



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



## 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

September 16, 2019

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

Re: Annual Municipal Audit

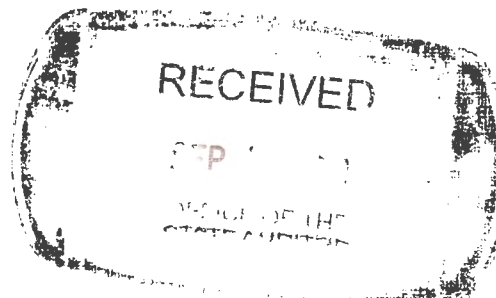
Department of Technical Assistance

Accompanying this letter are two copies of the annual audit of the City of Hazlehurst, Mississippi, for the fiscal year ended September 30, 2019. In connection with this audit, and electronic copy of the audit was sent also.

Sincerely,

Shirley Sandifer  
Mayor

SS/psw



**CITY OF HAZLEHURST, MISSISSIPPI**

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

**SEPTEMBER 30, 2018**

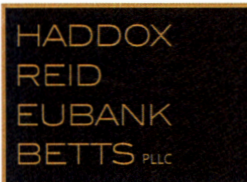


## CONTENTS

<b><u>DESCRIPTION</u></b>	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements:</b>	
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
<b>Proprietary Fund Financial Statements:</b>	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
<b>Fiduciary Fund Financial Statements:</b>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
<b>Notes to Financial Statements:</b>	26
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A:</b>	
Budgetary Comparison Schedule - General Fund	53
Budgetary Comparison Schedule - General Fund Expenditures	55
Schedule of Changes in Net Pension Liability and Related Ratios	57
Schedule of Employer Contributions	58
Notes to Required Supplemental Information Schedules	59

## CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
SUPPLEMENTARY INFORMATION:	
Schedule of Surety Bonds for Municipal Officials	60
Schedule of Long-Term Debt	61
STATE COMPLIANCE SECTION:	
Independent Auditor's Report on Compliance with State Laws and Regulations	62



CPAs & Advisors

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

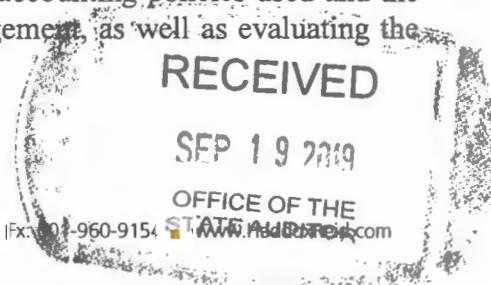
### **Management's Responsibility for the Financial Statements**

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, 2018, 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 53-56, schedule of changes in net pension liability and related ratios on page 57, and the schedule of employer contributions on page 58 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.

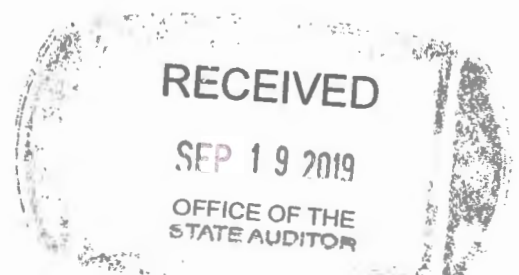
#### *Other Information*

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  
August 29, 2019



## CITY OF HAZLEHURST, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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 \$634,934 as a result of this year's operations. The Governmental Activities decreased by \$58,472 during the current fiscal year compared to a decrease of \$424,411 for the fiscal year ended September 30, 2017. The current year decrease in net position of the Water and Sewer Fund in the amount of \$576,462 compared to a decrease of \$337,840 for the fiscal year ended September 30, 2017. The decrease in net position of both the Governmental Activities and the Water and Sewer Fund are primarily attributable to additional retirement expense recorded in accordance with GASB Statement No. 68 as detailed below.

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 \$4,678,855 at September 30, 2018 (\$4,381,927 at September 30, 2017.)
- An increase in the current year pension expense as determined prior to the implementation of GASB 68 in the amount of \$285,462 to \$648,570 as determined in accordance with GASB 68.

The City's General Fund reflected a slight increase in total revenue compared to the prior year (\$3,432,321 in 2018 compared to \$3,415,552 in 2017). The increase in total revenue is primarily attributed to an increase in current year ad valorem taxes. Total expenditures reflected a decrease of \$349,053 compared with the prior year (\$3,198,294 in 2018 compared to \$3,547,347 in 2017).

#### 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.



**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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 2018 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, 2018**

**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 2018 Street Paving Project 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, 2018**

**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**

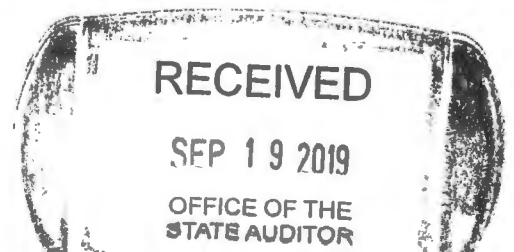
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**FINANCIAL ANALYSIS OF THE CITY**

The Statement of Net Position looks at the City as a whole. The City's combined net position was \$5,204,691 as of September 30, 2018. Table 1 provides a summary of the City's net position.

**(Table 1)  
Condensed Statement of Net Position  
at September 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 4,116,619	2,268,897	1,096,079	1,187,037	5,212,698	3,455,934
Capital assets, net	<u>2,868,806</u>	<u>3,063,003</u>	<u>5,798,621</u>	<u>6,209,551</u>	<u>8,667,427</u>	<u>9,272,554</u>
Total assets	<u>6,985,425</u>	<u>5,331,900</u>	<u>6,894,700</u>	<u>7,396,588</u>	<u>13,880,125</u>	<u>12,728,488</u>
Deferred outflows of resources:						
Deferred outflows related to pension	<u>472,191</u>	<u>547,640</u>	<u>123,628</u>	<u>137,123</u>	<u>595,819</u>	<u>684,763</u>
Total deferred outflows of resources	<u>472,191</u>	<u>547,640</u>	<u>123,628</u>	<u>137,123</u>	<u>595,819</u>	<u>684,763</u>



