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CITY OF HAZLEHURST

Shirley A. Sandifer
Mayor

Pamela S. Wilbert
City Clerk

Aldermen
Richard B. Akin
Frank A. Jones
Jeremy McKinzie
Ronald Sims
Frederick Sandifer

July 23, 2018

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

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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, 2017. In connection with this audit, a CD is included.

Sincerely,

Shirley Sandifer
Mayor

SS:psw

CITY OF HAZLEHURST, MISSISSIPPI

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

SEPTEMBER 30, 2017

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JUL 26 2018



TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	15
Reconciliation of the Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Proprietary Fund Financial Statements:	
Statement of Net Position - Water and Sewer Enterprise Fund	20
Statement of Revenues, Expenses, and Changes in Net Position - Water and Sewer Enterprise Fund	21
Statement of Cash Flows - Water and Sewer Enterprise Fund	22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to Financial Statements:	26
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A:	
Budgetary Comparison Schedule - General Fund	54
Budgetary Comparison Schedule - General Fund Expenditures	56
Schedule of Changes in Net Pension Liability and Related Ratios	58
Schedule of Employer Contributions	59
Notes to Required Supplemental Information Schedules	60



SUPPLEMENTARY INFORMATION:

Schedule of Surety Bonds for Municipal Officials 62

Schedule of Long-Term Debt 63

STATE COMPLIANCE SECTION:

**Independent Auditor's Report on Compliance with State
Laws and Regulations** 64



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, 2017, 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.



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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-12, budgetary comparison information on pages 54-57, schedule of changes in net pension liability and related ratios on page 58, and the schedule of employer contributions on page 59 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.

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 Eubank Betts PLLC

Jackson, Mississippi
June 21, 2018



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 13 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

The net position of the City decreased by \$762,251 as a result of this year's operations. The Governmental Activities decreased by \$424,411 during the current fiscal year compared to a decrease of \$764,061 for the fiscal year ended September 30, 2016. The current year decrease in net position of the Water and Sewer Fund in the amount of \$337,840 compared to an increase of \$128,081 for the fiscal year ended September 30, 2016. The increase in 2016 results from grants received by the City on two capital projects constructing improvements to the City's sewer system. Both projects closed out in fiscal year 2017 resulting in a reduction of grant revenue.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 27*, during fiscal year 2015. The implementation resulted in the following items reported in the financial statements:

- A net pension liability in the amount of \$4,381,927 at September 30, 2017.
- An increase in the current year pension expense by \$382,271 calculated in accordance with GASB 68.

The City's General Fund reflected a slight decrease in total revenue compared to the prior year (\$3,415,552 in 2017 compared to \$3,445,879 in 2016). The decrease in total revenue is primarily attributed to a decrease in police fines and forfeits. Total expenditures remained consistent with the prior year (\$3,547,347 in 2017 compared to \$3,538,928 in 2016).

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.

JUL 26 2018



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

OVERVIEW OF THE 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 2017 fiscal year and changes in them. The City's net position - the difference between assets plus deferred outflows of resources and liabilities plus 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 is 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.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 15. The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. Some funds are required to be established by State law while others are established by the City to help control and manage



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Reporting the City's Most Significant Funds - continued:

Fund Financial Statements - continued:

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 and the HOME Investment Partnership Grant Fund to be major funds and, therefore, presents information on them 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, 2017

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 \$5,839,625 as of September 30, 2017. **Table 1** provides a summary of the City's net position.

(Table 1)
Condensed Statement of Net Position
at September 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,268,897	2,300,687	1,187,037	1,279,512	3,455,934	3,580,199
Capital assets, net	<u>3,063,003</u>	<u>3,125,990</u>	<u>6,209,551</u>	<u>6,427,504</u>	<u>9,272,554</u>	<u>9,553,494</u>
Total assets	<u>5,331,900</u>	<u>5,426,677</u>	<u>7,396,588</u>	<u>7,707,016</u>	<u>12,728,488</u>	<u>13,133,693</u>
Deferred outflows of resources:						
Deferred outflows related to pension	<u>547,640</u>	<u>782,093</u>	<u>137,123</u>	<u>192,973</u>	<u>684,763</u>	<u>975,066</u>
Total deferred outflows of resources	<u>547,640</u>	<u>782,093</u>	<u>137,123</u>	<u>192,973</u>	<u>684,763</u>	<u>975,066</u>



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 1)
Condensed Statement of Net Position - continued:
at September 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Liabilities:						
Current liabilities	\$ 379,835	353,252	402,651	566,916	782,486	920,168
Noncurrent liabilities	<u>3,873,856</u>	<u>4,139,583</u>	<u>1,552,294</u>	<u>1,488,546</u>	<u>5,426,150</u>	<u>5,628,129</u>
Total liabilities	<u>4,253,691</u>	<u>4,492,835</u>	<u>1,954,945</u>	<u>2,055,462</u>	<u>6,208,636</u>	<u>6,548,297</u>
Deferred inflows of resources:						
Deferred inflows related to pension	308,091	20,522	77,143	5,064	385,234	25,586
Unavailable property taxes	<u>979,756</u>	<u>933,000</u>	<u>-</u>	<u>-</u>	<u>979,756</u>	<u>933,000</u>
Total deferred inflows of resources	<u>1,287,847</u>	<u>953,522</u>	<u>77,143</u>	<u>5,064</u>	<u>1,364,990</u>	<u>958,586</u>
Net assets:						
Net investment in capital assets	\$ 2,784,865	2,785,373	5,503,513	5,825,564	8,288,378	8,610,937
Restricted:						
Fire protection	12,472	12,158	-	-	12,472	12,158
Parks	35,725	35,211	-	-	35,725	35,211
Library	23,910	20,997	-	-	23,910	20,997
Debt service	18,849	18,816	-	-	18,849	18,816
Capital projects	172	57	-	-	172	57
Unrestricted	<u>(2,537,991)</u>	<u>(2,110,199)</u>	<u>(1,890)</u>	<u>13,899</u>	<u>(2,539,881)</u>	<u>(2,096,300)</u>
Total net position	\$ <u>338,002</u>	<u>762,413</u>	<u>5,501,623</u>	<u>5,839,463</u>	<u>5,839,625</u>	<u>6,601,876</u>

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

	<u>2017</u>	<u>2016</u>
Total unrestricted net position (deficit)	\$ (2,539,881)	(2,096,300)
Less unrestricted deficit in net pension resulting from implementation of GASB No. 68 and 71.	<u>4,082,398</u>	<u>3,700,127</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u>1,542,517</u>	<u>1,603,827</u>



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

The largest portion of the City's total assets (72.8%) 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, 2017 and 2016.

