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**CITY OF HATTIESBURG, MISSISSIPPI**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Year Ended September 30, 2020**

# CITY OF HATTIESBURG, MISSISSIPPI

## COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2020

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***INTRODUCTORY SECTION (UNAUDITED)***



MAYOR  
*Toby Barker*

COUNCIL - WARD ONE  
*Jeffrey George*

COUNCIL - WARD TWO  
*Deborah Denard Delgado*

COUNCIL - WARD THREE  
*Carter Carroll*

COUNCIL - WARD FOUR  
*Mary Dryden*

COUNCIL - WARD FIVE  
*Nicholas Brown*

May 20, 2021

To the Honorable Mayor, Members of the City Council, and  
Citizens of the City of Hattiesburg

The Department of Administration is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hattiesburg, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2020. These accompanying financial statements are prepared and presented in conformity with GASB Statement No 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, and we believe the report is accurate in all material respects.

The Comprehensive Annual Financial Report includes the following: this transmittal letter, the financial section consisting of the basic financial statements (government-wide and fund statements), Management's Discussion and Analysis, notes to the financial statements, combining and individual fund financial statements and schedules and the independent auditors' report on the financial statement schedules, and a statistical section consisting of several tables of unaudited data describing the financial history of the City, as well as other miscellaneous statistics, presented on a multi-year basis.

### **Profile of Government**

The City of Hattiesburg has a land area of 55.4 square miles and is located strategically in the southeast section of Mississippi. It has historically been designated as the "Hub City," since its location is within a 100-mile radius of Jackson, Mississippi, New Orleans, Louisiana, Mobile, Alabama, and the Mississippi Gulf Coast. Because of its location, it is a regional center of trade, medical services, educational and industrial activity. The City operates under the Mayor/Council form of government. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the five-member City Council, each of whom is elected from one of the five wards into which the City is divided. The Mayor is responsible for the day-to-day operations of City government, and much of his work is accomplished through the delegation of duties to his department directors and chiefs, who are appointed by the Mayor and approved by the City Council. All elected officials serve four-year terms.



Services provided include police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, sanitation, parks and recreation, planning and zoning, and general administrative functions.

### **Current Economic Conditions**

Hattiesburg ended the fiscal year with revenue increases in both sales tax and property taxes. Property tax revenue increased 1.77% over the prior year. Sales tax revenue saw a significant increase, which should be analyzed in parts due to new sources of revenue. The traditional sales tax coming from sales generated by local businesses from customers' physical presence saw an increase of .84%. The local sales tax generated by restaurants and hotels/motels increased 176.75%, due to enactment of an additional 1.00% tax levied for improvements to parks and recreation facilities and the University of Southern Mississippi Coliseum. Collection of this tax began in Fiscal Year 2019, for a partial year, and Fiscal Year 2020 realized a full year of collection. The tax is assessed for a 3-year period and must be renewed by legislative action. The remaining portion of new sales tax comes from internet sales. This revenue is to be used for infrastructure improvements, and the amount is expected to increase as the tax is more widely enforced with online vendors.

The General Fund's ending fund balance decreased 2.83% from FY 2019. The reduction was due to expenditure of property tax revenue held in reserve for the Public Safety Complex. As renovation and construction on the Complex continued in FY 2020, the funds held in reserve were combined with general obligation bond proceeds to complete portions of the facility.

Without a doubt, 2020 was a unique year with the impact of COVID-19. The nationwide economic shutdown was unprecedented for those charged with making the difficult decisions of how to keep providing services with little or no incoming revenue. Local businesses had to alter their methods of providing goods and services in order to remain open, and elected officials struggled with often conflicting political and medical opinions as how to safely keep their governments and communities operating. City officials made the difficult decision to reduce the employee workforce and restructure department operations, anticipating significant reductions to sales tax revenue which represents 28.54% of total revenue.

The resourcefulness of local businesses, along with support from the community, enabled Hattiesburg to weather the shutdown remarkably well. As stated above, the year ended with a 1.77% increase in sales tax revenue. Hattiesburg has, for many years, pointed out the many benefits of its diverse economy, and once again, that diversity provided the perfect mix to keep the City functioning well. The real estate market experienced the benefits of declining mortgage rates which led to increasing prices on home sales due to demand amid a declining supply of homes in the market.

### **Future Economic Outlook**

Projects under way prior to the COVID-19 shutdown continued, and many, such as the improvements to 38<sup>th</sup> Avenue near the USM campus, were substantially completed by the end of the fiscal year. Infrastructure improvements in the Midtown District continued, and plans for re-routing traffic around the Forrest General Hospital campus moved forward with construction estimated to begin in FY 2021. Other major transportation improvements, such as Hardy Street and overpasses near the Public Safety Complex, are also expected to begin

in FY 2021. The second phase of the planned \$45 Million bond issuance was completed in August 2020, and this will provide the funds necessary for the overpass construction near the Public Safety Complex. These infrastructure improvements will greatly improve traffic flow and connectivity with the eastern and western sections of the City by improving commuting and emergency response times.

### **Financial and Budgetary Information**

The City maintains budgetary controls to ensure compliance with legal provisions specified by state statute. Activities of the City are included in budget appropriations approved by the City Council. The legal level of budgetary control is established by major expenditure classification and approved by the Council. Adjustments within a classification may be approved by the Department Director.

The Mayor and Council established the goal and desire to reduce and eventually eliminate the structural spending deficit in the General Fund. For several years, the City's expenditure budget has exceeded the revenue budget. This can be detrimental to building a strong fund balance. Based upon today's economy, it is recommended that the City seek to have a \$7 Million to \$8 Million ending cash balance. Mayor Barker was able to present a budget for FY 2021 to the council with projected new revenue equaling new expenditures, thereby accomplishing the objective of eliminating the structural spending deficit.

Water and sewer projects continue to be a priority. Evaluation of the water and sewer infrastructure has been ongoing and is revealing the areas of the City needing repair or replacement. Many areas in older sections of the City have already been repaired, but it will take several years to complete the task.

### **Enterprise Funds**

Hattiesburg's enterprise operation is the Combined Water and Sewer Fund. All revenues and costs associated with delivering potable water to the City's residential and commercial customers and treatment of residential and industrial waste are reported in this group of funds. Financial statements for this operation are contained in this report.

### **Debt Administration**

The City maintains the Municipal Bond and Interest Fund to retire debt associated with general obligation bonds. The funding source comes from levy and collection of ad valorem property taxes. Mississippi law limits the amount of general obligation debt a municipality may issue to 15.00% of total assessed value. As of September 30, 2020, the City's remaining margin for further debt issuance stands at \$19,150,789. The City was able to correct many findings in previous audits and, as a result was able to secure the Aa3 bond rating with the issuance of \$29,850,000 in general obligation bonds in December 2018. That rating was maintained with issuance of \$15,150,000 general obligation bonds in August 2020. These two bond issues complete the \$45 Million bond issuance planned for the Public Safety Complex and overpass construction in the eastern section of the City.

### **Risk Management**

The City is self-insured for group health insurance, and is a member of the Municipal Workers Compensation Group and the Municipal Liability Plan, a self-insured plan for member municipalities across the State of Mississippi. The City has a Risk Manager who monitors safety procedures with departments and reviews and reports all accidents and claims to the self-insured group administrators.

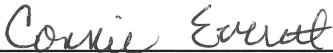
### **Independent Auditors**

The City's financial statements have been audited by TMH, Certified Public Accountants, a firm of licensed certified public accountants. The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. The independent auditor's report is located at the front of the financial section of this report, and the single audit reports are presented in the single audit section of this report.

### **Acknowledgments**

The preparation of this report was made possible with the assistance of the dedicated staff of the Accounting Division of the Department of Administration. Appreciation is also extended to other City departments for their cooperation in providing information for preparation of this report.

Sincerely,

A handwritten signature in cursive script, reading "Connie Everett", is written over a horizontal line.

Connie Everett  
Chief Financial Officer

\*\*\*\*\*

PUBLIC OFFICIALS

\*\*\*\*\*

TOBY BARKER  
MAYOR

COUNCIL MEMBERS

JEFFREY GEORGE – WARD 1  
DEBORAH DENARD DELGADO – WARD 2  
CARTER CARROLL – WARD 3  
MARY DRYDEN – WARD 4  
NICHOLAS BROWN – WARD 5

\*\*\*\*\*

***FINANCIAL SECTION***



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Hattiesburg, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The City of Hattiesburg, Mississippi's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

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.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Deficit Fund Balance*

As described in Note 15 to the financial statements, deficit fund balances were reported in certain governmental funds as a result of modified accrual recognition of expenditures for which reimbursements were not available resources. Our opinion is not modified with respect to this matter.

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedules 1 through 6, including related notes, 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hattiesburg, Mississippi's basic financial statements. Schedules 7 through 22 and Schedule 23, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (supplementary information), Letter of Transmittal, List of Public Officials, and Tables 1 through 14 (other information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and



To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021, on our consideration of the City of Hattiesburg, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hattiesburg, Mississippi's internal control over financial reporting and compliance.