**CITY OF HAZLEHURST, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE CITY - CONTINUED:**

**(Table 1)  
Condensed Statement of Net Position - continued:  
at September 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Liabilities:						
Current liabilities	\$ 430,630	379,835	418,017	402,651	848,647	782,486
Noncurrent liabilities	<u>5,486,331</u>	<u>3,873,856</u>	<u>1,599,940</u>	<u>1,552,294</u>	<u>7,086,271</u>	<u>5,426,150</u>
Total liabilities	<u>5,916,961</u>	<u>4,253,691</u>	<u>2,017,957</u>	<u>1,954,945</u>	<u>7,934,918</u>	<u>6,208,636</u>
Deferred inflows of resources:						
Deferred inflows related to pension	287,260	308,091	75,210	77,143	362,470	385,234
Deferred property tax revenue	<u>973,865</u>	<u>979,756</u>	<u>-</u>	<u>-</u>	<u>973,865</u>	<u>979,756</u>
Total deferred inflows of resources	<u>1,261,125</u>	<u>1,287,847</u>	<u>75,210</u>	<u>77,143</u>	<u>1,336,335</u>	<u>1,364,990</u>
Net assets:						
Net investment in capital assets	2,656,007	2,784,865	5,143,242	5,503,513	7,799,249	8,288,378
Restricted:						
Fire protection	7,164	12,472	-	-	7,164	12,472
Parks	124,175	35,725	-	-	124,175	35,725
Library	27,264	23,910	-	-	27,264	23,910
Debt service	18,873	18,849	-	-	18,873	18,849
Capital projects	-	172	-	-	-	172
Unrestricted	<u>(2,553,953)</u>	<u>(2,537,991)</u>	<u>(218,081)</u>	<u>(1,890)</u>	<u>(2,772,034)</u>	<u>(2,539,881)</u>
Total net position	\$ <u>279,530</u>	<u>338,002</u>	<u>4,925,161</u>	<u>5,501,623</u>	<u>5,204,691</u>	<u>5,839,625</u>

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

	<u>2018</u>	<u>2017</u>
Total unrestricted net position (deficit)	\$ (2,772,034)	(2,539,881)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71.	<u>4,445,506</u>	<u>4,082,398</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u>1,673,472</u>	<u>1,542,517</u>



**CITY OF HAZLEHURST, MISSISSIPPI**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE CITY - CONTINUED:**

The largest portion of the City's total assets (62.4%) is in net capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 shows the Changes in Net Position for the years ended September 30, 2018 and 2017.

**(Table 2)  
Condensed Statement of Changes in Net Position  
for the Years Ended September 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 594,275	646,176	1,255,584	1,294,029	1,849,859	1,940,205
Capital grants and contributions	85,613	691,119	-	62,953	85,613	754,072
General revenues:						
Property taxes	978,859	900,576	-	-	978,859	900,576
Sales taxes	1,384,707	1,341,439	-	-	1,384,707	1,341,439
Other	563,806	528,061	531	1,172	564,337	529,233
Total revenues	<u>3,607,260</u>	<u>4,107,371</u>	<u>1,256,115</u>	<u>1,358,154</u>	<u>4,863,375</u>	<u>5,465,525</u>
<b>EXPENSES:</b>						
General government	546,597	692,404	-	-	546,597	692,404
Public safety	1,721,424	1,780,115	-	-	1,721,424	1,780,115
Court	240,225	271,872	-	-	240,225	271,872
Public works	1,068,620	1,205,858	-	-	1,068,620	1,205,858
Home grant	-	478,445	-	-	-	478,445
Instruction and recreation	142,122	148,139	-	-	142,122	148,139
Interest	6,756	9,070	-	-	6,756	9,070
Water and sewer	-	-	1,772,565	1,635,994	1,772,565	1,635,994
Total expenses	<u>3,725,744</u>	<u>4,585,903</u>	<u>1,772,565</u>	<u>1,635,994</u>	<u>5,498,309</u>	<u>6,221,897</u>





**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE CITY - CONTINUED:**

(Table 2) - continued:  
**Condensed Statement of Changes in Net Position**  
**for the Years Ended September 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>CHANGE IN NET POSITION</b>						
BEFORE TRANSFERS AND						
LOSS ON DISPOSAL OF						
CAPITAL ASSETS	\$ (118,484)	(478,532)	(516,450)	(277,840)	(634,934)	(756,372)
TRANSFERS	60,012	60,000	(60,012)	(60,000)	-	-
LOSS ON DISPOSAL						
OF CAPITAL ASSETS	-	(5,879)	-	-	-	(5,879)
<b>CHANGE IN NET</b>						
<b>POSITION</b>	(58,472)	(424,411)	(576,462)	(337,840)	(634,934)	(762,251)
<b>NET POSITION,</b>						
<b>BEGINNING OF YEAR</b>	<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>
<b>NET POSITION, END</b>						
<b>OF YEAR</b>	\$ <u>279,530</u>	<u>338,002</u>	<u>4,925,161</u>	<u>5,501,623</u>	<u>5,204,691</u>	<u>5,839,625</u>

**Governmental Activities**

Several revenue sources fund our Governmental Activities. The City's sales tax accounted for \$1,384,707 or 38.4% of gross revenue; revenues from property taxes accounted for \$978,859 or 27.1% of revenues; and revenues from charges for services accounted for \$594,275 or 16.5% of gross revenues.

Major expense activities included public safety expenses accounting for 46.2% of the total program expenses and public works accounting for 28.7%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

**Business-Type Activity**

Total revenues of the City's business-type activities were \$1,256,115 for the fiscal year ended September 30, 2018. Operating expenses for the City's business-type activities were \$1,772,565 resulting in an operating loss of \$516,450. The net transfers out in the amount of \$60,012 resulted in a decrease in net position of \$576,462.

# CITY OF HAZLEHURST, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2018

### 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 2018, 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 2018 were \$3,380,106; final budget amounts were \$3,381,106; and actual revenue collections were \$3,406,405. General Fund operating expenditures were \$3,206,524 compared to final budgeted amounts of \$3,455,537.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At September 30, 2018, the City had over \$8.6 million invested in a broad range of capital assets, including police and fire equipment, motor vehicles, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.)

(Table 3)  
Capital Assets at September 30, 2018 and 2017  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 133,327	133,327	38,400	38,400	171,727	171,727
Improvements other than buildings	359,868	379,149	-	-	359,868	379,149
Buildings	1,290,108	1,333,927	-	-	1,290,108	1,333,927
Machinery and equipment	499,003	563,458	73,289	113,577	572,292	677,035
Motor vehicles	140,267	172,064	11,259	20,140	151,526	192,204
Infrastructure	446,233	481,078	-	-	446,233	481,078
Water system	-	-	2,558,695	2,678,148	2,558,695	2,678,148
Sewer system	-	-	3,116,978	3,359,286	3,116,978	3,359,286
Total	\$ 2,868,806	3,063,003	5,798,621	6,209,551	8,667,427	9,272,554

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:**

**Capital Assets - continued:**

This year's major additions included:

Fire department equipment	\$ 14,280
General government machinery and equipment	10,675
Water and sewer department equipment	34,887

**Debt**

At September 30, 2018 and 2017, the City of Hazlehurst had \$2,606,893 and \$1,160,317 respectively, in outstanding debt from Notes Payable, Capital Leases Payable and Compensated Absences. Table 4 summarizes the total outstanding long-term obligations of the City.