(Table 2)
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 646,176	639,808	1,294,029	1,194,179	1,940,205	1,833,987
Capital grants and contributions	691,119	39,303	62,953	573,653	754,072	612,956
General revenues:						
Property taxes	900,576	949,011	-	-	900,576	949,011
Sales taxes	1,341,439	1,318,154	-	-	1,341,439	1,318,154
Other	528,061	530,492	1,172	15	529,233	530,507
Total revenues	<u>4,107,371</u>	<u>3,476,768</u>	<u>1,358,154</u>	<u>1,767,847</u>	<u>5,465,525</u>	<u>5,244,615</u>
EXPENSES:						
General government	692,404	547,144	-	-	692,404	547,144
Public safety	1,780,115	1,769,006	-	-	1,780,115	1,769,006
Court	271,872	314,586	-	-	271,872	314,586
Public works	1,205,858	1,143,815	-	-	1,205,858	1,143,815
Home grant	478,445	-	-	-	478,445	-
Instruction and recreation	148,139	143,644	-	-	148,139	143,644
Interest	9,070	11,334	-	-	9,070	11,334
Water and sewer	-	-	1,635,994	1,558,161	1,635,994	1,558,161
Total expenses	<u>4,585,903</u>	<u>3,929,529</u>	<u>1,635,994</u>	<u>1,558,161</u>	<u>6,221,897</u>	<u>5,487,690</u>



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 2) - continued:
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM, TRANSFERS AND LOSS ON DISPOSAL OF CAPITAL ASSETS	\$ (478,532)	(452,761)	(277,840)	209,686	(756,372)	(243,075)
SPECIAL ITEM:						
Infrastructure contributed to another governmental entity	-	(360,918)	-	-	-	(360,918)
TRANSFERS	60,000	60,000	(60,000)	(60,000)	-	-
LOSS ON DISPOSAL OF CAPITAL ASSETS	<u>(5,879)</u>	<u>(10,382)</u>	<u>-</u>	<u>(21,605)</u>	<u>(5,879)</u>	<u>(31,987)</u>
CHANGE IN NET POSITION	(424,411)	(764,061)	(337,840)	128,081	(762,251)	(635,980)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	<u>762,413</u>	<u>1,526,474</u>	<u>5,839,463</u>	<u>5,711,382</u>	<u>6,601,876</u>	<u>7,237,856</u>
NET POSITION, END OF YEAR	\$ <u>338,002</u>	<u>762,413</u>	<u>5,501,623</u>	<u>5,839,463</u>	<u>5,839,625</u>	<u>6,601,876</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. The City's sales tax accounted for \$1,341,439 or 32.7% of gross revenue; revenues from property taxes accounted for \$900,576 or 21.9% of revenues; and revenues from charges for services accounted for \$646,176 or 15.7% of gross revenues.

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CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities - continued:

Major expense activities included public safety expenses accounting for 38.8% of the total program expenses and public works accounting for 26.3%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

Business-Type Activity

Operating revenues of the City's business-type activities were \$1,294,029 for the fiscal year ended September 30, 2017. Operating expenses for the City's business-type activities were \$1,675,427 resulting in an operating loss of \$381,398. The net non-operating expenses in the amount of \$19,395 and capital contributions in the amount of \$62,953 resulted in a decrease in net position of \$337,840.

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 2017, 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 2017 were \$3,294,500; final budget amounts were \$3,391,500; and actual revenue collections were \$3,433,261. General Fund operating expenditures were \$3,556,900 compared to final budgeted amounts of \$3,811,032.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the City had over \$9.2 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, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

(Table 3)
Capital Assets at September 30, 2017 and 2016
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 133,327	133,327	38,400	38,400	171,727	171,727
Improvements other than buildings	379,149	274,516	-	-	379,149	274,516
Buildings	1,333,927	1,380,360	-	1,803	1,333,927	1,382,163
Machinery and equipment	563,458	647,878	113,577	96,678	677,035	744,556
Motor vehicles	172,064	173,986	20,140	29,018	192,204	203,004
Infrastructure	481,078	515,923	-	-	481,078	515,923
Construction in progress	-	-	-	961,270	-	961,270
Water system	-	-	2,678,148	2,797,225	2,678,148	2,797,225
Sewer system	-	-	3,359,286	2,503,110	3,359,286	2,503,110
Total	\$ <u>3,063,003</u>	<u>3,125,990</u>	<u>6,209,551</u>	<u>6,427,504</u>	<u>9,272,554</u>	<u>9,553,494</u>

This year's major additions included:

Police department drainage system	\$ 122,688
Police department equipment	54,323
Improvement to water wells	37,675
Water and sewer department equipment	56,168
Improvements to sewer system	123,109

Debt

At September 30, 2017 and 2016, the City of Hazlehurst had \$1,160,317 and \$1,090,376 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.



CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

(Table 4)
Outstanding Debt at September 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Capital leases payable	\$ 278,138	340,617	-	-	278,138	340,617
Notes payable	-	-	706,038	601,940	706,038	601,940
Compensated absences	<u>156,612</u>	<u>133,251</u>	<u>19,529</u>	<u>14,568</u>	<u>176,141</u>	<u>147,819</u>
Total	\$ <u>434,750</u>	<u>473,868</u>	<u>725,567</u>	<u>616,508</u>	<u>1,160,317</u>	<u>1,090,376</u>

The City paid \$106,971 in principal on outstanding debt during the year. The only new debt issued by the City in 2017 was advances on a \$360,000 loan commitment from the Capital Improvement Revolving Fund administrated by the Mississippi Development Authority in the amount of \$148,590 used for the construction of sewer system improvements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The General Fund's largest single revenue source is sales tax. The City believes sales tax revenue will increase in 2018 based on new developments within the City.