Hattiesburg, Mississippi  
May 20, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**  
**Year Ended September 30, 2020**

The Discussion and Analysis of the City of Hattiesburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the transmittal letter in order to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2020 were as follows:

- Total net position for 2020 increased \$3,371,251, or 2.86% from 2019 including a prior period adjustment of \$1,224,684.
- Total assets of governmental activities increased \$22,943,507 or 10.43% from 2019.
- Total liabilities of governmental activities increased \$29,327,614 or 19.16% from 2019.
- In total, equity in cash and cash equivalents of governmental activities increased \$8,992,504, or 17.83% from 2019.
- Total book value of capital assets for governmental activities increased \$14,229,748, or 10.52% from fiscal year 2019.

**Using this Annual Financial Report:**

This annual report consists of a series of financial statements and notes to those statements that are organized so that the reader can understand the City of Hattiesburg as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**Reporting the City of Hattiesburg as a Whole:**

***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers 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 and the change in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the City's departmental activities are reported as Governmental Activities, which include all of the City's services such as police, fire, administration, public services, and all other departments. The Business-Type Activities of the City of Hattiesburg consist of the City's Combined Water & Sewer System.

The government-wide financial statements include not only the City of Hattiesburg itself (the *primary government*), but also a legally separate component unit, the Hattiesburg Convention Commission. Financial information presented for the component unit is reported separately from the financial information presented for the primary government itself.

### **Changes to Net Revenue**

Net Revenues exceeded expenses by \$2,146,567 in 2020. For 2019, Net Expenses exceeded revenues by \$2,770,014. This amounts to an increase in Net Revenue in 2020 of \$4,916,581 from 2019. There are a number of factors affecting this increase in Net Revenues:

- Fluctuations in revenues and expenses in FY 2020 were the result of COVID-19 in many cases. Some departments experienced reductions in expenses due to elimination of positions. Operating expenses were monitored and reduced where possible without causing a reduction in services.
- Sales tax experienced an unexpected increase of \$190,178. With the COVID-19 shutdown, it was expected that sales tax revenue would reflect a significant reduction. Analysis of information provided by the Department of Revenue showed that the retail sector held steady, as businesses shifted to providing online and curbside services. It is also speculated that monies were spent locally since travel was significantly reduced during the COVID-19 shutdown period.
- Other sales tax revenue, specifically the additional 1% tax on hotels, motels, and restaurants to be used to promote tourism and parks and recreation, reflected an increase from FY 2019 of \$1,645,169 due to collection of receipts for the full fiscal year.
- A new sales tax revenue source was received in FY 2020 from collection of sales tax on internet sales.

### **Revenues**

The major components of primary government revenues are property tax and sales tax. The City's Combined Water & Sewer System comprises revenue for business-type activities.

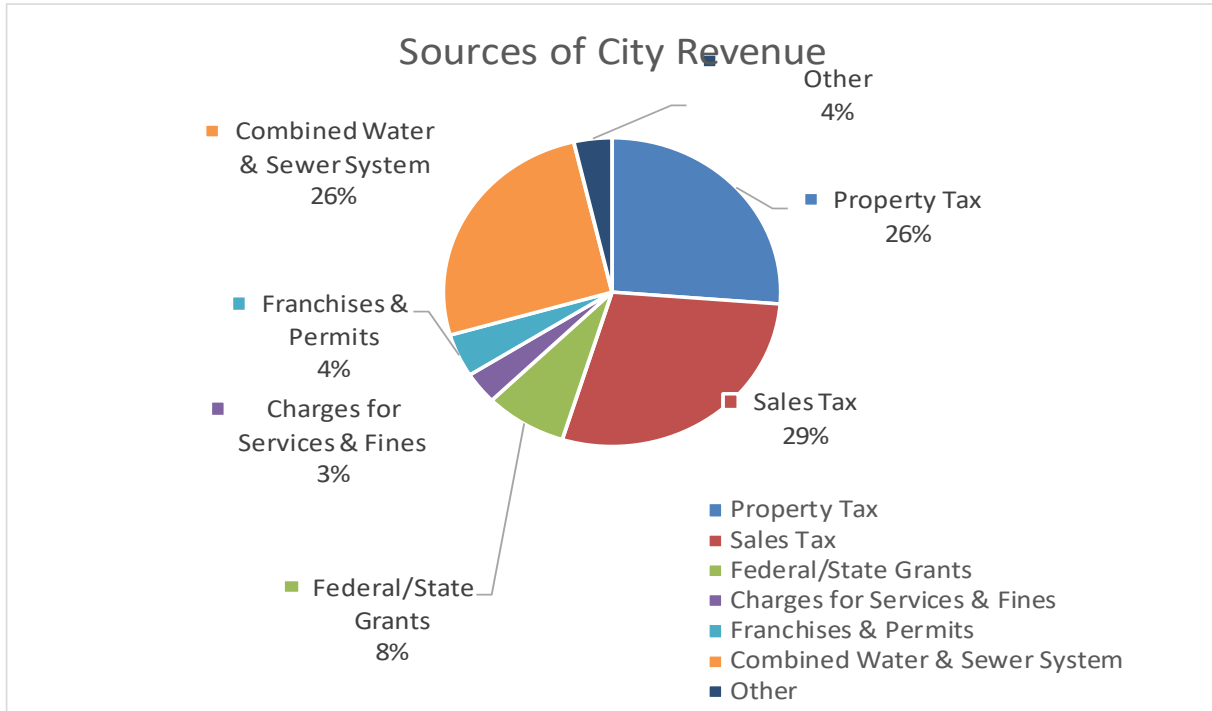
*Property Tax* - One of the major sources of revenue for the City, property tax revenue, increased \$417,533 from FY 2019 representing 26.23% of total revenues. Adjustments to property values are made periodically by county assessors based on home sales. The local real estate market has been active with the reduction in lending rates. The reduced supply of homes for sale had the effect of driving prices upward. This trend of increasing property values is expected to continue.

*Sales Tax* - Sales tax has several components now, as a result of state legislation adding the 1% tax supporting tourism and parks and recreation improvements and the internet sales tax. Although the local sales tax saw a minute increase of \$190,178, or .84%, other sales taxes reflected increases from FY 2019. The 1% tax collections reflected the full 12 months' collections, whereas collection of this tax began in mid-FY2019, resulting in increased revenue for only one quarter of the prior fiscal year. Receipt of sales tax from internet sales began in FY 2020, and the Department of Revenue anticipates growth in the annual receipts over the next several years as this tax is increasingly enforced with online vendors.

Proceeds of the 1% tax were expended on a number of projects, including renovation of the old Hattiesburg American building to house the Community Arts Center, renovation of tennis courts at Tatum Park, improvements at Dahmer Park, improvements at 9<sup>th</sup> Street Park, Thames Elementary gym, and improvements to the Duncan Lake Park to include a walking trail and nature exhibits.

Legislation supporting the internet sales tax collection earmarked those funds for improvements to infrastructure and costs associated with those improvements. Funds received were expended on the Hutchinson Avenue Bridge over Gordon's Creek, overlay of Weathersby Road and purchase of construction equipment to be used for infrastructure improvements.

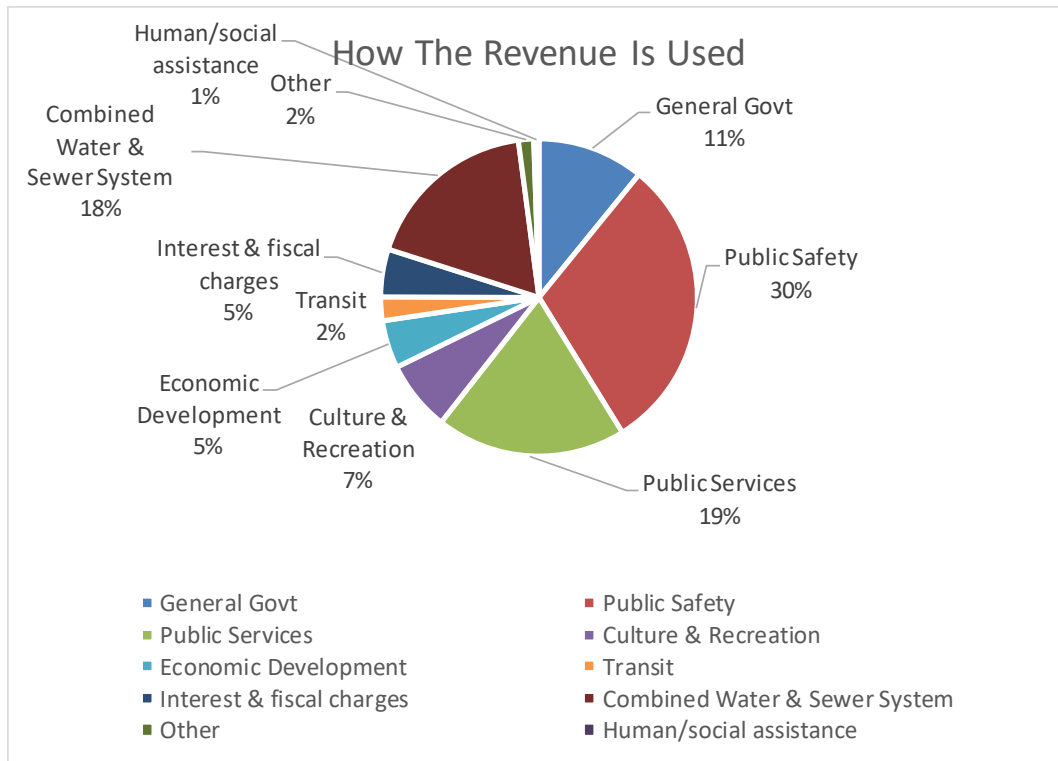
*Water & Sewer* - The City's Combined Water & Sewer System comprises a significant portion of the total revenues, and its revenues are used almost exclusively for water & sewer system maintenance and improvements.