(Table 4)  
**Outstanding Debt at September 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Capital leases payable	\$ 212,799	278,138	-	-	212,799	278,138
Bonds payable	1,550,000	-	-	-	1,550,000	-
Notes payable	-	-	655,379	706,038	655,379	706,038
Compensated absences	162,811	156,612	25,904	19,529	188,715	176,141
Total	\$ <u>1,925,610</u>	<u>434,750</u>	<u>681,283</u>	<u>725,567</u>	<u>2,606,893</u>	<u>1,160,317</u>

The City paid \$115,998 in principal on outstanding debt during the year. The only new debt issued by the City in 2018 was a General Obligation Bond issued for \$1,550,000 to be used for the repaving of City streets.

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.

**CITY OF HAZLEHURST, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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 2019 based on new developments within the City.

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,293,302 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.



THIS PAGE INTENTIONALLY LEFT BLANK



**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,762,750	613,676	3,376,426
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	176,771	101,947	278,718
Taxes	989,979	-	989,979
Grants	4,613	-	4,613
Internal balances	(68,285)	68,285	-
Due from other governments	220,213	-	220,213
Prepaid expenses	30,578	13,843	44,421
Inventories at cost	-	47,973	47,973
Restricted assets:			
Restricted cash and cash equivalents	-	250,355	250,355
Capital assets:			
Non-depreciable capital assets	133,327	38,400	171,727
Depreciable capital assets, net	<u>2,735,479</u>	<u>5,760,221</u>	<u>8,495,700</u>
Total assets	<u>6,985,425</u>	<u>6,894,700</u>	<u>13,880,125</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pension	<u>472,191</u>	<u>123,628</u>	<u>595,819</u>
Total deferred outflows of resources	<u>472,191</u>	<u>123,628</u>	<u>595,819</u>

The accompanying notes are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 132,274	109,821	242,095
Accrued liabilities	10,525	2,864	13,389
Accrued interest payable	947	-	947
Customer deposits	-	250,355	250,355
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	92,304	52,173	144,477
Bonds payable	55,000	-	55,000
Due in more than one year:			
Compensated absences	162,811	25,904	188,715
Loans and leases payable	120,495	603,206	723,701
Bonds payable	1,495,000	-	1,495,000
Net pension liability	3,708,025	970,830	4,678,855
Total liabilities	5,916,961	2,017,957	7,934,918
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows related to pension	287,260	75,210	362,470
Deferred property tax revenue	973,865	-	973,865
Total deferred inflows of resources	1,261,125	75,210	1,336,335
<b><u>NET POSITION</u></b>			
Net investment in capital assets	2,656,007	5,143,242	7,799,249
Restricted for:			
Fire prevention	7,164	-	7,164
Parks	124,175	-	124,175
Library	27,264	-	27,264
Debt service	18,873	-	18,873
Unrestricted	(2,553,953)	(218,081)	(2,772,034)
	\$ 279,530	4,925,161	5,204,691

THIS PAGE INTENTIONALLY LEFT BLANK

RECEIVED

SEP 19 2019

OFFICE OF THE  
STATE AUDITOR

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<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	\$ 546,597	-	-	-
Public safety	1,721,424	155,488	-	-
Court	240,225	-	-	-
Public works	1,068,620	424,363	-	3,113
Instruction and recreation	142,122	14,424	-	82,500
Interest on long-term debt	6,756	-	-	-
Total governmental activities	<u>3,725,744</u>	<u>594,275</u>	<u>-</u>	<u>85,613</u>
Business-type activities:				
Water and sewer	<u>1,772,565</u>	<u>1,255,584</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,772,565</u>	<u>1,255,584</u>	<u>-</u>	<u>-</u>
Total government	\$ <u>5,498,309</u>	<u>1,849,859</u>	<u>-</u>	<u>85,613</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

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>
(546,597)	-	(546,597)
(1,565,936)	-	(1,565,936)
(240,225)	-	(240,225)
(641,144)	-	(641,144)
(45,198)	-	(45,198)
(6,756)	-	(6,756)
<u>(3,045,856)</u>	<u>-</u>	<u>(3,045,856)</u>
-	(516,981)	(516,981)
-	(516,981)	(516,981)
<u>(3,045,856)</u>	<u>(516,981)</u>	<u>(3,562,837)</u>
978,859	-	978,859
1,384,707	-	1,384,707
57,672	-	57,672
124,409	-	124,409
149,151	-	149,151
82,076	-	82,076
17,412	531	17,943
133,086	-	133,086
60,012	(60,012)	-
<u>2,987,384</u>	<u>(59,481)</u>	<u>2,927,903</u>
(58,472)	(576,462)	(634,934)
<u>338,002</u>	<u>5,501,623</u>	<u>5,839,625</u>
<u>279,530</u>	<u>4,925,161</u>	<u>5,204,691</u>



**CITY OF HAZLEHURST, MISSISSIPPI**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>2018 Street Paving Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 933,361	1,549,934	279,455	2,762,750
Receivables (net of allowance for uncollectibles, where applicable):				
Accounts	153,301	-	-	153,301
Taxes	886,435	-	103,544	989,979
Grants	-	-	4,613	4,613
Due from other funds	28,664	-	15,638	44,302
Due from other governments	220,213	-	-	220,213
Prepaid expenses	23,849	-	6,729	30,578
Total assets	\$ <u>2,245,823</u>	<u>1,549,934</u>	<u>409,979</u>	<u>4,205,736</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 122,679	-	9,595	132,274
Accrued liabilities	10,525	-	-	10,525
Due to other funds	94,037	-	18,550	112,587
Unearned revenue	15,722	-	100,388	116,110
Total liabilities	<u>242,963</u>	<u>-</u>	<u>128,533</u>	<u>371,496</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	871,115	-	102,750	973,865
Unavailable revenue - fine revenue	52,665	-	-	52,665
Total deferred inflows of resources	<u>923,780</u>	<u>-</u>	<u>102,750</u>	<u>1,026,530</u>
Fund balances:				
Nonspendable:				
Prepays	23,849	-	6,729	30,578
Restricted for:				
Fire prevention	-	-	7,164	7,164
Parks	-	-	124,175	124,175
Library	-	-	27,264	27,264
Debt service	-	-	18,873	18,873
Capital projects	-	1,549,934	-	1,549,934
Assigned to:				
Fiscal year 2019 budget appropriations	282,596	-	-	282,596
Unassigned	772,635	-	(5,509)	767,126
Total fund balances	<u>1,079,080</u>	<u>1,549,934</u>	<u>178,696</u>	<u>2,807,710</u>
Total liabilities, deferred inflow of resources, and fund balances	\$ <u>2,245,823</u>	<u>1,549,934</u>	<u>409,979</u>	<u>4,205,736</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, 2018**

<b>Total fund balances - governmental funds</b>		<b>\$ 2,807,710</b>
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	6,606,427	
Less accumulated depreciation	<u>(3,737,621)</u>	2,868,806
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.		
		52,665
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		(3,708,025)
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	472,191	
Deferred inflows of resources related to pension	<u>(287,260)</u>	184,931
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	(212,799)	
Bonds payable	(1,550,000)	
Accrued interest payable	(947)	
Compensated absences	<u>(162,811)</u>	<u>(1,926,557)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>279,530</u></b>