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,321,925 for the next fiscal year. The rates charged are 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 Pamela Wilbert at 209 S. Extension Street, Hazlehurst, Mississippi 39083.



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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 808,940	831,688	1,640,628
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	153,771	117,054	270,825
Taxes	990,929	-	990,929
Grants	4,613	-	4,613
Internal balances	68,363	(68,363)	-
Due from other governments	216,722	-	216,722
Prepaid expenses	25,559	5,759	31,318
Inventories at cost	-	53,742	53,742
Restricted assets:			
Restricted cash and cash equivalents	-	247,157	247,157
Capital assets:			
Non-depreciable capital assets	133,327	38,400	171,727
Depreciable capital assets, net	<u>2,929,676</u>	<u>6,171,151</u>	<u>9,100,827</u>
Total assets	<u>5,331,900</u>	<u>7,396,588</u>	<u>12,728,488</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pension	<u>547,640</u>	<u>137,123</u>	<u>684,763</u>
Total deferred outflows of resources	<u>547,640</u>	<u>137,123</u>	<u>684,763</u>

The accompanying notes are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	\$ 153,568	98,422	251,990
Accrued liabilities	20,040	3,517	23,557
Accrued interest payable	1,304	-	1,304
Customer deposits	-	247,157	247,157
Due to other governments	23,470	2,804	26,274
Unearned revenue	116,110	-	116,110
Noncurrent liabilities:			
Due within one year:			
Loans and leases payable	65,343	50,751	116,094
Due in more than one year:			
Compensated absences	156,612	19,529	176,141
Loans and leases payable	212,795	655,287	868,082
Net pension liability	3,504,449	877,478	4,381,927
Total liabilities	4,253,691	1,954,945	6,208,636
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pension	308,091	77,143	385,234
Unavailable revenue - property taxes	979,756	-	979,756
Total deferred inflows of resources	1,287,847	77,143	1,364,990
<u>NET POSITION</u>			
Net investment in capital assets	2,784,865	5,503,513	8,288,378
Restricted for:			
Fire prevention	12,472	-	12,472
Parks	35,725	-	35,725
Library	23,910	-	23,910
Debt Service	18,849	-	18,849
Capital projects	172	-	172
Unrestricted	(2,537,991)	(1,890)	(2,539,881)
Total net position	\$ 338,002	5,501,623	5,839,625



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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<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	\$ 692,404	-	-	100,000
Public safety	1,780,115	205,104	-	107,194
Court	271,872	-	-	-
Public works	1,205,858	431,420	-	5,480
HOME partnership grant	478,445	-	-	478,445
Instruction and recreation	148,139	9,652	-	-
Interest on long-term debt	9,070	-	-	-
Total governmental activities	<u>4,585,903</u>	<u>646,176</u>	<u>-</u>	<u>691,119</u>
Business-type activities:				
Water and sewer	<u>1,635,994</u>	<u>1,294,029</u>	<u>-</u>	<u>62,953</u>
Total business-type activities	<u>1,635,994</u>	<u>1,294,029</u>	<u>-</u>	<u>62,953</u>
Total government	\$ <u>6,221,897</u>	<u>1,940,205</u>	<u>-</u>	<u>754,072</u>

General revenues:

Taxes:

Ad valorem taxes

Sales tax

Utility in lieu of tax

Franchise fees

County road tax

General intergovernmental revenue

Investment earnings

Other

Loss on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Position

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
(592,404)	-	(592,404)
(1,467,817)	-	(1,467,817)
(271,872)	-	(271,872)
(768,958)	-	(768,958)
-	-	-
(138,487)	-	(138,487)
(9,070)	-	(9,070)
<u>(3,248,608)</u>	<u>-</u>	<u>(3,248,608)</u>
<u>-</u>	<u>(279,012)</u>	<u>(279,012)</u>
<u>-</u>	<u>(279,012)</u>	<u>(279,012)</u>
<u>(3,248,608)</u>	<u>(279,012)</u>	<u>(3,527,620)</u>
900,576	-	900,576
1,341,439	-	1,341,439
58,778	-	58,778
108,611	-	108,611
137,360	-	137,360
80,838	-	80,838
16,834	1,172	18,006
125,640	-	125,640
(5,879)	-	(5,879)
60,000	(60,000)	-
<u>2,824,197</u>	<u>(58,828)</u>	<u>2,765,369</u>
(424,411)	(337,840)	(762,251)
<u>762,413</u>	<u>5,839,463</u>	<u>6,601,876</u>
<u>338,002</u>	<u>5,501,623</u>	<u>5,839,625</u>



CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>HOME Investment Partnership Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 586,746	-	222,194	808,940
Receivables (net of allowance for uncollectibles, where applicable):				
Accounts	130,301	-	-	130,301
Taxes	884,933	-	105,996	990,929
Grants	-	-	4,613	4,613
Due from other funds	201,799	-	15,638	217,437
Due from other governments	216,722	-	-	216,722
Prepaid expenses	23,459	-	2,100	25,559
Total assets	\$ <u>2,043,960</u>	<u>-</u>	<u>350,541</u>	<u>2,394,501</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 147,474	-	6,094	153,568
Accrued liabilities	20,040	-	-	20,040
Due to other funds	93,980	-	55,096	149,076
Unearned revenue	15,722	-	100,388	116,110
Total liabilities	<u>277,216</u>	<u>-</u>	<u>161,578</u>	<u>438,794</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	874,756	-	105,000	979,756
Unavailable revenue - fine revenue	46,947	-	-	46,947
Total deferred inflows of resources	<u>921,703</u>	<u>-</u>	<u>105,000</u>	<u>1,026,703</u>
Fund balances:				
Nonspendable:				
Prepays	23,459	-	2,100	25,559
Restricted for:				
Fire prevention	-	-	12,472	12,472
Parks	-	-	35,725	35,725
Library	-	-	23,910	23,910
Debt service	-	-	18,849	18,849
Capital projects	-	-	172	172
Assigned to:				
Fiscal year 2018 budget appropriations	155,795	-	-	155,795
Unassigned	665,787	-	(9,265)	656,522
Total fund balances	<u>845,041</u>	<u>-</u>	<u>83,963</u>	<u>929,004</u>
Total liabilities, deferred inflow of resources, and fund balances	\$ <u>2,043,960</u>	<u>-</u>	<u>350,541</u>	<u>2,394,501</u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