### **Expenses**

The chart below depicts the breakdown of how Hattiesburg's revenue is used. Public Safety and Public Services are the most significant portions of expenditures, and the Combined Water & Sewer System comprises the third largest portion of total expenditures.

(See Chart on Next Page)



### **Reporting on the City of Hattiesburg's Most Significant Funds:**

#### ***Governmental Funds:***

Information about the City's major governmental funds begins with items presented on the Governmental Funds Balance Sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$67,463,160, net other financing sources of \$25,918,375, and expenditures of \$85,744,534.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Detailed information is presented for other funds comprising the Governmental Funds grouping, and a reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position is provided.

The General Fund is the primary governmental operating fund, containing expenditures for public safety, public services, economic development, human/social assistance, other services and general government. The governmental funds account for 74.70% of total revenues, with the General Fund alone accounting for 56.66% of total revenues. The governmental funds account for 79.58% of total expenses, and the General Fund alone accounts for 54.34% of total expenses.

Total expenditures for the General Fund increased by \$335,561, or .70% from FY 2019. The General Fund's ending fund balance decreased \$287,307, or 2.35% from FY 2019.

***Proprietary Funds:***

The City of Hattiesburg maintains one type of proprietary fund, an enterprise fund that is used to report business-type activities in the government-wide financial statements. The City uses enterprise fund accounting in order to account for the Combined Water & Sewer System.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Operating revenues of the system are utilized to fund operation and maintenance expenses and debt service, with any residual net revenues being transferred into the Water & Sewer Construction Fund, a component of the consolidated enterprise fund.

Operating expenses for the system were \$1,676,471, or 9.46% less in FY 2020 than FY 2019. This decrease is the result of a reduction in contracted services for the various water and sewer line repairs.

Operating revenues increased \$1,174,376, or 5.35% in FY 2020 from FY 2019. Revenue increases in the area of sewer charges and sewer connections were the result of changes to the fee structures for large commercial entities, collection of revenue from areas outside the City for collection and treatment of sewer effluent, and addition of new customers.

***The City of Hattiesburg as a Whole:***

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for FY 2020.

Table 2 shows the Changes in Net Position for the year ended September 30, 2020.

The most significant changes in the information included in Table 1 are reflected in the *Assets* and *Liabilities* sections. The increase in Long-term Liabilities payable after one year from FY 2019 of \$14,493,779 is due mostly for issuance of general obligation bonds for construction of the rail road overpass. The increase in net pension liability from FY 2019 of \$7,527,979 is Hattiesburg's share of liability of the Public Employees Retirement System, from information provided by the Retirement System in their annual financial report. The increase in total OPEB liability from FY 2019 of \$767,097 is due to recommended changes in industry standards of measurement and reporting utilized by the consultants who performed the analysis, as well as the fact that health insurance premiums for retirees and dependents have not increased. These items are under review by administration officials with the intent to make adjustments in accordance with current industry standards within the year. The increase in Other Tax revenues contributed to the addition in government-wide Total Net Position of \$3,371,251 or 2.86%.

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**TABLE 1  
CITY OF HATTIESBURG'S NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>						
Current and other assets	\$ 93,408,835	\$ 84,695,076	\$ 17,342,150	\$ 23,497,629	\$ 110,750,985	\$ 108,192,705
Capital assets, net	149,467,965	135,238,217	120,807,749	114,377,503	270,275,714	249,615,720
<b>Total assets</b>	<b>242,876,800</b>	<b>219,933,293</b>	<b>138,149,899</b>	<b>137,875,132</b>	<b>381,026,699</b>	<b>357,808,425</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	10,673,998	6,860,658	745,263	497,182	11,419,261	7,357,840
Related to OPEB	1,643,144	1,880,136	136,784	154,068	1,779,928	2,034,204
Prepaid bond insurance	175,558	148,251	63,032	104,817	238,590	253,068
<b>Total deferred outflows of resources</b>	<b>12,492,700</b>	<b>8,889,045</b>	<b>945,079</b>	<b>756,067</b>	<b>13,437,779</b>	<b>9,645,112</b>
<b>LIABILITIES</b>						
Long-term liabilities, outstanding:						
Due within one year	4,555,246	3,680,562	5,571,512	5,429,423	10,126,758	9,109,985
Payable after one year	79,352,500	59,173,685	54,110,914	59,795,950	133,463,414	118,969,635
Other liabilities	4,637,977	4,059,470	1,733,874	2,701,994	6,371,851	6,761,464
Net pension liability	82,895,066	75,907,605	5,538,060	4,997,542	88,433,126	80,905,147
Total OPEB liability	10,987,507	10,279,360	885,398	826,448	11,872,905	11,105,808
<b>Total liabilities</b>	<b>182,428,296</b>	<b>153,100,682</b>	<b>67,839,758</b>	<b>73,751,357</b>	<b>250,268,054</b>	<b>226,852,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	231,995	824,928	-	43,877	231,995	868,805
Related to contracts	-	-	452,069	507,109	452,069	507,109
Related to grants	-	-	356,025	-	356,025	-
Unearned revenues - property taxes	22,027,000	21,467,500	-	-	22,027,000	21,467,500
<b>Total deferred inflows of resources</b>	<b>22,258,995</b>	<b>22,292,428</b>	<b>808,094</b>	<b>550,986</b>	<b>23,067,089</b>	<b>22,843,414</b>
<b>NET POSITION</b>						
Net investment in capital assets	68,207,984	76,522,662	62,836,484	50,999,854	131,044,468	127,522,516
Restricted	40,600,594	8,817,108	12,702,304	8,094,960	53,302,898	16,912,068
Unrestricted	(58,126,369)	(31,910,542)	(5,091,662)	5,234,042	(63,218,031)	(26,676,500)
<b>Total net position</b>	<b>\$ 50,682,209</b>	<b>\$ 53,429,228</b>	<b>\$ 70,447,126</b>	<b>\$ 64,328,856</b>	<b>\$ 121,129,335</b>	<b>\$ 117,758,084</b>

**TABLE 2**  
**CITY OF HATTIESBURG'S CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 3,063,373	\$ 2,640,705	\$ 23,121,868	\$ 21,947,492	\$ 26,185,241	\$ 24,588,197
Operating grants and contributions	4,212,115	3,814,222	-	-	4,212,115	3,814,222
Capital grants and contributions	2,901,877	2,262,474	-	-	2,901,877	2,262,474
<b>Total program revenues</b>	<b>10,177,365</b>	<b>8,717,401</b>	<b>23,121,868</b>	<b>21,947,492</b>	<b>33,299,233</b>	<b>30,664,893</b>
General revenues:						
Property taxes	23,958,334	23,540,801	-	-	23,958,334	23,540,801
Other taxes	30,199,796	28,091,953	-	-	30,199,796	28,091,953
Grants and contributions not restricted to specific programs	63,319	39,254	-	-	63,319	39,254
Other general revenues	3,331,164	3,730,844	488,480	533,545	3,819,644	4,264,389
<b>Total general revenues</b>	<b>57,552,613</b>	<b>55,402,852</b>	<b>488,480</b>	<b>533,545</b>	<b>58,041,093</b>	<b>55,936,397</b>
<b>Total revenues</b>	<b>67,729,978</b>	<b>64,120,253</b>	<b>23,610,348</b>	<b>22,481,037</b>	<b>91,340,326</b>	<b>86,601,290</b>
<b>PROGRAM EXPENSES</b>						
General government	9,706,192	9,856,181	-	-	9,706,192	9,856,181
Public safety	27,025,859	27,096,070	-	-	27,025,859	27,096,070
Public services	17,317,329	19,589,388	-	-	17,317,329	19,589,388
Other services	1,388,068	1,579,771	-	-	1,388,068	1,579,771
Mass transit	2,154,841	2,380,293	-	-	2,154,841	2,380,293
Culture and recreation	6,393,310	5,565,089	-	-	6,393,310	5,565,089
Human/social assistance	475,730	576,634	-	-	475,730	576,634
Water & Sewer	-	-	16,039,290	17,715,761	16,039,290	17,715,761
Economic development	4,353,707	1,070,757	-	-	4,353,707	1,070,757
Interest and fiscal charges	2,161,961	1,644,427	2,177,472	2,296,933	4,339,433	3,941,360
<b>Total program expenses</b>	<b>70,976,997</b>	<b>69,358,610</b>	<b>18,216,762</b>	<b>20,012,694</b>	<b>89,193,759</b>	<b>89,371,304</b>