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, 2018**

	<u>General Fund</u>	<u>2018 Street Paving Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes:				
Current year ad valorem	\$ 865,201	-	102,054	967,255
Prior years ad valorem	11,092	-	512	11,604
In lieu of taxes - utility	57,672	-	-	57,672
Franchise fees	124,409	-	-	124,409
Licenses and permits	26,613	-	-	26,613
Intergovernmental	1,589,572	-	111,976	1,701,548
Charges for services	397,750	-	-	397,750
Fines and forfeits	149,770	-	-	149,770
Interest earned	17,157	-	255	17,412
Interfund charges	60,000	-	-	60,000
Other	133,085	-	14,425	147,510
Total revenues	<u>3,432,321</u>	<u>-</u>	<u>229,222</u>	<u>3,661,543</u>
<b>EXPENDITURES:</b>				
Current:				
General government	467,847	66	-	467,913
Public safety	1,475,727	-	-	1,475,727
Court	230,853	-	-	230,853
Public works	948,741	-	-	948,741
Instruction and recreation	-	-	58,836	58,836
Grants, subsidies, and other expenditures	24,826	-	-	24,826
Capital outlay	-	-	2,010	2,010
Pay to other agencies	-	-	51,492	51,492
Debt service:				
Principal	47,707	-	17,632	65,339
Interest	2,593	-	4,519	7,112
Total expenditures	<u>3,198,294</u>	<u>66</u>	<u>134,489</u>	<u>3,332,849</u>



**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS - CONTINUED:**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>2018 Street Paving Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of revenues over expenditures	\$ 234,027	(66)	94,733	328,694
Other financing sources (uses):				
Proceeds from issuance of General Obligation Bonds	-	1,550,000	-	1,550,000
Transfer in (out)	12	-	-	12
Total financing sources (uses)	12	1,550,000	-	1,550,012
Excess of revenues and other sources over expenditures and other uses	234,039	1,549,934	94,733	1,878,706
Fund balances at beginning of year	845,041	-	83,963	929,004
Fund balances at end of year	\$ 1,079,080	1,549,934	178,696	2,807,710

The accompanying notes are an integral part of this statement.

**CITY OF HAZLEHURST, MISSISSIPPI**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,878,706</b>
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	24,955
Less current year depreciation expense	<u>(219,152)</u> (194,197)
The change in revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues.	5,716
Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from:	
General obligation bonds, series 2018	(1,550,000)
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.	65,339
The Statement of Activities reports pension expense and other activity related to the net pension liability:	
Contributions made after the measurement date	56,829
Pension expense	<u>(315,023)</u> (258,194)
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	357
Change in long-term compensated absences	<u>(6,199)</u> (5,842)
<b>Change in net position of governmental activities</b>	<b>\$ <u>(58,472)</u></b>

The accompanying notes are an integral part of this statement.



THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 613,676
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	101,947
Due from other funds	68,285
Inventories at cost	47,973
Prepaid expenses	13,843
Total current assets	<u>845,724</u>

Restricted assets:

Cash and cash equivalents	<u>250,355</u>
---------------------------	----------------

Property, plant and equipment:

Land	38,400
Buildings	56,107
Water system	6,764,235
Sewer system	9,366,758
Machinery and equipment	550,069
Motor vehicles	205,203
	<u>16,980,772</u>

Less accumulated depreciation (11,182,151)

Net property, plant and equipment 5,798,621

Total assets 6,894,700

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>123,628</u>
Total deferred outflows of resources	<u>123,628</u>

The accompanying notes are an integral part of this statement.

### LIABILITIES

Current liabilities:

Accounts payable	\$ 109,821
Accrued liabilities	2,864
Current portion of long-term liabilities	52,173
Due to other governments	2,804
Total current liabilities	<u>167,662</u>

Current liabilities payable from restricted assets:

Customer deposits	<u>250,355</u>
-------------------	----------------

Long-term liabilities:

Notes payable	603,206
Compensated absences	25,904
Net pension liability	<u>970,830</u>
Total long-term liabilities	<u>1,599,940</u>
Total liabilities	<u>2,017,957</u>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>75,210</u>
Total deferred inflows of resources	<u>75,210</u>

### NET POSITION

Net investment in capital assets	5,143,242
Unrestricted	<u>(218,081)</u>
Total net position	\$ <u>4,925,161</u>



**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**OPERATING REVENUES:**

Water sales	\$ 819,793
Sewer rentals	393,797
Tap fees and connection fees	19,658
Miscellaneous receipts	<u>22,336</u>
Total operating revenues	<u>1,255,584</u>

**OPERATING EXPENSES:**

Personal services	646,188
Supplies	180,804
Other services and charges	539,543
Depreciation	<u>445,817</u>
Total operating expenses	<u>1,812,352</u>

**OPERATING LOSS** (556,768)

**NON-OPERATING REVENUES (EXPENSES):**

Interest on investments	531
Interest and fiscal charges	<u>(20,213)</u>
Total non-operating revenues (expenses)	<u>(19,682)</u>

**LOSS BEFORE TRANSFERS** (576,450)

Transfers out	<u>(12)</u>
---------------	-------------

**CHANGE IN NET POSITION** (576,462)

**NET POSITION AT BEGINNING OF YEAR** 5,501,623

**NET POSITION AT END OF YEAR** \$ 4,925,161

The accompanying notes are an integral part of this statement.

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 1,273,889
Cash paid to suppliers and employees	<u>(1,246,815)</u>
Net cash provided by operating activities	<u>27,074</u>

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

Principal paid on notes	(50,659)
Acquisition of capital assets	(34,887)
Interest paid on notes	(20,213)
Transfers out	(12)
Increase in amount due from other funds	<u>(136,648)</u>
Net cash used in capital and related financing activities	<u>(242,419)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Earnings on invested proceeds	<u>531</u>
Net cash provided by investing activities	<u>531</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (214,814)

**CASH AND CASH EQUIVALENTS - beginning of year**  
(including \$247,157 in restricted accounts)

1,078,845

**CASH AND CASH EQUIVALENTS - end of year**  
(including \$250,355 in restricted accounts)

\$ 864,031



## STATEMENT OF CASH FLOWS

Age Group	Don't know	No	Yes	Probably yes	Probably no
18-24	10%	10%	40%	20%	20%
25-34	10%	10%	30%	20%	30%
35-44	10%	10%	20%	20%	40%
45-54	10%	10%	10%	20%	50%
55-64	10%	10%	10%	10%	60%
65-74	10%	10%	10%	10%	70%
75+	10%	10%	10%	10%	80%

**CITY OF HAZLEHURST, MISSISSIPPI**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND - CONTINUED:**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

Operating loss	\$ <u>(556,768)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	445,817
(Increase) decrease in:	
Accounts receivable	15,107
Prepaid expenses	(8,084)
Deferred outflows related to pension	13,495
Inventory	5,769
Increase (decrease) in:	
Accounts payable	11,399
Accrued liabilities	(653)
Compensated absences	6,375
Customer deposits	3,198
Net pension liability	93,352
Deferred inflows related to pension	<u>(1,933)</u>
Total adjustments	<u>583,842</u>
Net cash provided by operating activities	\$ <u><u>27,074</u></u>

The accompanying notes are an integral part of this statement.



CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF FIDUCIARY NET POSITION  
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND  
SEPTEMBER 30, 2018

ASSETS

Cash and cash equivalents	\$ <u>10,695</u>
Total assets	\$ <u><u>10,695</u></u>

NET POSITION

Held in trust for unemployment benefits	\$ <u>10,695</u>
Total net position	\$ <u><u>10,695</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, 2018

ADDITIONS:

Interest earnings	\$	<u>13</u>
Total additions		13

DEDUCTIONS

-

CHANGES IN NET POSITION HELD IN TRUST

13

NET POSITION, BEGINNING OF YEAR

10,682

NET POSITION, END OF YEAR

\$ 10,695

The accompanying notes are an integral part of this statement.



**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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.

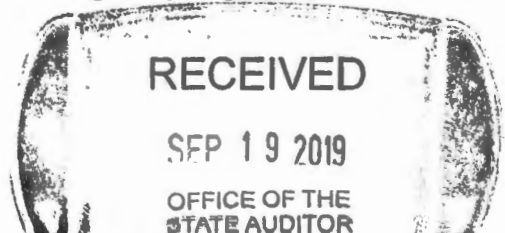
The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation 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 items are recognized as revenue as soon as all eligibility requirements have been met.



**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**O. NET POSITION AND FUND BALANCES - 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 2018 were levied in September 2017 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 2019 property taxes levied in September 2018 in accounts receivable in the amount of \$973,865. The City has recorded deferred inflows of resources for the estimated fiscal year 2019 property taxes in this same amount as of September 30, 2018.

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own real, public utility and personal property taxes. Automobile ad valorem taxes and certain road taxes are collected by the tax collector of Copiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of



**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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.

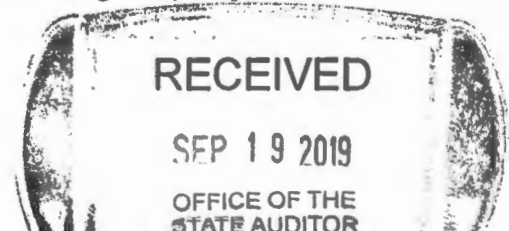
The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation 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 items are recognized as revenue as soon as all eligibility requirements have been met.





**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**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 AND INVESTMENTS**

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. The City did not hold any investments at September 30, 2018. 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, 2018**

**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, 2018**

**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.

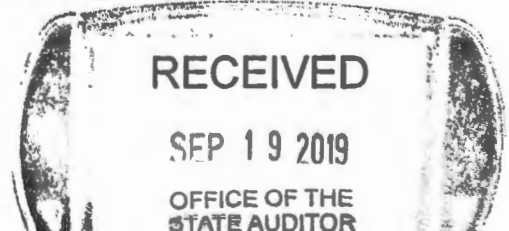
The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation 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 items are recognized as revenue as soon as all eligibility requirements have been met.





CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

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 **2018 Street Paving Project Fund** accounts for funds received through the issuance of a general obligation bond. The bond proceeds were received by the City in September, 2018 and will be used in the next fiscal year to repave selected streets in the City.

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, 2018**

**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 AND INVESTMENTS**

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. The City did not hold any investments at September 30, 2018. 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, 2018**

**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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. NET POSITION AND FUND BALANCES - 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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**O. NET POSITION AND FUND BALANCES - 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 2018 were levied in September 2017 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 2019 property taxes levied in September 2018 in accounts receivable in the amount of \$973,865. The City has recorded deferred inflows of resources for the estimated fiscal year 2019 property taxes in this same amount as of September 30, 2018.

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 Copeiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**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, 2018

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 based on appraisals or deflated current replacement 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, 2018

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

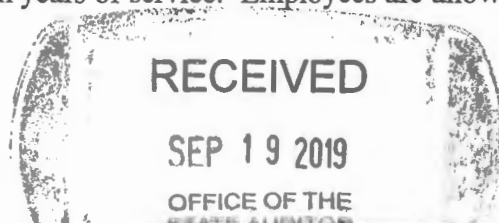
In conformity with authoritative guidance, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During fiscal year 2018, no interest costs were 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





**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**L. COMPENSATED ABSENCES - CONTINUED:**

to carry unused vacation days forward from year to year. For proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds in the fund financial statements all of the compensated absences are considered to be long-term and therefore, are not a fund liability. An accrual of \$188,715 has been made in the Statement of Net Position for vacation time available at September 30, 2018. 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 BALANCES**

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. NET POSITION AND FUND BALANCES - 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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**O. NET POSITION AND FUND BALANCES - 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 2018 were levied in September 2017 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 2019 property taxes levied in September 2018 in accounts receivable in the amount of \$973,865. The City has recorded deferred inflows of resources for the estimated fiscal year 2019 property taxes in this same amount as of September 30, 2018.

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own real, public utility and personal property taxes. Automobile ad valorem taxes and certain road taxes are collected by the tax collector of Copiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - PROPERTY TAX - CONTINUED:**

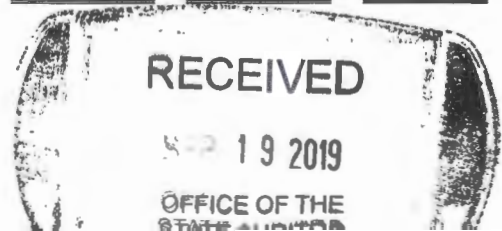
automobiles, is January 1 for the preceding year. The tax rate levied by the City for the year ended September 30, 2018 was set at 96.80 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 4.239
Parks and playground fund	0.250
Public library fund	0.250
Schools (Hazlehurst Municipal Separate School District)	<u>4.941</u>
	\$ <u>9.680</u>

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments are comprised of the following at September 30, 2018:

	<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	\$ 933,361	-	-	-	933,361
2018 Street paving project fund	1,549,934				1,549,934
Nonmajor governmental funds	<u>279,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,455</u>
Total governmental activities	<u>2,762,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,762,750</u>
Business-type activities:					
Water and sewer enterprise fund	<u>613,676</u>	<u>-</u>	<u>250,355</u>	<u>-</u>	<u>864,031</u>
Total business-type activities	<u>613,676</u>	<u>-</u>	<u>250,355</u>	<u>-</u>	<u>864,031</u>
Government-wide total	3,376,426	-	250,355	-	3,626,781
Fiduciary fund	<u>-</u>	<u>-</u>	<u>10,695</u>	<u>-</u>	<u>10,695</u>
Total cash and investments	\$ <u>3,376,426</u>	<u>-</u>	<u>261,050</u>	<u>-</u>	<u>3,637,476</u>





CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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, 2018 are summarized as follows:

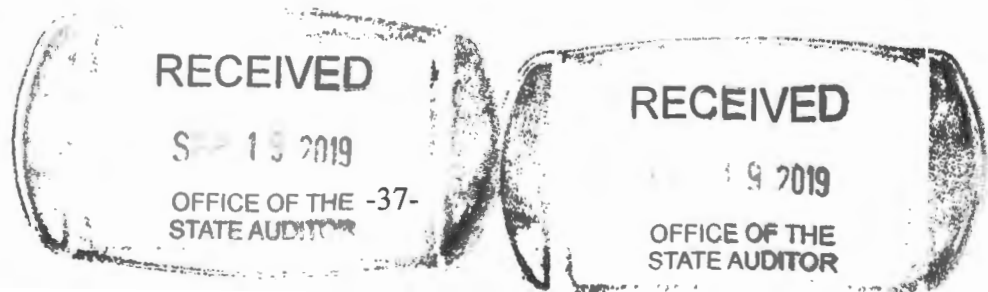
	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ <u>3,637,476</u>	<u>3,954,550</u>

The difference of \$317,074 was principally due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

As of September 30, 2018, \$3,454,550 of the City's bank balance of \$3,954,550 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds:	
Guaranty Pool	\$ <u>3,454,550</u>
Total	\$ <u>3,454,550</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, 2018, 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, 2018

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, 2018.

*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, 2018, 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, 2018**

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2018 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	\$ 1,564,623	-	143,721	1,708,344
Taxes	886,435	103,544	-	989,979
Grants	-	4,613	-	4,613
Due from other governments	<u>220,213</u>	-	-	<u>220,213</u>
Gross receivables	2,671,271	108,157	143,721	2,923,149
Less: allowance for uncollectible accounts	<u>(1,387,852)</u>	-	<u>(41,774)</u>	<u>(1,429,626)</u>
Net total receivables	\$ <u>1,283,419</u>	<u>108,157</u>	<u>101,947</u>	<u>1,493,523</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Balance at October 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2018</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	625,153	-	-	625,153
Machinery and equipment	1,447,717	10,675	-	1,458,392
Motor vehicles	641,431	14,280	-	655,711
Infrastructure	<u>1,412,233</u>	-	-	<u>1,412,233</u>
Total	<u>6,448,145</u>	<u>24,955</u>	-	<u>6,473,100</u>
Total capital assets	<u>6,581,472</u>	<u>24,955</u>	-	<u>6,606,427</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5 - CAPITAL ASSETS - CONTINUED:**

	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Less accumulated depreciation:				
Buildings	\$ (987,683)	(43,819)	-	(1,031,502)
Improvements rather than buildings	(246,003)	(19,281)	-	(265,284)
Machinery and equipment	(884,261)	(75,130)	-	(959,391)
Motor vehicles	(469,368)	(46,077)	-	(515,445)
Infrastructure	(931,154)	(34,845)	-	(965,999)
Total accumulated depreciation	(3,518,469)	(219,152)	-	(3,737,621)
Total governmental activities capital assets, net	\$ <u>3,063,003</u>	<u>(194,197)</u>	<u>-</u>	<u>2,868,806</u>

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

General government	\$ 12,279
Public safety	100,909
Public works	75,915
Instruction and recreation	<u>30,049</u>
Total depreciation expense - governmental activities	\$ <u>219,152</u>

	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Business-type activities:				
Nondepreciable assets:				
Land	\$ <u>38,400</u>	<u>-</u>	<u>-</u>	<u>38,400</u>
Depreciable assets:				
Buildings	56,107	-	-	56,107
Machinery and equipment	550,069	-	-	550,069
Motor vehicles	205,203	-	-	205,203
Water system	6,729,349	34,887	-	6,764,236
Sewer system	9,366,757	-	-	9,366,757
Total	<u>16,907,485</u>	<u>34,887</u>	<u>-</u>	<u>16,942,372</u>
Total capital assets	<u>16,945,885</u>	<u>34,887</u>	<u>-</u>	<u>16,980,772</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**



**NOTE 5 - CAPITAL ASSETS - CONTINUED:**

	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Less accumulated depreciation for:				
Buildings	\$ (56,104)	-	-	(56,104)
Machinery and equipment	(436,494)	(40,289)	-	(476,783)
Motor vehicles	(185,065)	(8,880)	-	(193,945)
Water system	(4,051,199)	(154,339)	-	(4,205,538)
Sewer system	(6,007,472)	(242,309)	-	(6,249,781)
Total accumulated depreciation	(10,736,334)	(445,817)	-	(11,182,151)
Total business-type activities capital assets, net	\$ 6,209,551	(410,930)	-	5,798,621

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

Water and sewer	\$ 445,817
Total depreciation expense - business-type activities	\$ 445,817

**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, 2018:

	Beginning Balance October 1, 2017	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2018	Due Within One Year
Governmental activities:					
General obligation bonds	-	1,550,000	-	1,550,000	55,000
Capital lease obligations	\$ 278,138	-	(65,339)	212,799	92,304
Compensated absences	156,612	6,199	-	162,811	-
Governmental activities total	434,750	1,556,199	(65,339)	1,925,610	147,304
Business-type activities:					
Notes payable	706,038	-	(50,659)	655,379	52,173
Compensated absences	19,529	6,375	-	25,904	-
Business-type activities total	725,567	6,375	(50,659)	681,283	52,173
Government-wide total	\$ 1,160,317	1,562,574	(115,998)	2,606,893	199,477



**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:**

Debt service requirements at September 30, 2018 were as follows:

Fiscal Year Ended September 30,	<u>Governmental Activities</u>					
	Capital		General		Total	
	Lease Obligations		Obligation Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 92,304	4,997	55,000	53,659	147,304	58,656
2020	18,650	3,500	55,000	57,238	73,650	60,738
2021	19,200	2,950	60,000	55,038	79,200	57,988
2022	19,757	2,393	60,000	52,637	79,757	55,030
2023	20,330	1,820	60,000	50,237	80,330	52,057
2024-2028	42,558	1,858	1,260,000	412,550	1,302,558	414,408
	<u>\$ 212,799</u>	<u>17,518</u>	<u>1,550,000</u>	<u>681,359</u>	<u>1,762,799</u>	<u>698,877</u>

Fiscal Year Ended September 30,	<u>Business-Type Activities</u>			
	Notes Payable		Total	
	Principal	Interest	Principal	Interest
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	58,288	10,828	58,288	10,828
2024-2028	379,445	65,823	379,445	65,823
	<u>\$ 655,379</u>	<u>135,469</u>	<u>655,379</u>	<u>135,469</u>

General obligation bonds payable, notes payable and obligations under capital leases at September 30, 2018 are comprised of the following:

General Obligation Bonds

\$1,550,000 General Obligation Bonds Series 2018 payable due in annual installments of \$55,000 to \$105,000, payable on 8-1 of each year through 8-1-2038; and interest at 3.5% to 4.0%, payable on 8-1 and 2-1 of each year.

