,379) |
| Sewer system | (5,369,989) | (204,238) | - | (5,574,227) |
| Total accumulated depreciation | (9,610,528) | (404,228) | - | (10,014,756) |
| Total business-type activities capital assets, net | \$ 6,235,818 | (308,066) | - | 5,927,752 |

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

| | |
|---|------------|
| Water and sewer | \$ 404,228 |
| Total depreciation expense - business-type activities | \$ 404,228 |

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, 2015:

| | Beginning Balance October 1, 2014 | Additions/ Proceeds | Reductions/ Payments | Ending Balance September 30, 2015 | Due Within One Year |
|--------------------------------|--|------------------------|-------------------------|--|---------------------------|
| Governmental activities: | | | | | |
| Capital lease obligations | \$ 461,882 | - | (60,712) | 401,170 | 62,219 |
| Compensated absences | 128,512 | 7,364 | - | 135,876 | - |
| Governmental activities total | 590,394 | 7,364 | (60,712) | 537,046 | 62,219 |
| Business-type activities: | | | | | |
| Notes payable | 483,950 | - | (35,146) | 448,804 | 36,013 |
| Compensated absences | 7,924 | 5,871 | - | 13,795 | - |
| Business-type activities total | 491,874 | 5,871 | (35,146) | 462,599 | 36,013 |
| Government-wide total | \$ 1,082,268 | 13,235 | (95,858) | 999,645 | 98,232 |

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2015 were as follows:

| Fiscal Year Ended September 30, | <u>Governmental Activities</u> | | | |
|------------------------------------|--------------------------------|-----------------|------------------|-----------------|
| | Capital | | Total | |
| | Lease Obligations | | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 62,219 | 9,751 | 62,219 | 9,751 |
| 2017 | 63,696 | 8,275 | 63,696 | 8,275 |
| 2018 | 65,191 | 6,779 | 65,191 | 6,779 |
| 2019 | 89,589 | 4,891 | 89,589 | 4,891 |
| 2020 | 18,650 | 3,500 | 18,650 | 3,500 |
| Thereafter | <u>101,825</u> | <u>9,022</u> | <u>101,825</u> | <u>9,022</u> |
| | \$ <u>401,170</u> | <u>42,218</u> | <u>401,170</u> | <u>42,218</u> |

| Fiscal Year Ended September 30, | <u>Business-Type Activities</u> | | | |
|------------------------------------|---------------------------------|-----------------|------------------|-----------------|
| | Notes Payable | | Total | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 36,013 | 10,635 | 36,013 | 10,635 |
| 2017 | 36,991 | 9,655 | 36,991 | 9,655 |
| 2018 | 37,997 | 8,650 | 37,997 | 8,650 |
| 2019 | 39,031 | 7,615 | 39,031 | 7,615 |
| 2020 | 40,095 | 6,551 | 40,095 | 6,551 |
| Thereafter | <u>258,677</u> | <u>26,272</u> | <u>258,677</u> | <u>26,272</u> |
| | \$ <u>448,804</u> | <u>69,378</u> | <u>448,804</u> | <u>69,378</u> |

Notes payable and obligations under capital leases at September 30, 2015 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.

\$ 249,520

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

\$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%.

\$ 199,284

\$ 448,804

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 \$401,170 at September 30, 2015.

NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS

The following interfund receivables and payables are included in the fund financial statements at September 30, 2015:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------|---------------------|------------------|
| Nonmajor Funds | General Fund | \$ 17,232 |
| Water and Sewer Enterprise Fund | General Fund | <u>81,677</u> |
| | | <u>\$ 98,909</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, 2015.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended September 30, 2015, the City's total payroll for all employees was \$1,649,019. Total covered payroll was \$1,627,498. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ended September 30, 2015, 2014 and 2013 were \$256,331, \$252,624 and \$229,502, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$3,988,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.0258 percent, which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$470,935. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - continued:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual results | \$ 61,376 | - |
| Changes in assumptions | 343,567 | - |
| Net difference between projects and actual earnings on Plan investments | 233,351 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 20,413 |
| City contributions subsequent to the measurement date | <u>86,484</u> | <u>-</u> |
| Total | \$ <u>724,778</u> | <u>20,413</u> |

The \$86,484 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending September 30, | |
|---------------------------|-------------------|
| 2016 | \$ 199,709 |
| 2017 | 199,709 |
| 2018 | 160,125 |
| 2019 | <u>58,338</u> |
| Total | \$ <u>617,881</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - continued:

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.75-19.00 percent, including inflation |
| Investment rate of return | 7.75 percent, net of Plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2014. As a result of the experience report which is dated May 4, 2015, the Board of Trustees adopted changes in assumptions for PERS since the last Measurement Date.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - continued:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| US Broad | 34.00% | 5.20 % |
| International Equity | 19.00% | 5.00 % |
| Emerging Markets Equity | 8.00% | 5.45 % |
| Fixed Income | 20.00% | 0.25 % |
| Real Assets | 10.00% | 4.00 % |
| Private Equity | 8.00% | 6.15 % |
| Cash | <u>1.00%</u> | (0.50)% |
| Total | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2015, actuarial valuations, calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

| | <u>City's Proportionate Share of Net Pension Liability</u> |
|-------------------------------|--|
| 1.00% decrease (6.75%) | \$ 5,256,775 |
| Current discount rate (7.75%) | 3,988,171 |
| 1.00% increase (8.75%) | 2,935,467 |

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - continued:

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi's financial report.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

The City has restated prior year government-wide net position and Water and Sewer Fund net position for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

The following summarizes the prior period adjustments referred to above.

Government-Wide Governmental Activities - Net Position

| | |
|---|---------------------|
| Balance, September 30, 2014, as previously reported | \$ 4,138,446 |
| Prior period adjustment for: | |
| Net pension liability | (2,568,074) |
| Deferred outflows - FY 2014 contributions made subsequent to the Plan's measurement date of June 30, 2014 | <u>67,380</u> |
| Balance, September 30, 2014, as restated | \$ <u>1,637,752</u> |
| Total decrease in governmental activities net position | \$ <u>2,500,694</u> |

Government-Wide Business-Type Activities - Net Position

| | |
|---|---------------------|
| Balance, September 30, 2014, as previously reported | \$ 6,499,448 |
| Prior period adjustment for: | |
| Net pension liability | (587,850) |
| Deferred outflows - FY 2014 contributions made subsequent to the Plan's measurement date of June 30, 2014 | <u>15,424</u> |
| Balance, September 30, 2014, as restated | \$ <u>5,927,022</u> |
| Total decrease in business-type activities net position | \$ <u>572,426</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - PRIOR PERIOD ADJUSTMENT - CONTINUED:

Water and Sewer Fund - Net Position

| | |
|--|---------------------|
| Balance, September 30, 2014, as previously reported | \$ 6,499,448 |
| Prior period adjustment for: | |
| Net pension liability | (587,850) |
| Deferred outflows - FY 2014 contributions made subsequent to the Plan's measurement date of June 30, 2014 | <u>15,424</u> |
| Balance, September 30, 2014, as restated | \$ <u>5,927,022</u> |
| Total decrease in Water and Sewer Fund net position | \$ <u>572,426</u> |

NOTE 10 - CONTINGENCIES

Litigation

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

Federal Grants

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 11 - RISK MANAGEMENT

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

Risk of loss related to workers' compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 - 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 12 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted 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.

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.

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

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

3, 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.

Recently Issued Accounting Pronouncements

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 73 will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 establishes new accounting and

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

NOTE 13 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through September 27, 2016, the date the financial statements were approved by the City's management and thereby available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> | <u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | <u>Basis)</u> | |
| REVENUES: | | | | |
| Taxes: | \$ | | | |
| Ad valorem, penalties and interest | 793,765 | 793,765 | 838,196 | 44,431 |
| In lieu of taxes - utility | 64,000 | 57,000 | 57,610 | 610 |
| Franchise fees | 150,000 | 150,000 | 140,853 | (9,147) |
| Licenses and permits | 20,000 | 20,000 | 23,815 | 3,815 |
| Intergovernmental | 1,432,000 | 1,518,000 | 1,553,077 | 35,077 |
| Charges for services | 424,000 | 400,000 | 402,076 | 2,076 |
| Fines and forfeits | 275,000 | 225,000 | 214,784 | (10,216) |
| Interest earned | 7,000 | 7,000 | 701 | (6,299) |
| Water department administration fees | 30,000 | 30,000 | 30,000 | - |
| Miscellaneous | 59,000 | 64,000 | 74,085 | 10,085 |
| Total revenues | <u>3,254,765</u> | <u>3,264,765</u> | <u>3,335,197</u> | <u>70,432</u> |
| EXPENDITURES: | | | | |
| General government | 452,137 | 487,177 | 466,791 | 20,386 |
| Public safety: | | | | |
| Police | 986,810 | 1,054,311 | 972,775 | 81,536 |
| Fire | 413,222 | 400,875 | 371,982 | 28,893 |
| Communications | 181,876 | 194,000 | 187,150 | 6,850 |
| Court | 305,255 | 306,000 | 278,464 | 27,536 |
| Public works | 1,362,777 | 1,088,000 | 1,064,857 | 23,143 |
| Grants, subsidies and other expenditures | 39,486 | 39,486 | 24,826 | 14,660 |
| Total expenditures | <u>3,741,563</u> | <u>3,569,849</u> | <u>3,366,845</u> | <u>203,004</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(486,798)</u> | <u>(305,084)</u> | <u>(31,648)</u> | <u>273,436</u> |
| Other financing uses: | | | | |
| Operating transfer in | 10,000 | - | - | - |
| Operating transfer out | <u>(10,000)</u> | <u>(320,607)</u> | <u>(20,000)</u> | <u>300,607</u> |
| Total financing uses | <u>-</u> | <u>(320,607)</u> | <u>(20,000)</u> | <u>300,607</u> |

CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:

GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2015

| | <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> | | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (486,798) | (625,691) | (51,648) | 574,043 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>747,308</u> | <u>747,308</u> | <u>747,308</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | \$ <u>260,510</u> | <u>121,617</u> | <u>695,660</u> | <u>574,043</u> |
| EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE: | | | | |
| Fund balance - budgetary basis | | | \$ | 695,660 |
| Adjustment to GAAP basis: | | | | |
| Add accrued revenue: | | | | |
| Ad valorem taxes | | | | 15,516 |
| Franchise fees | | | | 28,172 |
| Intergovernmental | | | | 108,063 |
| Administrative fees - water | | | | 2,500 |
| Police fines | | | | 34,391 |
| Sanitation fees | | | | 33,511 |
| Add prepaid expenses | | | | 21,341 |
| Subtract accounts payable paid 30 days or more after year-end | | | | <u>(8,282)</u> |
| Fund balance - GAAP basis | | | \$ | <u>930,872</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u> | <u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|----------------------------|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| General government: | | | | |
| Personal services | \$ 315,177 | 315,177 | 314,926 | 251 |
| Supplies | 14,500 | 25,000 | 22,213 | 2,787 |
| Other services and charges | 111,460 | 130,000 | 117,433 | 12,567 |
| Capital outlay | 11,000 | 17,000 | 12,219 | 4,781 |
| Total general government | <u>452,137</u> | <u>487,177</u> | <u>466,791</u> | <u>20,386</u> |
| Public safety: | | | | |
| Police: | | | | |
| Personal services | 734,310 | 734,311 | 700,482 | 33,829 |
| Supplies | 103,100 | 90,000 | 78,183 | 11,817 |
| Other services and charges | 96,306 | 120,000 | 104,143 | 15,857 |
| Capital outlay | 53,094 | 110,000 | 89,967 | 20,033 |
| Total police | <u>986,810</u> | <u>1,054,311</u> | <u>972,775</u> | <u>81,536</u> |
| Fire: | | | | |
| Personal services | 235,647 | 275,000 | 276,282 | (1,282) |
| Supplies | 35,875 | 35,875 | 33,681 | 2,194 |
| Other services and charges | 88,700 | 75,000 | 55,206 | 19,794 |
| Capital outlay | 53,000 | 15,000 | 6,813 | 8,187 |
| Total fire | <u>413,222</u> | <u>400,875</u> | <u>371,982</u> | <u>28,893</u> |
| Communications: | | | | |
| Personal services | 180,876 | 190,000 | 185,108 | 4,892 |
| Supplies | - | 1,000 | 674 | 326 |
| Other services and charges | 1,000 | 3,000 | 1,368 | 1,632 |
| Capital outlay | - | - | - | - |
| Total communications | <u>181,876</u> | <u>194,000</u> | <u>187,150</u> | <u>6,850</u> |
| Total public safety | <u>1,581,908</u> | <u>1,649,186</u> | <u>1,531,907</u> | <u>117,279</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Court: | | | | |
| Personal services | \$ 101,568 | 115,000 | 106,536 | 8,464 |
| Supplies | 1,000 | 1,000 | 406 | 594 |
| Other services and charges | 202,687 | 190,000 | 171,522 | 18,478 |
| Capital outlay | - | - | - | - |
| Total court | <u>305,255</u> | <u>306,000</u> | <u>278,464</u> | <u>27,536</u> |
| Public works: | | | | |
| Personal services | 322,700 | 345,000 | 332,327 | 12,673 |
| Supplies | 91,000 | 91,000 | 85,768 | 5,232 |
| Other services and charges | 584,584 | 640,000 | 636,584 | 3,416 |
| Capital outlay | <u>364,493</u> | <u>12,000</u> | <u>10,178</u> | <u>1,822</u> |
| Total public works | <u>1,362,777</u> | <u>1,088,000</u> | <u>1,064,857</u> | <u>23,143</u> |
| Grants, subsidies and other expenditures | <u>39,486</u> | <u>39,486</u> | <u>24,826</u> | <u>14,660</u> |
| Total expenditures | <u>\$ 3,741,563</u> | <u>3,569,849</u> | <u>3,366,845</u> | <u>203,004</u> |

CITY OF HAZLEHURST

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ***

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|
| Actuarially determined employer contribution | * | * | * | * | * | * | * | * | * | \$ 256,331 |
| Contributions in relation to the actuarially determined contributions | * | * | * | * | * | * | * | * | * | 256,331 |
| Annual contribution deficiency (excess) | * | * | * | * | * | * | * | * | * | \$ <u> -</u> |
| City's covered-employee payroll | * | * | * | * | * | * | * | * | * | \$ 1,627,498 |
| Actual contributions as a percentage of covered-employer payroll | * | * | * | * | * | * | * | * | * | 15.75% |

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015.