**TABLE 2**  
**CITY OF HATTIESBURG'S CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Increase (decrease) in net position before inclusion of transfers</b>	<b>\$ (3,247,019)</b>	<b>\$ (5,238,357)</b>	<b>\$ 5,393,586</b>	<b>\$ 2,468,343</b>	<b>\$ 2,146,567</b>	<b>\$ (2,770,014)</b>
Transfers In (Out)	500,000	-	(500,000)	-	-	-
<b><i>Increase (decrease) in net position after inclusion of transfers</i></b>	<b>(2,747,019)</b>	<b>(5,238,357)</b>	<b>4,893,586</b>	<b>2,468,343</b>	<b>2,146,567</b>	<b>(2,770,014)</b>
<b>Net position - Beginning</b>	<b>53,429,228</b>	<b>57,043,332</b>	<b>64,328,856</b>	<b>61,860,513</b>	<b>117,758,084</b>	<b>118,903,845</b>
Prior period adjustment	-	1,624,253	1,224,684	-	1,224,684	1,624,253
Net position - Beginning, as restated	53,429,228	58,667,585	65,553,540	61,860,513	118,982,768	120,528,098
<b>Net position - Ending</b>	<b>\$ 50,682,209</b>	<b>\$ 53,429,228</b>	<b>\$ 70,447,126</b>	<b>\$ 64,328,856</b>	<b>\$ 121,129,335</b>	<b>\$ 117,758,084</b>

***General Fund Budgetary Highlights***

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The 2020 budget of the General Fund realized an increase in ending fund balance of \$165,297.

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In December 2018, City officials met with representatives with Moody's Investors Service, seeking to obtain a bond rating pursuant to issuance of general obligation bonds for the purpose of renovating and constructing a new Public Safety Complex on the site of the current structure in the southeast section of the City, and associated infrastructure improvements to the adjoining area. Due in part to providing up-to-date financial audits and sound fiscal management with long-range goals for improvements to the City's infrastructure, the City was given a Aa3 bond rating in connection with planned issuance of up to \$45 million in general obligation bonds. The issuance of bonds was planned in two phases. Phase I was issued in December 2018, in the amount of \$29,850,000, for the renovation of the Public Safety Complex. As of March 2020, renovation is approximately 78% complete. Phase II bonds were issued in August 2020, in the amount of \$15,150,000. Improvements to the infrastructure surrounding the Public Safety Complex are planned for the Phase II bond proceeds, in conjunction with grants awarded for those improvements, which consist of overpass construction over the railroads, in order to provide east-west traffic corridors uninterrupted by the rail traffic, which originally gave Hattiesburg its nickname "Hub City".

Other significant expenditures for FY 2020 include continued paving throughout the City, new sidewalks in various sections of the City, especially near schools, upgrading of major traffic corridors, completion of upgrades to 38<sup>th</sup> Avenue, extension of the Longleaf Trace walking trail, infrastructure improvements on Lamar Boulevard to accommodate increased traffic flow due to construction of a major banking facility, as well as continuation of infrastructure improvements considered more routine in nature.

From a budgetary point of view, the City's original General Fund revenue budget for FY 2020 totaled \$52,679,092 (exclusive of projected beginning cash at October 1, 2019 of \$8.4 million). The final revenue budget totaled \$53,739,834, with actual revenue collections of \$52,797,625 (98.25% collected). Amendments to the General Fund budget were attributable mostly to state grant awards.

The original FY 2020 budget for General Fund expenditures was \$55,639,327, and the final amended total was \$60,560,508. Actual expenditures totaled \$52,632,328 (86.91% of budget expended). The unexpended budget total of \$7,928,180 is mostly attributable to unexpended personnel costs for unfilled positions, unexpended grant funds, and unexpended funds for capital purchases which were not completed prior to the end of the fiscal year.

## **Capital Assets and General Long-Term Obligations**

### ***Capital Assets***

Table 3 provides an overview of the City's Capital Assets, net of accumulated depreciation:

**Table 3**  
**Capital Assets (Net of Depreciation)**

	<b>2020</b>	<b>2019</b>
Land and construction in progress	\$ 65,766,192	\$ 49,542,751
Buildings and improvements	34,831,093	33,325,260
Machinery and equipment	4,727,044	5,127,040
Infrastructure	164,951,385	161,620,669
<b>Total</b>	<b>\$ 270,275,714</b>	<b>\$ 249,615,720</b>

The increase in the "Land and construction in progress" category is the result of construction on the Public Safety Complex as well as other major street improvements throughout the City. The increase to Building and Improvements and Infrastructure are due to completion of improvements to various City buildings and infrastructure. The decrease in Machinery and Equipment is the result of depreciation on existing assets.

### **General Long-Term Debt Obligations**

At September 30, 2020, the City of Hattiesburg had \$51,403,875 in outstanding General Obligation Bonds subject to the City's overall general obligation debt limitations. The City's overall legal debt margin at September 30, 2020 was calculated to be \$70,554,664. This number is based on the City's most current property tax rolls in conjunction with existing general obligation debt. In addition to traditional general obligation debt, certain debt issues are secured by tax interceptor agreements with the State of Mississippi. Tax Increment Financing Bonds are secured by the incremental increase in property taxes at various taxing districts. The City has opted to maintain a margin of at least \$10 million as a matter of policy. Table 4 summarizes the total outstanding long-term debt obligations of the City.

**Table 4**  
**Outstanding Bonds, Notes and Long-Term Obligations at Year End**

	<b>2020</b>	<b>2019</b>
<b>Governmental Funds</b>		
General obligation bonds	\$ 46,810,000	\$ 32,595,000
Limited obligation tax increment financing bonds	12,508,718	9,721,000
Certificates of participation	4,750,000	4,940,000
Economic development limited obligation bonds	156,334	1,594,398
Notes from direct borrowings and direct placements	4,593,875	607,000
Capital leases	6,859,214	7,474,830
Unamortized premium	5,581,840	3,195,499
Claims and judgments	549,250	599,250
Subtotal governmental funds	<u>81,809,231</u>	<u>60,726,977</u>
<b>Proprietary Fund</b>		
General obligation bonds	5,935,000	8,141,000
Revenue bonds	51,780,000	54,935,000
Unamortized bond premium	256,265	301,649
Subtotal proprietary fund	<u>57,971,265</u>	<u>63,377,649</u>
<b>Compensated Absences</b>	<u><b>2,272,702</b></u>	<u><b>2,280,862</b></u>
<b>Total Long-Term Obligations</b>	<u><b>\$ 142,053,198</b></u>	<u><b>\$ 126,385,488</b></u>

Phase II of the planned General Obligation Bonds not to exceed \$45,000,000 was issued in August 2020. Phase I bond proceeds are being used for renovation of the Public Safety Complex. The Phase II issue will be used for infrastructure improvements to areas near the Complex and in the downtown area to relieve traffic congestion due to the railroad crossings. These improvements will eliminate blocking of major east-west traffic corridors and greatly improve response time for emergency situations.

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid over time as people leave or retire.

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**Current Financial Related Activities:**

Sales tax collections, a major source of revenue for the General Fund, have always been a strong indicator of the local economy. This was proven once again in FY 2020, with the unique circumstances of COVID-19 and a nation-wide economic shutdown. Hattiesburg officials expected, and reacted upon, what was anticipated to be a significant reduction in revenue. However, the spirit and ingenuity of local business owners persevered to find new ways to provide services, as the local citizenry adapted to a new way of life. As a result, Hattiesburg ended the fiscal year with a much better financial position than expected, and in many cases, better than other cities across the state and nation. The diverse economy continues to insulate the City from drastic shifts in economic trends, and the City officials have been able to continue with implementation of planned projects, as discussed earlier.

Property tax values showed an increase from FY 2019. Although these values are pre-COVID, City officials expect that this trend will continue. Throughout FY 2020 and currently, the housing market is strong. Demand has exceeded supply, and this has driven an increase in real estate prices. Low interest rates serve as another driving force for this market. Planned expansion of local manufacturing facilities continued, and employment opportunities are increasing every day as the economy returns to normal. While a post-COVID economy will certainly look different than the pre-COVID economy, the indicators used to measure Hattiesburg's economy are continuing to reflect positive growth.

**Contacting the City of Hattiesburg:**

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. Copies of this report will be on file at City Hall as well as on the City's website, [www.hattiesburgms.com](http://www.hattiesburgms.com). If you should have questions about this report or need additional financial information, contact the City Clerk's Office at 601-545-4552.