\$ 1,550,000





**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:**

Notes

\$517,534 note payable to the Mississippi Department of Economic and Community Development (MDECD) under MDECD's Capital Improvements Revolving Loan Program for the construction of a water tank. Payments including interest at 3.00% are due monthly through September 30, 2024. \$ 169,050

\$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%. 169,394

\$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. 316,935

\$ 655,379

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 \$212,799 at September 30, 2018.

**NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS**

The following interfund receivables and payables are included in the fund financial statements at September 30, 2018:

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

**NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS - CONTINUED:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	\$ 2,912
Water and Sewer Enterprise Fund	General Fund	<u>68,285</u>
		<u>\$ 71,197</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.

Interfund transfers in/out from other funds during the year ended September 30, 2018 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ <u>12</u>

**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](http://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

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:**

**General Information about the Pension Plan - continued:**

employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled 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, 2018, the City's total payroll for all employees was \$1,842,093. Total covered payroll was \$1,812,456. 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, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of

**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:**

**General Information about the Pension Plan - continued:**

Mississippi Legislature. The City's contributions to PERS for the fiscal years ended September 30, 2018, 2017 and 2016 were \$285,462, \$267,126, and \$265,628, 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, 2018, the City reported a liability of \$4,678,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.0281 percent, which was an increase of 0.0017 percent from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$648,570. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual results	\$ 25,300	21,021
Changes in assumptions	2,942	3,356
Net difference between projected and actual earnings on Plan investments	242,045	338,093
Changes in proportion and differences between City contributions and proportionate share of contributions	253,824	-
City contributions subsequent to the measurement date	71,708	-
Total	<u>595,819</u>	<u>362,470</u>





CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

The \$71,708 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

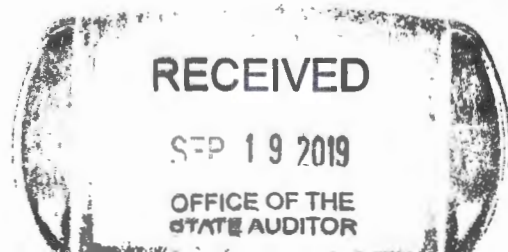
Year Ending September 30,	
2019	\$ 152,083
2020	66,996
2021	(36,397)
2022	(21,041)
Total	\$ <u>161,641</u>

*Actuarial Assumptions.* The total pension liability in the June 30, 2018 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, 2018 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





**CITY OF HAZLEHURST, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:**

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

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	<u>1.00%</u>	0.00%
Total	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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, 2018 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 OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

	City's Proportionate Share of Net <u>Pension Liability</u>
1.00% decrease (6.75%)	\$ 6,160,709
Current discount rate (7.75%)	4,678,855
1.00% increase (8.75%)	3,447,238

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

NOTE 9 - CONTINGENT LIABILITIES

Litigation

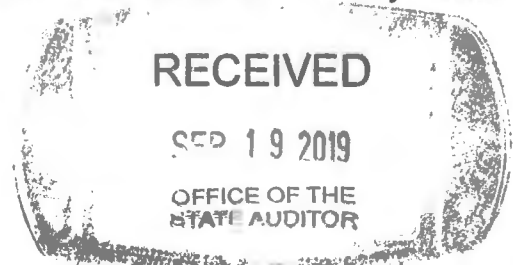
The City has pending legal claims incurred in the normal course of operations that in the opinion of City officials can be disposed of without material adverse effect on the financial position or results of operations of the City.

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



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10 - RISK MANAGEMENT - CONTINUED:

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.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, improves 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. The implementation of this statement in Fiscal year 2018 did not 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 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. The implementation of this statement in Fiscal year 2018 did not impact the City's financial statements.



CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB Statement No. 85, Omnibus 2017, issued March 2017, enhances consistency in the application of accounting and financial reporting requirements. Consistent reporting improves 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. The City implemented this statement in Fiscal Year 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, increases 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 enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement enhances 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. The implementation of this statement in Fiscal year 2018 did not impact the City's financial statements.

Recently Issued Accounting Pronouncements

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.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018, improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 90, *Majority Equity Interests* as an amendment of GASB Statements No. 14 and No. 61, issued August 2018, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and also improves the relevance of the financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2018. This accounting pronouncement is not expected to impact 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 August 29, 2019, 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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Ad valorem, penalties and interest	\$ 884,756	894,756	878,161	(16,595)
In lieu of taxes - utility	59,000	59,000	57,672	(1,328)
Franchise fees	170,000	120,000	122,903	2,903
Licenses and permits	20,000	20,000	26,613	6,613
Intergovernmental	1,596,217	1,619,217	1,586,080	(33,137)
Charges for services	404,133	404,133	398,071	(6,062)
Fines and forfeits	144,000	125,000	130,028	5,028
Grant revenue	2,000	2,000	-	(2,000)
Interest earned	5,000	7,000	17,157	10,157
Water department administration fees	60,000	60,000	57,500	(2,500)
Miscellaneous	35,000	70,000	132,220	62,220
Total revenues	<u>3,380,106</u>	<u>3,381,106</u>	<u>3,406,405</u>	<u>25,299</u>
<b>EXPENDITURES:</b>				
General government	510,963	505,000	468,934	36,066
Public safety:				
Police	984,866	956,000	928,623	27,377
Fire	351,444	430,100	382,995	47,105
Communications	188,037	188,537	185,978	2,559
Court	259,193	255,000	230,824	24,176
Public works	1,231,823	1,065,000	984,344	80,656
Grants, subsidies and other expenditures	39,116	55,900	24,826	31,074
Total expenditures	<u>3,565,442</u>	<u>3,455,537</u>	<u>3,206,524</u>	<u>249,013</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(185,336)</u>	<u>(74,431)</u>	<u>199,881</u>	<u>274,312</u>
Other financing sources (uses):				
Operating transfer in	-	50,000	12	(49,988)
Operating transfer out	-	-	-	-
Total financing sources	<u>-</u>	<u>50,000</u>	<u>12</u>	<u>(49,988)</u>

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:**

**GENERAL FUND**

**YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	\$ (185,336)	(24,431)	199,893	224,324
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>519,170</u>	<u>519,170</u>	<u>519,170</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	\$ <u>333,834</u>	<u>494,739</u>	<u>719,063</u>	<u>224,324</u>
<b>EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:</b>				
<b>Fund balance - budgetary basis</b>			\$	719,063
Adjustment to GAAP basis:				
Add accrued revenue:				
Ad valorem taxes				15,320
Franchise fees				24,609
Intergovernmental				220,213
Administrative fees - water				5,000
Police fines - net				36,989
Sanitation fees				33,172
Miscellaneous				865
Add prepaid expenses				<u>23,849</u>
<b>Fund balance - GAAP basis</b>			\$	<u>1,079,080</u>

See accompanying notes to required supplemental information schedules.