See accompanying notes to required supplemental information schedules.

CITY OF HAZLEHURST

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY & RELATED RATIOS
LAST 10 FISCAL YEARS ***

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| City's proportionate share of the collective net pension liability | * | * | * | * | * | * | * | * | * | \$ 3,988,171 |
| City's proportionate of the collective net pension liability | * | * | * | * | * | * | * | * | * | 0.0258% |
| City's covered employee payroll | * | * | * | * | * | * | * | * | * | 1,627,498 |
| City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll | * | * | * | * | * | * | * | * | * | 245.05% |
| PERS' fiduciary net position as a percentage of the total pension liability | * | * | * | * | * | * | * | * | * | 61.70% |

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015.

See accompanying notes to required supplemental information schedules.

SUPPLEMENTAL INFORMATION

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2015**

| <u>Name</u> | <u>Position</u> | <u>Amount</u> | <u>Insurance Company</u> |
|---------------------|--------------------------------------|---------------|--------------------------|
| Henry C. Banks, Sr. | Mayor | \$ 65,000 | Travelers |
| Richard B. Akin | Alderpersion | 65,000 | Travelers |
| Frank A. Jones | Alderpersion | 65,000 | Travelers |
| Jeremy McKinzie | Alderpersion | 65,000 | Travelers |
| Ronald Sims | Alderpersion | 65,000 | Travelers |
| Shirley A. Sandifer | Alderpersion | 65,000 | Travelers |
| Sue Brown | City Clerk | 50,000 | Western Surety Company |
| Sue Brown | Tax Collector | 50,000 | Western Surety Company |
| Pamela Wilbert | Deputy Clerk | 50,000 | Western Surety Company |
| Pamela Wilbert | Deputy Tax Collector | 50,000 | Western Surety Company |
| Byron Swilley | Police Chief | 50,000 | Western Surety Company |
| Joyce Richardson | Clerk - Water Department | 50,000 | Western Surety Company |
| Angela Henley | Deputy - Tax Collector | 50,000 | Western Surety Company |
| Angela Henley | Deputy Clerk | 50,000 | Western Surety Company |
| Jason Hillard | Superintendent - Water Department | 50,000 | Western Surety Company |
| Bridget Evans | Court Clerk | 50,000 | Western Surety Company |
| Bridget Evans | Notary | 5,000 | Western Surety Company |
| Curley Linson | Parks Director | 50,000 | Western Surety Company |
| Emily T. Mitchell | Clerk - Water Department | 50,000 | Western Surety Company |
| Latrish Watts | Clerk - Water Department | 50,000 | Western Surety Company |

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | <u>Original Issue</u> | <u>Balance Outstanding October 1, 2014</u> | <u>Transactions During Fiscal Year</u> | | <u>Balance Outstanding September 30, 2015</u> |
|--|---------------------------|--|--|-----------------|---|
| | | | <u>Issued</u> | <u>Redeemed</u> | |
| NOTE: | | | | | |
| Mississippi Department of Economic and Community Developmental Capital Improvement Loan Program - Water tank | \$ 517,534 | 274,800 | - | 25,280 | 249,520 |
| Mississippi Department of Environmental Quality - Pollution Control Project | 221,556 | 209,150 | - | 9,866 | 199,284 |
| CAPITAL LEASE: | | | | | |
| Copiah Bank - Fire truck | 224,191 | 206,066 | - | 16,079 | 189,987 |
| Caterpillar Financial Service - 2014 Caterpillar D3K2 track type tractor | 98,270 | 93,105 | - | 10,710 | 82,395 |
| Hancock Bank - 2014 Freightliner | 75,671 | 75,671 | - | 14,509 | 61,162 |
| Trustmark National Bank - (2) 2014 Dodge Chargers | 53,361 | 45,716 | - | 10,391 | 35,325 |
| Trustmark National Bank - (2) Ford F150 trucks | 46,489 | 41,324 | - | 9,023 | 32,301 |
| | | <u>\$ 945,832</u> | <u>-</u> | <u>95,858</u> | <u>849,974</u> |

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STATE COMPLIANCE SECTION

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, 2015, which collectively comprise the City of Hazlehurst's basic financial statements and have issued our report thereon dated September 27, 2016. 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 financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
September 27, 2016