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## ***BASIC FINANCIAL STATEMENTS***

EXHIBIT A  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Net Position  
September 30, 2020**

	PRIMARY		GOVERNMENT	Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 11,692,672	\$ 2,110,799	\$ 13,803,471	\$ 2,763,031
Cash and cash equivalents - restricted	46,886,275	9,801,166	56,687,441	2,520,000
Cash with fiscal agent - restricted	855,707	4,438,112	5,293,819	-
Sales tax receivable	4,469,357	-	4,469,357	930,730
Property taxes receivable	22,565,252	-	22,565,252	-
Accounts receivable - Water and Sewer (net of allowance for doubtful accounts of \$3,707,779)	-	1,213,892	1,213,892	-
Accounts receivable - Solid Waste Services	212,857	-	212,857	-
Intergovernmental receivable	2,274,283	-	2,274,283	-
Fines receivable (net of allowance for doubtful accounts of \$24,036,636)	3,336,624	-	3,336,624	-
Other receivables	868,325	-	868,325	10,389
Internal balances	221,819	(221,819)	-	-
Due from other agencies	9,357	-	9,357	-
Inventory - food and beverage	-	-	-	71,298
Inventory - gas and oil	16,307	-	16,307	-
Capital assets not being depreciated:				
Land and construction in progress	51,045,596	14,720,596	65,766,192	5,853,017
Capital assets, net of accumulated depreciation:				
Buildings and improvements	34,680,099	150,994	34,831,093	13,854,755
Machinery and equipment	3,869,426	857,618	4,727,044	332,212
Infrastructure	59,872,844	105,078,541	164,951,385	-
<b>Total assets</b>	<b>242,876,800</b>	<b>138,149,899</b>	<b>381,026,699</b>	<b>26,335,432</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	10,673,998	745,263	11,419,261	-
Related to OPEB	1,643,144	136,784	1,779,928	-
Prepaid bond insurance	175,558	63,032	238,590	-
<b>Total deferred outflows of resources</b>	<b>12,492,700</b>	<b>945,079</b>	<b>13,437,779</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Net Position  
September 30, 2020**

	<b>PRIMARY</b>		<b>GOVERNMENT</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable	\$ 2,597,253	\$ 1,152,137	\$ 3,749,390	\$ 306,490
Accrued wages and benefits	911,627	77,174	988,801	88,978
Other liabilities	74,736	19,559	94,295	-
Due to other agencies	278,858	-	278,858	-
Accrued expenses	267,521	-	267,521	-
Accrued interest	507,982	485,004	992,986	-
Non-current liabilities:				
Portion due or payable within one year:				
General obligation bonds	965,000	2,260,000	3,225,000	-
Revenue bonds	-	3,240,000	3,240,000	-
Unamortized bond premium	230,653	45,384	276,037	-
Limited obligation tax increment financing bonds	1,429,994	-	1,429,994	-
Certificates of participation	200,000	-	200,000	-
Unamortized certificate of participation premium	13,157	-	13,157	-
Economic development limited obligation bonds	21,563	-	21,563	-
Notes from direct borrowings and direct placements	865,254	-	865,254	-
Capital leases	464,848	-	464,848	-
Compensated absences	314,777	26,128	340,905	-
Claims and judgments	50,000	-	50,000	-
Portion due or payable after one year:				
General obligation bonds	45,845,000	3,675,000	49,520,000	-
Revenue bonds	-	48,540,000	48,540,000	-
Unamortized bond premium	5,140,673	210,881	5,351,554	-
Limited obligation tax increment financing bonds	11,078,724	-	11,078,724	-
Certificates of participation	4,550,000	-	4,550,000	-
Unamortized certificate of participation premium	197,357	-	197,357	-
Economic development limited obligation bonds	134,771	-	134,771	-
Notes from direct borrowings and direct placements	3,728,621	-	3,728,621	-
Capital leases	6,394,366	-	6,394,366	-
Compensated absences	1,783,738	148,059	1,931,797	143,657
Claims and judgements	499,250	-	499,250	-
Net pension liability	82,895,066	5,538,060	88,433,126	-
Total OPEB liability	10,987,507	885,398	11,872,905	-
Customer meter deposits	-	1,536,974	1,536,974	-
<b>Total liabilities</b>	<b>182,428,296</b>	<b>67,839,758</b>	<b>250,268,054</b>	<b>539,125</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	231,995	-	231,995	-
Related to contracts	-	452,069	452,069	-
Related to grants	-	356,025	356,025	-
Special event revenue	-	-	-	104,592
Unearned revenue - property taxes	22,027,000	-	22,027,000	-
<b>Total deferred inflows of resources</b>	<b>22,258,995</b>	<b>808,094</b>	<b>23,067,089</b>	<b>104,592</b>
<b>NET POSITION</b>				
Net investment in capital assets	68,207,984	62,836,484	131,044,468	20,039,984
Restricted for:				
Debt service	9,766,038	6,373,573	16,139,611	-
Capital projects	30,834,556	6,328,731	37,163,287	344,341
Unrestricted	(58,126,369)	(5,091,662)	(63,218,031)	5,307,390
<b>Total net position</b>	<b>\$ 50,682,209</b>	<b>\$ 70,447,126</b>	<b>\$ 121,129,335</b>	<b>\$ 25,691,715</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Activities  
Year Ended September 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
General government	\$ 9,706,192	\$ -	\$ 201,811	\$ -
Public safety	27,025,859	588,991	840,458	4,569
Public services	17,317,329	2,290,727	1,389,881	-
Other services	1,388,068	-	-	2,600,268
Mass transit	2,154,841	146,689	1,385,400	116,988
Culture and recreation	6,393,310	36,966	-	180,052
Human/social assistance	475,730	-	394,565	-
Economic development	4,353,707	-	-	-
Interest and fiscal charges	2,161,961	-	-	-
Total governmental activities	70,976,997	3,063,373	4,212,115	2,901,877
<b>Business-Type Activities:</b>				
Water and sewer system	16,039,290	23,121,868	-	-
Interest and fiscal charges	2,177,472	-	-	-
Total business-type activities	18,216,762	23,121,868	-	-
<b>Total primary government</b>	<b>\$ 89,193,759</b>	<b>\$ 26,185,241</b>	<b>\$ 4,212,115</b>	<b>\$ 2,901,877</b>
<b>COMPONENT UNIT:</b>				
Hattiesburg Convention Commission	\$ 6,658,382	\$ 2,824,400	\$ -	\$ -
<b>Total component unit</b>	<b>\$ 6,658,382</b>	<b>\$ 2,824,400</b>	<b>\$ -</b>	<b>\$ -</b>

**GENERAL REVENUES:**

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes and other licenses and permits

Special sales tax

Internet sales tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Other local sources

Miscellaneous

Gain on sale of assets

**TRANSFERS:**

Transfers, component unit

Transfers, net

Total general revenues and transfers

**CHANGE IN NET POSITION**

**NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED**

Prior period adjustment

**NET POSITION - BEGINNING, AS ADJUSTED**

**NET POSITION - ENDING**

The accompanying notes are an integral part of these financial statements.



Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (9,504,381)		\$ (9,504,381)	
(25,591,841)		(25,591,841)	
(13,636,721)		(13,636,721)	
1,212,200		1,212,200	
(505,764)		(505,764)	
(6,176,292)		(6,176,292)	
(81,165)		(81,165)	
(4,353,707)		(4,353,707)	
(2,161,961)		(2,161,961)	
<u>(60,799,632)</u>		<u>(60,799,632)</u>	
-	\$ 7,082,578	7,082,578	
-	(2,177,472)	(2,177,472)	
<u>-</u>	<u>4,905,106</u>	<u>4,905,106</u>	
(60,799,632)	4,905,106	(55,894,526)	
			\$ (3,833,982)
			<u>(3,833,982)</u>
20,594,166	-	20,594,166	-
3,364,168	-	3,364,168	-
22,958,049	-	22,958,049	-
4,128,012	-	4,128,012	-
2,575,937	-	2,575,937	5,330,023
537,798	-	537,798	-
63,319	-	63,319	-
459,852	384,563	844,415	99,844
2,265,825	-	2,265,825	-
492,016	103,917	595,933	6,415
2,045	-	2,045	-
111,426	-	111,426	(111,426)
500,000	(500,000)	-	-
<u>58,052,613</u>	<u>(11,520)</u>	<u>58,041,093</u>	<u>5,324,856</u>
(2,747,019)	4,893,586	2,146,567	1,490,874
53,429,228	64,328,856	117,758,084	24,200,841
-	1,224,684	1,224,684	-
<u>53,429,228</u>	<u>65,553,540</u>	<u>118,982,768</u>	<u>24,200,841</u>
<u>\$ 50,682,209</u>	<u>\$ 70,447,126</u>	<u>\$ 121,129,335</u>	<u>\$ 25,691,715</u>

EXHIBIT C  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Balance Sheet - Governmental Funds  
September 30, 2020**