Total fund balances - governmental funds		\$ 929,004
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	6,581,472	
Less accumulated depreciation	<u>(3,518,469)</u>	3,063,003
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.		
		46,949
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		(3,504,449)
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	547,640	
Deferred inflows of resources related to pension	<u>(308,091)</u>	239,549
Long-term liabilities of governmental funds 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	(278,138)	
Accrued interest payable	(1,304)	
Compensated absences	<u>(156,612)</u>	<u>(436,054)</u>
Net position of governmental activities		\$ <u>338,002</u>

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, 2017**

	<u>General Fund</u>	<u>HOME Investment Partnership Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Current year ad valorem	\$ 793,512	-	101,612	895,124
Prior years ad valorem	5,452	-	-	5,452
In lieu of taxes - utility	58,778	-	-	58,778
Franchise fees	108,611	-	-	108,611
Licenses and permits	28,745	-	-	28,745
Intergovernmental	1,637,936	478,445	134,377	2,250,758
Charges for services	402,675	-	-	402,675
Fines and forfeits	178,306	-	-	178,306
Interest earned	16,573	-	261	16,834
Interfund charges	60,000	-	-	60,000
Other	124,964	-	10,327	135,291
Total revenues	<u>3,415,552</u>	<u>478,445</u>	<u>246,577</u>	<u>4,140,574</u>
EXPENDITURES:				
Current:				
General government	489,459	-	-	489,459
Public safety	1,658,262	-	-	1,658,262
Court	256,918	-	-	256,918
Public works	1,063,884	-	8,555	1,072,439
Instruction and recreation	-	-	63,199	63,199
Grants, subsidies, and other expenditures	29,076	-	-	29,076
Capital outlay	-	478,445	100,019	578,464
Pay to other agencies	-	-	51,492	51,492
Debt service:				
Principal	45,425	-	17,056	62,481
Interest	4,323	-	5,095	9,418
Total expenditures	<u>3,547,347</u>	<u>478,445</u>	<u>245,416</u>	<u>4,271,208</u>



CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS - CONTINUED:

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>HOME Investment Partnership Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(131,795)</u>	<u>-</u>	<u>1,161</u>	<u>(130,634)</u>
Other financing sources (uses):				
Transfer in (out)	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total financing sources (uses)	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(136,795)</u>	<u>-</u>	<u>6,161</u>	<u>(130,634)</u>
Fund balances at beginning of year	<u>981,836</u>	<u>-</u>	<u>77,802</u>	<u>1,059,638</u>
Fund balances at end of year	\$ <u><u>845,041</u></u>	<u><u>-</u></u>	<u><u>83,963</u></u>	<u><u>929,004</u></u>

The accompanying notes are an integral part of this statement.

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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, 2017

Net changes in fund balances - total governmental funds	\$ (130,634)
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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	177,009	
Less current year depreciation expense	<u>(234,117)</u>	(57,108)

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(5,879)
--	---------

The change in revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues.	26,798
--	--------

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	62,481
--	--------

The Statement of Activities reports pension expense and other activity related to the net pension liability: Contributions made after the measurement date	55,370	
Pension expense	<u>(352,426)</u>	(297,056)

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	348	
Change in long-term compensated absences.	<u>(23,361)</u>	<u>(23,013)</u>

Change in net position of governmental activities	\$ <u><u>(424,411)</u></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, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 831,688
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	117,054
Due from other funds	62,479
Inventories at cost	53,742
Prepaid expenses	5,759
Total current assets	<u>1,070,722</u>

Restricted assets:

Cash and cash equivalents	<u>247,157</u>
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Property, plant and equipment:

Land	38,400
Buildings	56,107
Water system	6,729,349
Sewer system	9,366,758
Machinery and equipment	550,068
Motor vehicles	205,203
	<u>16,945,885</u>

Less accumulated depreciation	<u>(10,736,334)</u>
Net property, plant and equipment	<u>6,209,551</u>

Total assets	<u>7,527,430</u>
--------------	------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>137,123</u>
Total deferred outflows of resources	<u>137,123</u>

The accompanying notes are an integral part of this statement.

LIABILITIES

Current liabilities:

Accounts payable	\$ 98,422
Accrued liabilities	3,517
Due to other funds	130,842
Current portion of long-term liabilities	50,751
Due to other governments	2,804
Total current liabilities	<u>286,336</u>

Current liabilities payable from restricted assets:

Customer deposits	<u>247,157</u>
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Long-term liabilities:

Notes payable	655,287
Compensated absences	19,529
Net pension liability	877,478
Total long-term liabilities	<u>1,552,294</u>

Total liabilities	<u>2,085,787</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>77,143</u>
Total deferred inflows of resources	<u>77,143</u>

NET POSITION

Net investment in capital assets	5,503,513
Unrestricted	<u>(1,890)</u>
Total net position	\$ <u>5,501,623</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, 2017**

OPERATING REVENUES:

Water sales	\$ 832,339
Sewer rentals	385,717
Tap fees and connection fees	51,639
Miscellaneous receipts	<u>24,334</u>
Total operating revenues	<u>1,294,029</u>

OPERATING EXPENSES:

Personal services	588,267
Supplies	139,591
Other service and charges	512,665
Depreciation	<u>434,904</u>
Total operating expenses	<u>1,675,427</u>

OPERATING LOSS (381,398)

NON-OPERATING REVENUES (EXPENSES):

Interest on investments	1,172
Interest and fiscal charges	<u>(20,567)</u>
Total non-operating revenues (expenses)	<u>(19,395)</u>