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES  
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>General government:</b>				
Personal services	\$ 327,727	320,000	312,137	7,863
Supplies	11,500	40,000	24,574	15,426
Other services and charges	56,500	140,000	132,223	7,777
Capital outlay	115,236	5,000	-	5,000
Total general government	510,963	505,000	468,934	36,066
<b>Public safety:</b>				
Police:				
Personal services	683,510	715,000	707,533	7,467
Supplies	79,100	85,000	77,322	7,678
Other services and charges	206,256	140,000	136,249	3,751
Capital outlay	16,000	16,000	7,519	8,481
Total police	984,866	956,000	928,623	27,377
<b>Fire:</b>				
Personal services	222,368	320,000	306,315	13,685
Supplies	34,100	34,100	25,013	9,087
Other services and charges	73,976	55,000	37,387	17,613
Capital outlay	21,000	21,000	14,280	6,720
Total fire	351,444	430,100	382,995	47,105
<b>Communications:</b>				
Personal services	188,037	188,037	184,724	3,313
Supplies	-	-	-	-
Other services and charges	-	500	1,254	(754)
Total communications	188,037	188,537	185,978	2,559
Total public safety	1,524,347	1,574,637	1,497,596	77,041

**CITY OF HAZLEHURST, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES - CONTINUED:  
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Court:</b>				
Personal services	\$ 106,293	115,000	107,167	7,833
Other services and charges	152,900	140,000	123,657	16,343
Total court	<u>259,193</u>	<u>255,000</u>	<u>230,824</u>	<u>24,176</u>
<b>Public works:</b>				
Personal services	311,224	340,000	326,291	13,709
Supplies	62,000	110,000	95,502	14,498
Other services and charges	858,599	604,000	551,876	52,124
Capital outlay	-	11,000	10,675	325
Total public works	<u>1,231,823</u>	<u>1,065,000</u>	<u>984,344</u>	<u>80,656</u>
<b>Grants, subsidies and other expenditures</b>	<u>39,116</u>	<u>55,900</u>	<u>24,826</u>	<u>31,074</u>
<b>Total expenditures</b>	\$ <u>3,565,442</u>	<u>3,455,537</u>	<u>3,206,524</u>	<u>249,013</u>





CITY OF HAZLEHURST

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

	<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>	<u>2018</u>
City's proportion of the collective net pension liability	*	*	*	*	*	*	\$ 3,988,171	4,649,607	4,381,927	4,678,855
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	0.0258%	0.0260%	0.0264%	0.0281%
City's covered payroll	*	*	*	*	*	*	1,609,949	1,665,378	1,691,295	1,796,457
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%	260.45%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	61.70%	57.74%	61.49%	62.54%

\* 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>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>	<u>2018</u>
Actuarially determined employer contribution	*	*	*	*	*	*	\$ 256,331	265,628	267,126	285,462
Contributions in relation to the actuarially determined contributions	*	*	*	*	*	*	256,331	265,628	267,126	285,462
Annual contribution deficiency (excess)	*	*	*	*	*	*	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	*	*	*	*	*	*	\$ 1,627,498	1,686,527	1,696,035	1,812,456
Actual contributions as a percentage of covered payroll	*	*	*	*	*	*	15.75%	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, 2018**

**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**

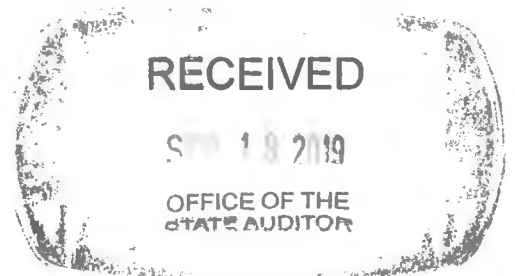
None.

**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.



SUPPLEMENTARY INFORMATION



**CITY OF HAZLEHURST, MISSISSIPPI**

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2018**

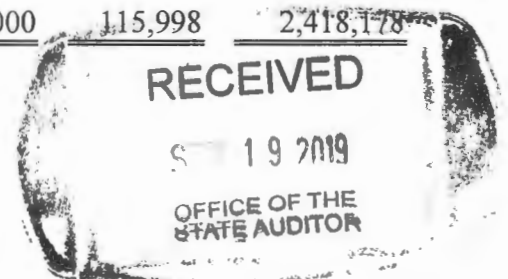
<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>
Shirley A. Sandifer	Mayor	\$ 65,000	Travelers
Richard B. Akin	Aldersperson	65,000	Travelers
Frank A. Jones	Aldersperson	65,000	Travelers
Jeremy McKinzie	Aldersperson	65,000	Travelers
Ronald Sims	Aldersperson	65,000	Travelers
Fredrick Sandifer	Aldersperson	65,000	Travelers
Pam Wilbert	City Clerk	50,000	Western Surety Company
Pam Wilbert	Tax Collector	50,000	Western Surety Company
Ashley Killingsworth	Deputy Clerk	50,000	Western Surety Company
Ashley Killingsworth	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
Sonny Smith	Superintendent - Water Department	50,000	Western Surety Company
Tammye Hall	Court Clerk	50,000	Western Surety Company
Tammye Hall	Notary	5,000	Western Surety Company
Michelle Harris	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, 2018**

	<u>Original Issue</u>	<u>Balance Outstanding October 1, 2017</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2018</u>
			<u>Issued</u>	<u>Redeemed</u>	
<b>GENERAL OBLIGATION</b>					
<b>BONDS:</b>					
General obligation bonds of 2018	1,550,000	-	1,550,000	-	1,550,000
<b>NOTE:</b>					
Mississippi Department of Economic and Community Developmental Capital Improvement Loan Program - Water tank	\$ 517,534	196,783	-	27,733	169,050
Mississippi Department of Environmental Quality - Pollution Control Project	221,556	179,702	-	10,308	169,394
Mississippi Development Authority - Public Facilities Bradley Street CAP Loan	337,625	329,553		12,618	316,935
<b>CAPITAL LEASE:</b>					
Copiah Bank - Fire truck	224,191	156,261	-	17,631	138,630
Caterpillar Financial Service - 2014 Caterpillar D3K2 track type tractor	98,270	61,226	-	11,434	49,792
Hancock Bank - 2014 Freightliner	75,671	31,219	-	15,447	15,772
Trustmark National Bank - (2) 2014 Dodge Chargers	53,361	14,785	-	11,050	3,735
Trustmark National Bank - (2) Ford F150 trucks	46,489	14,647	-	9,777	4,870
	\$ <u>984,176</u>		<u>1,550,000</u>	<u>115,998</u>	<u>2,418,178</u>



STATE COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2018, which collectively comprise the City of Hazlehurst's basic financial statements and have issued our report thereon dated August 29, 2019. 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, Honorable Mayor and Board of Alderpersons, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Haddox Reid Eubank Betts PLLC*

Jackson, Mississippi  
August 29, 2019