	General Fund	Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,739,187	\$ -	\$ 2,953,485	\$ 11,692,672
Cash and cash equivalents - restricted	-	31,627,321	15,258,954	46,886,275
Cash with fiscal agent - restricted	-	161,563	694,144	855,707
Due from other funds	1,249,924	-	717	1,250,641
Sales tax receivable	1,938,917	-	224,117	2,163,034
Intergovernmental receivables	49,715	-	568,361	618,076
Fines receivable (net of allowance for doubtful accounts of \$24,036,636)	3,336,624	-	-	3,336,624
Other receivables	763,501	-	16,127	779,628
Property taxes receivable	19,093,514	-	3,306,279	22,399,793
Due from other agencies	9,357	-	-	9,357
Inventory - gas and oil	16,307	-	-	16,307
Advances to other funds	300,000	-	-	300,000
Prepaid insurance	175,558	-	-	175,558
<b>Total assets</b>	<b>\$ 35,672,604</b>	<b>\$ 31,788,884</b>	<b>\$ 23,022,184</b>	<b>\$ 90,483,672</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 728,388	\$ 954,328	\$ 914,537	\$ 2,597,253
Due to other funds	717	-	1,028,105	1,028,822
Due to other governments	50,490	-	112,059	162,549
Accrued wages and benefits	815,047	-	96,580	911,627
Other liabilities	36,137	-	306,120	342,257
Advances from other funds	-	-	300,000	300,000
<b>Total liabilities</b>	<b>1,630,779</b>	<b>954,328</b>	<b>2,757,401</b>	<b>5,342,508</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	18,745,000	-	3,282,000	22,027,000
Unavailable revenue - fines	3,336,624	-	-	3,336,624
<b>Total deferred inflows of resources</b>	<b>22,081,624</b>	<b>-</b>	<b>3,282,000</b>	<b>25,363,624</b>
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Inventories	16,307	-	-	16,307
Prepaid expenses	175,558	-	-	175,558
Long-term interfund advance	300,000	-	-	300,000

The accompanying notes are an integral part of these financial statements.

EXHIBIT C  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Balance Sheet - Governmental Funds  
September 30, 2020**

	<b>General Fund</b>	<b>Series 2019 and 2020 Bond Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><i>FUND BALANCES (Cont.)</i></b>				
<b>Restricted:</b>				
Public safety:				
Fire protection	\$ -	\$ -	\$ 372,333	\$ 372,333
Law enforcement	-	14,022,888	2,931,884	16,954,772
Mass transit	-	-	123,193	123,193
Debt service	-	-	9,766,038	9,766,038
Culture and recreation	-	-	959,191	959,191
Economic development	-	16,811,668	1,815,408	18,627,076
<b>Committed:</b>				
Culture and recreation	-	-	1,424,596	1,424,596
<b>Assigned:</b>				
General government	58,326	-	-	58,326
Public safety	27,655	-	-	27,655
Public services	360,423	-	-	360,423
Economic development	560,802	-	-	560,802
Other services	1,946	-	-	1,946
<b>Unassigned</b>	10,459,184	-	(409,860)	10,049,324
Total fund balances	<u>11,960,201</u>	<u>30,834,556</u>	<u>16,982,783</u>	<u>59,777,540</u>
 <b><i>Total liabilities, deferred inflows of resources, and fund balances</i></b>	 <u>\$ 35,672,604</u>	 <u>\$ 31,788,884</u>	 <u>\$ 23,022,184</u>	 <u>\$ 90,483,672</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT C.1  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position  
September 30, 2020**

Total *fund balances* for governmental funds (Exhibit C) \$ 59,777,540

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 30,481,106	
Construction in progress	20,564,490	
Buildings and improvements, net of \$34,054,150 accumulated depreciation	34,680,099	
Machinery and equipment, net of \$33,959,596 accumulated depreciation	3,869,426	
Infrastructure, net of \$101,248,292 accumulated depreciation	<u>59,872,844</u>	
Total capital assets		149,467,965

Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds. 3,336,624

Receivables not received within thirty days of year end are not reported in the funds. 4,429,543

Deferred outflows related to pensions and OPEB are not reported in the funds:

Related to pensions	10,673,998	
Related to OPEB	<u>1,643,144</u>	
Total deferred outflows		12,317,142

EXHIBIT C.1  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position  
September 30, 2020**

Deferred inflows related to pensions are not reported in the funds. \$ (231,995)

Payables not paid within thirty days of year end are  
not reported in the funds. (116,309)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position. Balances for these liabilities at September 30, 2020 are:

Accrued interest on bonds and notes	\$ (507,982)	
General obligation bonds	(46,810,000)	
Limited obligation tax increment financing bonds	(12,508,718)	
Economic development limited obligation bonds	(156,334)	
Unamortized premiums on bonds	(5,371,326)	
Certificates of participation	(4,750,000)	
Unamortized premiums on certificates of participation	(210,514)	
Notes from direct borrowings and direct placements	(4,593,875)	
Capital leases	(6,859,214)	
Compensated absences	(2,098,515)	
Claims and judgments	(549,250)	
Net pension liability	(82,895,066)	
Net OPEB liability	(10,987,507)	
Total long-term liabilities		<u>(178,298,301)</u>

**Total net position of governmental activities (Exhibit A)** \$ 50,682,209

EXHIBIT D  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended September 30, 2020**

	<b>General Fund</b>	<b>Series 2019 and 2020 Bond Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
General property taxes	\$ 19,314,631	\$ -	\$ 4,580,069	\$ 23,894,700
Sales tax collections	22,517,049	-	-	22,517,049
Special sales tax collections	-	-	2,561,625	2,561,625
Internet sales tax	-	-	537,798	537,798
Other taxes	20,868	-	-	20,868
Licenses and permits	3,977,940	-	-	3,977,940
Fines, forfeitures and penalties	851,427	-	36,474	887,901
Interest, rents and concessions	286,473	1,527	292,153	580,153
Intergovernmental revenues	313,867	-	7,213,476	7,527,343
Charges for services	2,546,108	-	281,778	2,827,886
Other revenues	1,921,378	-	208,519	2,129,897
<b>Total revenues</b>	<b>51,749,741</b>	<b>1,527</b>	<b>15,711,892</b>	<b>67,463,160</b>
<b>EXPENDITURES</b>				
Current:				
General government	8,632,566	-	-	8,632,566
Public safety	22,881,291	11,943,342	1,604,193	36,428,826
Public services	12,399,697	370,381	4,543,152	17,313,230
Other services	1,394,347	-	2,632,931	4,027,278
Mass transit	-	-	1,812,822	1,812,822
Culture and recreation	-	-	5,738,746	5,738,746
Human/social assistance	160,000	-	432,384	592,384
Economic development	467,279	-	3,836,567	4,303,846
Debt service:				
Principal payments	2,117,283	-	2,369,804	4,487,087
Interest and fiscal charges	419,474	-	1,988,275	2,407,749
<b>Total expenditures</b>	<b>48,471,937</b>	<b>12,313,723</b>	<b>24,958,874</b>	<b>85,744,534</b>
Excess (deficiency) of revenues over expenditures	<b>3,277,804</b>	<b>(12,312,196)</b>	<b>(9,246,982)</b>	<b>(18,281,374)</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT D  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended September 30, 2020**

	<b>General Fund</b>	<b>Series 2019 and 2020 Bond Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><i>OTHER FINANCING SOURCES (USES)</i></b>				
Proceeds from long-term debt	\$ -	\$ 17,780,151	\$ 8,083,000	\$ 25,863,151
Bond issuance professional fees	-	(622,825)	-	(622,825)
Proceeds from sale of capital asset	2,045	-	-	2,045
Transfers in	500,000	15,439	4,860,087	5,375,526
Transfers out	(4,143,150)	(570,504)	(161,872)	(4,875,526)
Other sources	75,994	-	100,010	176,004
<b><i>Total other financing sources (uses)</i></b>	<b>(3,565,111)</b>	<b>16,602,261</b>	<b>12,881,225</b>	<b>25,918,375</b>
<b><i>NET CHANGE IN FUND BALANCES</i></b>	<b>(287,307)</b>	<b>4,290,065</b>	<b>3,634,243</b>	<b>7,637,001</b>
Fund balances – beginning	12,247,508	26,544,491	13,348,540	52,140,539
Fund balances – ending	<u>\$ 11,960,201</u>	<u>\$ 30,834,556</u>	<u>\$ 16,982,783</u>	<u>\$ 59,777,540</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT D.1  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended September 30, 2020**

Net change in <i>fund balances</i> - governmental funds (Exhibit D)	\$ 7,637,001
The change in <i>net position</i> reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$23,208,318) exceeded depreciation expense (\$8,978,570) in the current period.	14,229,748
Intergovernmental revenues are recognized on the full- accrual basis in the statement of activities for revenues received thirty days after year end. This is the amount of effect of the change in revenue.	82,774
Fine revenue deferred in the funds for the modified accrual basis during the current year decreased because prior year recognition would have been required in the statement of activities using the full-accrual basis of accounting.	(122,839)
Proceeds from issuance of long-term debt are reported in the governmental funds. However, in the statement of net position a long-term liability is recorded. Repayments of long-term debt are reported as expenses in the governmental funds but are recorded against the liability in the statement of net position. Thus, the change in net position differs from the change in fund balances by the net amount of the debt proceeds and repayments.	(21,326,064)

The accompanying notes are an integral part of these financial statements.