**LOSS BEFORE CONTRIBUTIONS AND OTHER
FINANCING SOURCES (USES)**

(400,793)

Capital contributions - grants

62,953

CHANGE IN NET POSITION

(337,840)

NET POSITION AT BEGINNING OF YEAR

5,839,463

NET POSITION AT END OF YEAR

\$ 5,501,623

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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,313,130
Cash paid to suppliers and employees	<u>(1,331,254)</u>
Net cash used in operating activities	<u>(18,124)</u>

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

Proceeds from notes	148,590
Principal paid on notes	(44,492)
Acquisition of capital assets	(216,951)
Interest paid on notes	(20,567)
Contributed capital	62,953
Increase in amount due to other funds	3,661
Increase in amount due from other governments	<u>106,227</u>
Net cash provided by capital and related financing activities	<u>39,421</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Earnings on invested proceeds	<u>1,172</u>
Net cash provided by investing activities	<u>1,172</u>

NET INCREASE IN CASH 22,469

CASH AND CASH EQUIVALENTS - beginning of year
(including \$232,631 in restricted accounts) 1,056,376

CASH AND CASH EQUIVALENTS - end of year
(including \$247,157 in restricted accounts) \$ 1,078,845



CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - CONTINUED:
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES:**

Operating loss	\$ <u>(381,398)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	434,904
(Increase) decrease in:	
Accounts receivable	4,575
Prepaid expenses	(1,430)
Deferred outflows related to pension	55,850
Inventory	1,912
Increase (decrease) in:	
Accounts payable	(179,219)
Accrued liabilities	(2,169)
Compensated absences	4,960
Customer deposits	14,526
Net pension liability	(42,714)
Deferred inflows related to pension	<u>72,079</u>
Total adjustments	<u>363,274</u>
Net cash used in operating activities	\$ <u><u>(18,124)</u></u>

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET POSITION
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2017**

ASSETS

Cash and cash equivalents	\$ <u>10,682</u>
Total assets	\$ <u><u>10,682</u></u>

NET POSITION

Held in trust for unemployment benefits	\$ <u>10,682</u>
Total net position	\$ <u><u>10,682</u></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, 2017**

ADDITIONS:

Interest earnings	\$ <u>12</u>
Total additions	12

DEDUCTIONS

-

CHANGES IN NET POSITION HELD IN TRUST

12

NET POSITION, BEGINNING OF YEAR

10,670

NET POSITION, END OF YEAR

\$ 10,682

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 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.

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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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 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



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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 funds:

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 **HOME Investment Partnership Grant Fund** accounts for funds received through a Homeowner Rehabilitation grant administered by the Mississippi Home Corporation and the United States Department of Housing and Urban Development.

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 governmental 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, 2017**

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 proprietary fund of the City are charges to customers for sales and services. Operating expenses for the proprietary 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, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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 all City 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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED:

basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets are amended by resolution of the Board of Alderpersons to authorize expenditures of various grants received and to adjust department budgets as required.

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

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 acquisition value.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. CAPITAL ASSETS - CONTINUED:

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

<u>Assets</u>	<u>Useful Life</u>	<u>Salvage Value</u>
Computers	3	1%
Vehicles and equipment	5	10%
Heavy equipment	10	10%
Furniture and fixtures	7	10%
Buildings	40	20%
Infrastructure:		
Roads	20	30%
Concrete bridges	50	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 2017, 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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

L. COMPENSATED ABSENCES - CONTINUED:

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 not a fund liability. An accrual of \$176,141 has been made in the Statement of Net Position for vacation time available at September 30, 2017. 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 proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net 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



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. NET POSITION AND FUND BALANCE - CONTINUED:

acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

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

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

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund 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.



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. NET POSITION AND FUND BALANCE - 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.

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.

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.

NOTE 2 - PROPERTY TAX

Property taxes for fiscal year 2017 were levied in September 2016 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 2018 property taxes levied in September 2017 in accounts receivable in the amount of \$979,756. The City has recorded deferred inflows of resources for the estimated fiscal year 2018 property taxes in this same amount as of September 30, 2017.

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



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 - PROPERTY TAX - CONTINUED:

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, 2017 was set at 95.97 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 3.939
Parks and playground fund	0.250
Public library fund	0.250
Schools (Hazlehurst Municipal Separate School District)	<u>5.158</u>
	\$ <u><u>9.597</u></u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2017:

	<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	\$ 586,746	-	-	-	586,746
Nonmajor governmental funds	<u>222,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,194</u>
Total governmental activities	<u>808,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>808,940</u>
Business-type activities:					
Water and sewer enterprise fund	<u>831,688</u>	<u>-</u>	<u>247,157</u>	<u>-</u>	<u>1,078,845</u>
Total business-type activities	<u>831,688</u>	<u>-</u>	<u>247,157</u>	<u>-</u>	<u>1,078,845</u>
Government-wide total	1,640,628	-	247,157	-	1,887,785
Fiduciary fund	<u>-</u>	<u>-</u>	<u>10,682</u>	<u>-</u>	<u>10,682</u>
Total cash and investments	\$ <u><u>1,640,628</u></u>	<u>-</u>	<u><u>257,839</u></u>	<u>-</u>	<u><u>1,898,467</u></u>



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,898,467	<u>2,239,130</u>
Total deposits	\$ <u>1,898,467</u>	<u>2,239,130</u>

The difference of \$340,663 was principally due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

As of September 30, 2017, \$1,739,130 of the City's bank balance of \$2,239,130 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds:	
Guaranty Pool	\$ <u>1,739,130</u>
Total	\$ <u>1,739,130</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, 2017, 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, 2017

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, 2017.