EXHIBIT D.1  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended September 30, 2020**

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following adjustments combine the net changes of the balances:

Compensated absences	\$ 28,755	
Amortization of certificates of participation premium	13,157	
Amortization of bond premium	230,653	
Special sales tax payable	7,156	
Accrued interest on bonds and notes	<u>(1,033)</u>	
Combined adjustment		\$ 278,688
Change related to pension deferred outflows and inflows and liabilities		(2,581,188)
Change related to other post employment benefit deferred outflows and liabilities		<u>(945,139)</u>
Change in <i>net position</i> of governmental activities (Exhibit B)		<u>\$ (2,747,019)</u>

EXHIBIT E  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Net Position - Proprietary Fund  
September 30, 2020**

	<b>Combined Water and Sewer System</b>
<b><i>CURRENT ASSETS</i></b>	
Cash and cash equivalents - unrestricted	\$ 2,110,799
Cash and cash equivalents - restricted	8,264,192
Cash with fiscal agent - restricted	4,438,112
Accounts receivable - trade (net of allowance for doubtful accounts of \$3,707,779)	1,213,892
Total current assets	<u>16,026,995</u>
<b><i>NONCURRENT ASSETS</i></b>	
Cash and cash equivalents - restricted	1,536,974
Capital assets	
Land	358,164
Construction in progress	14,362,432
Buildings and improvements, net	150,994
Machinery and equipment, net	857,618
Infrastructure, net	105,078,541
Total noncurrent assets	<u>122,344,723</u>
<b><i>Total assets</i></b>	<u>138,371,718</u>
<b><i>DEFERRED OUTFLOW OF RESOURCES</i></b>	
Related to pensions	745,263
Related to OPEB	136,784
Prepaid bond insurance	63,032
<b><i>Total deferred outflows</i></b>	<u>945,079</u>
<b><i>CURRENT LIABILITIES</i></b>	
Due to governmental funds	221,819
Accounts payable	1,152,137
Accrued wages and benefits payable	77,174
Sales tax payable	19,559
Accrued interest payable	485,004
General obligation bonds - current	2,260,000
Revenue bonds - current	3,240,000
Unamortized bond premium - current	45,384
Compensated absences - current	26,128
Total current liabilities	<u>7,527,205</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT E  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Net Position - Proprietary Fund  
September 30, 2020**

	<b>Combined Water and Sewer System</b>
<b><i>NON-CURRENT LIABILITIES</i></b>	
General obligation bonds	\$ 3,675,000
Revenue bonds	48,540,000
Unamortized bond premium	210,881
Compensated absences	148,059
Net pension liability	5,538,060
Net OPEB liability	885,398
Customer meter deposits	1,536,974
Total non-current liabilities	<u>60,534,372</u>
<b><i>Total liabilities</i></b>	<u>68,061,577</u>
<b><i>DEFERRED INFLOWS OF RESOURCES</i></b>	
Related to contracts	452,069
Related to grants	356,025
<b><i>Total deferred inflows</i></b>	<u>808,094</u>
<b><i>NET POSITION</i></b>	
Net investment in capital assets	62,836,484
Restricted for debt service	6,373,573
Restricted for capital projects	6,328,731
Unrestricted	<u>(5,091,662)</u>
<b><i>Total net position</i></b>	<u><u>\$ 70,447,126</u></u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT F

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Revenues, Expenses, and Changes In Net Position -  
Proprietary Fund  
Year Ended September 30, 2020**

	<b>Combined Water and Sewer System</b>
<b>OPERATING REVENUES</b>	
Water charges	\$ 11,421,519
Sewer charges	11,428,767
Sewer connections	33,482
Turn-on fees	42,210
Taps	195,890
Total operating revenues	<u>23,121,868</u>
<b>OPERATING EXPENSES</b>	
Personnel services	3,203,377
Other services and charges	8,006,604
Supplies and expenses	891,820
Depreciation	3,929,145
Other operating expenses	8,344
Total operating expenses	<u>16,039,290</u>
<b>OPERATING INCOME</b>	<u>7,082,578</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest revenue	384,563
Interest expense	(2,177,472)
Other revenues	103,917
Total non-operating revenues (expenses)	<u>(1,688,992)</u>
<b>INCOME BEFORE TRANSFERS</b>	5,393,586
Transfers out	<u>(500,000)</u>
<b>CHANGE IN NET POSITION</b>	4,893,586
<b>NET POSITION - beginning</b>	64,328,856
Prior period adjustment	1,224,684
<b>NET POSITION - beginning, as adjusted</b>	<u>65,553,540</u>
<b>NET POSITION - ending</b>	<u><u>\$ 70,447,126</u></u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT G  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Cash Flows - Proprietary Fund  
Year Ended September 30, 2020**

	<b>Combined Water and Sewer System</b>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Receipts from customers	\$ 23,514,599
Payments to suppliers and service providers	(8,845,319)
Payments to employees for salaries and benefits	(2,852,486)
Net cash provided by operating activities	<u>11,816,794</u>
<b><i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i></b>	
Transfers to other funds	(500,000)
Net cash used by noncapital financing activities	<u>(500,000)</u>
<b><i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i></b>	
Principal payments - bonds and notes	(5,361,000)
Acquisition and construction of capital assets	(10,359,391)
Other receipts	103,917
Interest paid on capital debt	(2,240,108)
Net cash used by capital and related financing activities	<u>(17,856,582)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Interest income	384,563
Net cash provided by investing activities	<u>384,563</u>
<b><i>NET DECREASE IN CASH AND CASH EQUIVALENTS</i></b>	(6,155,225)
<b><i>CASH AND CASH EQUIVALENTS - Beginning</i></b>	<u>22,505,302</u>
<b><i>CASH AND CASH EQUIVALENTS - Ending</i></b>	<u><u>\$ 16,350,077</u></u>
Displayed on Exhibit E as:	
Current Assets:	
Cash and cash equivalents - unrestricted	\$ 2,110,799
Cash and cash equivalents - restricted	8,264,192
Cash with fiscal agent - restricted	4,438,112
Non-Current Assets:	
Cash and cash equivalents - restricted	<u>1,536,974</u>
	<u><u>\$ 16,350,077</u></u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT G  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Cash Flows - Proprietary Fund  
Year Ended September 30, 2020**

	<b><u>Combined Water and Sewer System</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
<b><i>Operating income</i></b>	\$ 7,082,578
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	3,929,145
Decrease (increase) in assets:	
Accounts receivable - trade	(47,743)
Deferred outflows related to pension	(248,081)
Deferred outflows related to OPEB	17,284
Prepaid insurance - bonds	41,785
Increase (decrease) in liabilities:	
Due from/to other governmental funds	47,997
Accounts payable	(28,333)
Accrued wages and benefits payable	5,502
Sales tax payable	933
Compensated absences	20,595
Net pension liability	540,518
Net OPEB liability	58,950
Customer meter deposits	138,556
Deferred inflows related to pension	(43,877)
Deferred inflows related to contracts	(55,040)
Deferred inflows related to grants	356,025
Total adjustments	<u>4,734,216</u>
<b><i>Net cash provided by operating activities</i></b>	<b><u>\$ 11,816,794</u></b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT H

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Fiduciary Assets and Liabilities  
September 30, 2020**

	<u><b>Agency Funds</b></u>
<b><i>ASSETS</i></b>	
Cash and cash equivalents	\$ 906,028
Property taxes and fees receivable	590,502
Sales tax receivable	<u>521,438</u>
<b><i>Total assets</i></b>	<u><u>\$ 2,017,968</u></u>
<b><i>LIABILITIES</i></b>	
Employee contributions payable	\$ 465,169
Due to other agencies	47,607
Amounts held in custody for others	<u>1,505,192</u>
<b><i>Total liabilities</i></b>	<u><u>\$ 2,017,968</u></u>

The accompanying notes are an integral part of these financial statements.

***NOTES TO THE FINANCIAL STATEMENTS***



## **CITY OF HATTIESBURG, MISSISSIPPI**

### **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. General Information**

The City of Hattiesburg, Mississippi (the City) was incorporated in 1884 under the laws of the State of Mississippi and presently operates under a Mayor/Council form of government. It is the fifth largest municipality in the state with nearly 46,000 residents. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the City Council. The following services are provided by the City: Public safety (Police, Fire, and Code Enforcement), Public Services, Engineering, Solid Waste Collection, Water and Sewer, Culture and Recreation, Mass Transit, Federal Programs, Urban Development, and General Administrative Services.

The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities.

##### **B. Reporting Entity**

The City is a charter city in which citizens elect the mayor at large and five council members by wards. The accompanying financial statements present the City's primary government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

**Discretely presented component unit** - The Hattiesburg Convention Commission (the Commission) is composed of a seven member board whose members are appointed by the Hattiesburg City Council. The purpose of the Commission is to promote conventions and tourism. The Commission has authority over all matters relating to the establishment, development, construction, furnishing, and equipping of convention and tourism related facilities. The Commission is primarily funded by a 2% sales tax on local food, beverage, and alcoholic beverage package retailer permits. The Commission is presented as a governmental fund type. Pursuant to component unit criteria guidelines, the Commission is presented as a discretely presented component unit based upon the budgetary oversight provided by the City in conjunction with other related criteria including, but not limited to, the City's ability to make board appointments and the Commission's status as a legally separate entity.