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, 2017, 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, 2017**

NOTE 4 - RECEIVABLES

Receivables at September 30, 2017 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	\$ 1,578,504	-	150,764	1,729,268
Taxes	884,933	105,996	-	990,929
Grants	-	4,613	-	4,613
Due from other governments	<u>216,722</u>	-	-	<u>216,722</u>
Gross receivables	2,680,159	110,609	150,764	2,941,532
Less: allowance for uncollectible accounts	<u>(1,424,733)</u>	-	<u>(33,710)</u>	<u>(1,458,443)</u>
Net total receivables	\$ <u>1,255,426</u>	<u>110,609</u>	<u>117,054</u>	<u>1,483,089</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Balance at October 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2017</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ <u>133,327</u>	-	-	<u>133,327</u>
Depreciable assets:				
Buildings	2,321,611	-	-	2,321,611
Improvements other than buildings	502,465	122,688	-	625,153
Machinery and equipment	1,442,702	5,015	-	1,447,717
Motor vehicles	650,916	49,306	58,791	641,431
Infrastructure	<u>1,412,233</u>	-	-	<u>1,412,233</u>
Total	<u>6,329,927</u>	<u>177,009</u>	<u>58,791</u>	<u>6,448,145</u>
Total capital assets	<u>6,463,254</u>	<u>177,009</u>	<u>58,791</u>	<u>6,581,472</u>



CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Less accumulated depreciation:				
Buildings	\$ (941,251)	(46,432)	-	(987,683)
Improvements rather than buildings	(227,949)	(18,054)	-	(246,003)
Machinery and equipment	(794,824)	(89,437)	-	(884,261)
Motor vehicles	(476,930)	(45,350)	(52,912)	(469,368)
Infrastructure	(896,310)	(34,844)	-	(931,154)
Total accumulated depreciation	<u>(3,337,264)</u>	<u>(234,117)</u>	<u>(52,912)</u>	<u>(3,518,469)</u>
Total governmental activities capital assets, net	\$ <u>3,125,990</u>	<u>(57,108)</u>	<u>5,879</u>	<u>3,063,003</u>

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

General government	\$ 12,307
Public safety	99,287
Public works	89,861
Instruction and recreation	<u>32,662</u>
Total depreciation expense - governmental activities	\$ <u>234,117</u>

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Business-type activities:				
Nondepreciable assets:				
Land	\$ 38,400	-	-	38,400
Construction in progress	<u>961,270</u>	<u>123,108</u>	<u>1,084,378</u>	<u>-</u>
Total	<u>999,670</u>	<u>123,108</u>	<u>1,084,378</u>	<u>38,400</u>
Depreciable assets:				
Buildings	56,107	-	-	56,107
Machinery and equipment	493,901	56,168	-	550,069
Motor vehicles	205,203	-	-	205,203
Water system	6,691,674	37,675	-	6,729,349
Sewer system	<u>8,282,379</u>	<u>1,084,378</u>	<u>-</u>	<u>9,366,757</u>
Total	<u>15,729,264</u>	<u>1,178,221</u>	<u>-</u>	<u>16,907,485</u>
Total capital assets	<u>16,728,934</u>	<u>1,301,329</u>	<u>1,084,378</u>	<u>16,945,885</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Less accumulated depreciation for:				
Buildings	\$ (54,304)	(1,800)	-	(56,104)
Machinery and equipment	(397,223)	(39,271)	-	(436,494)
Motor vehicles	(176,185)	(8,880)	-	(185,065)
Water system	(3,894,449)	(156,750)	-	(4,051,199)
Sewer system	(5,779,269)	(228,203)	-	(6,007,472)
Total accumulated depreciation	<u>(10,301,430)</u>	<u>(434,904)</u>	<u>-</u>	<u>(10,736,334)</u>
Total business-type activities capital assets, net	\$ <u>6,427,504</u>	<u>866,425</u>	<u>1,084,378</u>	<u>6,209,551</u>

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

Water and sewer	\$ <u>434,904</u>
Total depreciation expense - business-type activities	\$ <u><u>434,904</u></u>

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2017:

	Beginning Balance October 1, 2016	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2017	Due Within One Year
Governmental activities:					
Capital lease obligations	\$ 340,617	-	(62,479)	278,138	65,343
Compensated absences	<u>133,251</u>	<u>23,361</u>	<u>-</u>	<u>156,612</u>	<u>-</u>
Governmental activities total	<u>473,868</u>	<u>23,361</u>	<u>(62,479)</u>	<u>434,750</u>	<u>65,343</u>
Business-type activities:					
Notes payable	601,940	148,590	(44,492)	706,038	50,751
Compensated absences	<u>14,568</u>	<u>4,960</u>	<u>-</u>	<u>19,529</u>	<u>-</u>
Business-type activities total	<u>616,508</u>	<u>153,550</u>	<u>(44,492)</u>	<u>725,567</u>	<u>50,751</u>
Government-wide total	\$ <u>1,090,376</u>	<u>176,911</u>	<u>(106,971)</u>	<u>1,160,317</u>	<u>116,094</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2017 were as follows:

<u>Governmental Activities</u>					
Fiscal Year Ended	Capital		Total		
	Lease Obligations				
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 65,343	6,836	65,343	6,836	
2019	92,291	4,997	92,291	4,997	
2020	18,650	3,500	18,650	3,500	
2021	19,200	2,950	19,200	2,950	
2022	19,757	2,393	19,757	2,393	
2023-2027	<u>62,897</u>	<u>3,679</u>	<u>62,897</u>	<u>3,679</u>	
	<u>\$ 278,138</u>	<u>24,355</u>	<u>278,138</u>	<u>24,355</u>	
<u>Business-Type Activities</u>					
Fiscal Year Ended	Notes Payable		Total		
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 50,751	18,365	50,751	18,365	
2019	52,173	16,943	52,173	16,943	
2020	53,637	15,479	53,637	15,479	
2021	55,143	13,973	55,143	13,973	
2022	56,693	12,423	56,693	12,423	
2023-2027	<u>437,641</u>	<u>72,006</u>	<u>437,641</u>	<u>72,006</u>	
	<u>\$ 706,038</u>	<u>149,189</u>	<u>706,038</u>	<u>149,189</u>	

Notes payable and obligations under capital leases at September 30, 2017 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.

\$ 196,783

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

\$221,556 note payable to the Mississippi Department of Environmental Quality 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%.	\$ 179,702
\$337,625 note payable to the Mississippi Development Authority used for the construction of sewer system improvements. Payments in the amount of \$1,856, including interest at 3.00%, are due monthly starting February, 2017 and continue through January 1, 2037.	<u>329,553</u>
	\$ <u>706,038</u>

Capital Lease Obligations

The City has entered into lease agreements for financing the acquisition of equipment utilized in the police, fire and public works departments. The leases qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of the future minimum lease payments as of the inception date. The equipment purchased under the capital leases total \$607,560 and are included in the capital assets of the City. The amortization of the equipment has been included in the City's depreciation expense. The outstanding balance due on lease agreements was \$278,138 at September 30, 2017.

NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS

The following interfund receivables and payables are included in the fund financial statements at September 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	\$ 39,456
General Fund	Water and Sewer Enterprise Fund	<u>68,363</u>
		\$ <u>107,819</u>

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

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS - CONTINUED:

Interfund transfers in/out from other funds during the year ended September 30, 2017 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Municipal Aid Street Fund	General Fund	\$ 5,000

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

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

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 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, 2017, the City's total payroll for all employees was \$1,728,576. Total covered payroll was \$1,696,035. 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, 2017 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, 2017, 2016 and 2015 were \$267,126, \$265,628, and \$256,331, 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, 2017, the City reported a liability of \$4,381,927 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.0264 percent, which was an increase of 0.0004 percent from its proportion measured as of June 30, 2016.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

For the year ended September 30, 2017, the City recognized pension expense of \$694,017. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	\$ 66,012	33,243
Changes in assumptions	95,597	8,016
Net difference between projected and actual earnings on Plan investments	392,237	338,571
Changes in proportion and differences between City contributions and proportionate share of contributions	61,684	5,404
City contributions subsequent to the measurement date	<u>69,233</u>	<u>-</u>
Total	\$ <u>684,763</u>	<u>385,234</u>

The \$69,233 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, 2018. 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,	
2018	\$ 207,748
2019	96,139
2020	11,053
2021	<u>(84,644)</u>
Total	\$ <u>230,296</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017. Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with rates set forward for one year for males with adjustments.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

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, 2017 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:

	City's Proportionate Share of Net <u>Pension Liability</u>
1.00% decrease (6.75%)	\$ 5,747,189
Current discount rate (7.75%)	4,381,927
1.00% increase (8.75%)	3,248,462

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.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 - CONTINGENT LIABILITIES

Litigation

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

Federal Grants

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

NOTE 10 - RISK MANAGEMENT

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

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

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 establishes new accounting and 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. The implementation of this statement did not impact 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 financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued in December 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015, enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14, issued January 2016, enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The implementation of this statement did not impact the City's financial statements.

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73, issued March 2016, improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The Board proposed that this Statement be effective for reporting periods beginning after June 15, 2016. The implementation of this statement did not have a significant impact on the City's financial statements.

Recently Issued Accounting Pronouncements

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. This accounting pronouncement is not expected to impact the City's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The requirements of this Statement are effective for periods beginning after December 15, 2016. This accounting pronouncement is not expected to impact the City's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 87, *Leases*, issued June 2017, will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

NOTE 12 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through June 21, 2018, the date the financial statements were approved by the City's management and thereby available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Ad valorem, penalties and interest	\$ 834,000	799,500	798,925	(575)
In lieu of taxes - utility	58,000	58,000	58,778	778
Franchise fees	170,000	120,000	107,075	(12,925)
Licenses and permits	15,000	23,000	28,745	5,745
Intergovernmental	1,463,000	1,550,000	1,541,515	(8,485)
Charges for services	424,000	400,000	402,746	2,746
Fines and forfeits	230,000	170,000	208,486	38,486
Grant revenue	-	85,000	85,453	453
Interest earned	5,000	8,000	16,573	8,573
Water department administration fees	60,000	60,000	60,000	-
Miscellaneous	35,500	118,000	124,965	6,965
Total revenues	<u>3,294,500</u>	<u>3,391,500</u>	<u>3,433,261</u>	<u>41,761</u>
EXPENDITURES:				
General government	476,558	516,398	488,943	27,455
Public safety:				
Police	912,738	1,150,530	1,102,487	48,043
Fire	297,338	405,000	401,816	3,184
Communications	189,134	189,134	188,812	322
Court	284,653	275,000	256,918	18,082
Public works	1,253,955	1,229,070	1,087,848	141,222
Grants, subsidies and other expenditures	58,552	45,900	30,076	15,824
Total expenditures	<u>3,472,928</u>	<u>3,811,032</u>	<u>3,556,900</u>	<u>254,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(178,428)</u>	<u>(419,532)</u>	<u>(123,639)</u>	<u>295,893</u>
Other financing sources (uses):				
Operating transfer in	-	100,000	-	(100,000)
Operating transfer out	-	(10,000)	(5,000)	5,000
Proceeds from capital leases				
Total financing sources (uses)	<u>-</u>	<u>90,000</u>	<u>(5,000)</u>	<u>(95,000)</u>

CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:

GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (178,428)	(329,532)	(128,639)	200,893
FUND BALANCE AT BEGINNING OF YEAR	<u>647,809</u>	<u>647,809</u>	<u>647,809</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ <u>469,381</u>	<u>318,277</u>	<u>519,170</u>	<u>200,893</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$	519,170
Adjustment to GAAP basis:				
Add accrued revenue:				
Ad valorem taxes				17,188
Franchise fees				23,103
Intergovernmental				216,721
Administrative fees - water				2,500
Police fines - net				17,248
Sanitation fees				33,493
Add prepaid expenses				23,459
Subtract accounts payable paid 30 days or more after year-end				<u>(7,841)</u>
Fund balance - GAAP basis			\$	<u>845,041</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 311,398	311,398	306,115	5,283
Supplies	13,000	18,000	19,729	(1,729)
Other services and charges	145,160	180,000	159,104	20,896
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>3,995</u>	<u>3,005</u>
Total general government	<u>476,558</u>	<u>516,398</u>	<u>488,943</u>	<u>27,455</u>
Public safety:				
Police:				
Personal services	695,530	695,530	697,198	(1,668)
Supplies	73,600	90,000	82,809	7,191
Other services and charges	75,106	295,000	264,858	30,142
Capital outlay	<u>68,502</u>	<u>70,000</u>	<u>57,622</u>	<u>12,378</u>
Total police	<u>912,738</u>	<u>1,150,530</u>	<u>1,102,487</u>	<u>48,043</u>
Fire:				
Personal services	219,138	290,000	281,923	8,077
Supplies	27,100	55,000	60,675	(5,675)
Other services and charges	41,100	50,000	59,218	(9,218)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total fire	<u>297,338</u>	<u>405,000</u>	<u>401,816</u>	<u>3,184</u>
Communications:				
Personal services	188,134	188,134	188,460	(326)
Supplies	-	500	269	231
Other services and charges	<u>1,000</u>	<u>500</u>	<u>83</u>	<u>417</u>
Total communications	<u>189,134</u>	<u>189,134</u>	<u>188,812</u>	<u>322</u>
Total public safety	<u>1,399,210</u>	<u>1,744,664</u>	<u>1,693,115</u>	<u>51,549</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Court:				
Personal services	\$ 106,293	115,000	111,577	3,423
Supplies	-	-	-	-
Other services and charges	<u>178,360</u>	<u>160,000</u>	<u>145,341</u>	<u>14,659</u>
Total court	<u>284,653</u>	<u>275,000</u>	<u>256,918</u>	<u>18,082</u>
Public works:				
Personal services	324,070	324,070	318,896	5,174
Supplies	62,086	95,000	90,593	4,407
Other services and charges	841,799	800,000	678,359	121,641
Capital outlay	<u>26,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total public works	<u>1,253,955</u>	<u>1,229,070</u>	<u>1,087,848</u>	<u>141,222</u>
Grants, subsidies and other expenditures	<u>58,552</u>	<u>45,900</u>	<u>30,076</u>	<u>15,824</u>
 Total expenditures	<u>\$ 3,472,928</u>	<u>3,811,032</u>	<u>3,556,900</u>	<u>254,132</u>

CITY OF HAZLEHURST

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	\$ 3,988,171	4,649,607	4,381,927
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	0.0258%	0.0260%	0.0264%
City's covered payroll	*	*	*	*	*	*	*	1,609,949	1,665,378	1,691,295
City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll	*	*	*	*	*	*	*	245.05%	279.19%	259.09%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	*	61.70%	57.74%	61.49%

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented for each year were determined as of the measurement date of June 30 of the year presented.

See accompanying notes to required supplemental information schedules.

CITY OF HAZLEHURST

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined employer contribution	*	*	*	*	*	*	*	\$ 256,331	265,628	267,126
Contributions in relation to the actuarially determined contributions	*	*	*	*	*	*	*	256,331	265,628	267,126
Annual contribution deficiency (excess)	*	*	*	*	*	*	*	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered payroll	*	*	*	*	*	*	*	\$ 1,627,498	1,686,527	1,696,035
Actual contributions as a percentage of covered payroll	*	*	*	*	*	*	*	15.75%	15.75%	15.75%

* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015.
The amounts presented for each fiscal year were determined as of the employer's fiscal year end.

See accompanying notes to required supplemental information schedules.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
SEPTEMBER 30, 2017**

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

The City's 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 to be in accordance with generally accepted accounting principles. 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).

Pension Schedules

NOTE A - VALUATION DATE

Actuarially determined contribution rates are calculated as of June 30, three months prior to the end of the fiscal year in which contributions are reported.

NOTE B - CHANGES OF BENEFIT TERMS

None.

NOTE C - CHANGES OF ASSUMPTIONS

The expectation of the retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
SEPTEMBER 30, 2017**

Pension Schedules - continued:

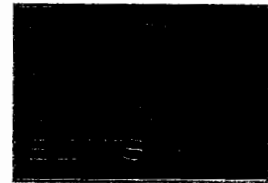
NOTE D - DATA AVAILABLE AND PRESENTED

The required supplementary pension schedules are presented to illustrate the requirement to show information for ten years, as required by GASB 68. GASB 68 was implemented during the fiscal year ended September 30, 2015, and only reflects data for years for which trend information is available.

SUPPLEMENTAL INFORMATION

RECEIVED
JUL 26 2018

STATE COMPLIANCE SECTION



CPAs & Advisors

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2017, which collectively comprise the City of Hazlehurst's basic financial statements and have issued our report thereon dated June XX, 2018. 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 Ebank Betts PLLC

Jackson, Mississippi
June 21, 2018

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JUL 26 2018

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2017**

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>
Shirley A. Sandifer	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
Fredrick 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
Ashley Killingsworth	Deputy Court Clerk	50,000	Western Surety Company
Antonio Travis	Parks Director	50,000	Western Surety Company
Emily T. Mitchell	Clerk - Water Department	50,000	Western Surety Company
Arnita Neal	Clerk - Water Department	50,000	Western Surety Company

CITY OF HAZLEHURST, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Original Issue</u>	<u>Balance Outstanding October 1, 2016</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2017</u>
			<u>Issued</u>	<u>Redeemed</u>	
NOTE:					
Mississippi Department of Economic and Community Developmental Capital Improvement Loan Program - Water tank	\$ 517,534	223,576	-	26,793	196,783
Mississippi Department of Environmental Quality - Pollution Control Project	221,556	189,330	-	9,628	179,702
Mississippi Development Authority - Public Facilities Bradley Street CAP Loan	337,625	189,034	148,590	8,071	329,553
CAPITAL LEASE:					
Copiah Bank - Fire truck	224,191	173,316	-	17,055	156,261
Caterpillar Financial Service - 2014 Caterpillar D3K2 track type tractor	98,270	71,490	-	10,264	61,226
Hancock Bank - 2014 Freightliner	75,671	46,347	-	15,128	31,219
Trustmark National Bank - (2) 2014 Dodge Chargers	53,361	25,605	-	10,820	14,785
Trustmark National Bank - (2) Ford F150 trucks	46,489	23,859	-	9,212	14,647
	\$	<u>942,557</u>	<u>148,590</u>	<u>106,971</u>	<u>984,176</u>