A separate financial statement of the Commission can be obtained by contacting the Hattiesburg Convention Commission, 1 Convention Center Plaza, Hattiesburg, Mississippi 39401.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE TWO**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

***C. Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. Internal activities, including interfund transfers and due to/due from balances attributable to governmental activities have been eliminated for government-wide financial statement presentation purposes.

***D. 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 fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied based on historical trends of collections in relation to assessments. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO THE FINANCIAL STATEMENTS

#### PAGE THREE

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Governmental fund 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. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Activities accounted for in the general fund include police and fire protection, public services, general government, sanitation, city courts, urban development, and other services.

**Series 2019 and 2020 Bond Projects Fund** - The Series 2019 and 2020 Bond Projects Fund represents the City's major capital projects fund. It accounts for all infrastructure projects associated with the Series 2019 and 2020 Bond Issuances.

The City reports the following major proprietary fund:

**Combined Water and Sewer System Fund** - The Combined Water and Sewer System Fund accounts for the activities of the water and sewer system. The City operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the City reports the following fund types:

**Special Revenue Funds** - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE FOUR**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

***Debt Service Funds*** - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt.

***Capital Project Funds*** - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

***Agency Funds*** - These funds are used to account for employee payroll tax withholdings, initial tax deposits from the county tax collectors, initial special sales tax receipts, the Police and Firemen Disability and Relief Fund, and the Forrest County Industrial Park Commission Fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguishes operating revenues and expenses from nonoperating 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 water and sewer system enterprise fund are charges to customers for sales and services. The water and sewer system also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE FIVE**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

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

***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

To maximize interest earnings, the City's cash resources are combined to form a cash pool. Excluded from this pool is the cash of the Water and Sewer Bond and Interest Fund, Water and Sewer Revenue Fund, the Payroll Fund, the Police Forfeitures Fund, the Series 2019 and 2020 Bond Projects Fund, the 2003 TIF Bond and Interest Chauvet Square Fund, the 2007 TIF Bond and Interest Turtle Crossing Fund, the 2008 TIF Bond and Interest Lincoln Center Fund, the 2012 TIF Bond and Interest Kohl's Fund, the 2014 TIF Bond and Interest Southern Pointe Fund, the 2015-A TIF Bond and Interest Ridge at Turtle Creek Fund, the 2015-B TIF Bond and Interest Midtown Market Fund, the 2016 TIF Bond and Interest Whispering Pines Fund, the 2016 TIF Bond and Interest Hattiesburg Clinic Fund, 2019 TIF Bond and Interest Planet Fitness Fund, the 2019 TIF Elam Arms Midtown Bond and Interest Fund, the Municipal Road and Bridge Fund, the Community Development Block Grant Fund for Entitlement and HOME Entitlement, the Special 1% Sales Tax Fund, Internet Sales Tax Fund, the 2019 Fire State Construction Fund, the TIF Construction Fund, the Group Insurance Trust Fund and the Claims Fund.

Investments for the City and its component unit are reported at fair value.

***Interfund Transactions and Balances***

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds". Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE SIX**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

*Receivables*

All receivables for sales taxes and property taxes are considered collectible; therefore no reduction has been made for an allowance for these receivables. Fees paid in lieu of ad valorem taxes pursuant to separate agreements are recognized when collected or when probability of receipt is reasonably certain. Fines receivable is reported net of allowance for uncollectible accounts in the amount of \$24,036,636 at September 30, 2020. Credits against fines are applied for any jail time served, community service, or electronic monitoring. Since any such credits are not known until actual events occur, the amounts of those credits cannot be reasonably estimated before they are earned. Therefore, future credits to be applied against existing fines receivable are not estimated or reflected in the City's financial statements.

Customer accounts receivable in the enterprise fund are attributable to unpaid balances at year-end for charges for services and are netted with an allowance for doubtful accounts. The City estimates the allowance for doubtful water and sewer account balances based upon a review of outstanding balances and status of customer accounts and upon consideration of historical collection trends and other factors.

Property taxes are levied annually for the upcoming fiscal year beginning October 1<sup>st</sup> on property values assessed as of the previous January 1<sup>st</sup>. Such levy, which establishes a lien against the underlying property, is made by the City Council in September before the beginning of the fiscal year. Property taxes are recognized in the year for which they are levied. Property tax statements on real property are typically mailed in December each year, with the taxes due annually on February 1<sup>st</sup>. All taxes are collected and remitted to the City on a monthly basis by Forrest and Lamar County governments. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. Property with delinquent taxes as of August is subject to sale for collection of such taxes. Property taxes on vehicles are assessed annually and become due throughout the year based upon the month of acquisition.

*Inventories and Prepaid Items*

All inventories are valued at cost, which approximates market, using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE SEVEN**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, street lights, sewer and water lines, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Property, plant, equipment, and infrastructure of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Infrastructure	15 – 50 years
Machinery and equipment	3 – 10 years

*Pensions*

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

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE EIGHT**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

*Deferred Outflows/Inflows of Resources*

Deferred outflows of resources are a separate financial statement element that represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports prepaid insurance on the Water and Sewer Revenue Bonds in the government-wide and the proprietary statements of net position as a deferred outflow of resources. Bond insurance paid from debt proceeds as a credit enhancement feature with the bonds is deferred and amortized over the life of the bonds. In addition, deferred outflows include amounts related to pensions and other postemployment benefits, including contributions subsequent to the measurement date of the actuarial valuations for the plans.

Deferred inflows of resources are a separate financial statement element that represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from special assessments, and these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Both the government-wide statements and governmental funds report property taxes levied for the subsequent year, which are deferred and recognized as an inflow of resources in the period for which they are levied. The government-wide statements report unavailable revenues from contracts and grants, in addition to special event revenue from its' component unit, which are deferred and recognized as inflows of resources in the period that the amounts become available. The government-wide statements also reflect pension related items resulting from the difference between estimated and actual return on pension plan investments, which are being amortized over a four year period using the straight-line method.

*Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, overtime, and holiday pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the government. All vacation, overtime, and holiday pay is accrued when incurred in the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be paid from current resources, for example, as a result of employee resignations and retirements, based on management's estimates.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE FINANCIAL STATEMENTS**

**PAGE NINE**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

*Long-Term Obligations*

In the government-wide financial statements and the 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 statement of net position. Bond discounts and premiums are amortized over the life of the related bonds. Bond issuance costs, other than prepaid insurance costs, are recognized as expenses in the period incurred. Prepaid insurance costs are reported as an asset and are recognized as expenses over the duration of the related debt.

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

*Net Position*

The government-wide statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling creditors, grantors, or laws or regulations of other governments.

*Fund Balance Policies*

The City provides fund balance categories to report the nature and extent of the constraints placed on the government's fund balances. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that are not in spendable form, such as inventories and prepaid items, or are legally or contractually required to remain intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

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## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO THE FINANCIAL STATEMENTS

#### PAGE TEN

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- *Committed fund balance* - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council, the government's highest level of decision-making authority.
- *Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned fund balance* - residual amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Council, the City's highest level of decision-making authority, establishes, modifies, or rescinds fund balance commitments by passage of resolutions that also establish the City's spending policy, which prescribes that restricted fund balance amounts are to be spent first, followed by committed, assigned, and lastly, unassigned fund balances.

The City does not have a formal minimum fund balance policy but transfers resources among funds as necessary to address any deficiencies at the fund level.

#### **F. Budgets and Budgetary Accounting**

The City's procedures for establishing its budget and for reporting budgetary data reflected in the financial statements are as follows:

1. In August, the City's Chief Financial Officer submits to the City Council 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. Prior to September 15, the budget is legally enacted through the passage of an ordinance by the City Council. The budget may be subsequently amended by action of the City Council.
3. The City's Chief Financial Officer is authorized to transfer budgeted amounts within departments within the published expenditure categories; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. All funds, with the exception of Agency Funds, are budgeted, including the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds. These budgets are prepared on a cash basis, modified for encumbrances for goods and services which have not been received.

## **CITY OF HATTIESBURG, MISSISSIPPI**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **PAGE ELEVEN**

**YEAR ENDED SEPTEMBER 30, 2020**

#### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Pursuant to the Mississippi State Department of Audit's prescribed format, expenditures are budgeted by department and class as follows: personal services, supplies, other services and charges, capital outlays, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final approval of the City Council. Cumulative increases to departmental expenditures in excess of 10% must also be published in the local newspaper.

Encumbrances arise from the issuance of purchase orders, which must be within the adopted budgetary limits. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred upon receipt of goods or services. Encumbrances do not lapse at the close of the fiscal year but are carried forward. If necessary, subsequent year budgets are amended to cover prior year encumbrances.

#### ***G. 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. This affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates. Significant estimates which could change in the near-term include collectible portions of receivables from property taxes levied but not yet due, the allowance for doubtful Water and Sewer customer accounts receivable, the net collectible amounts of Municipal Court fines receivable, claims liabilities for the employee health insurance plan, useful lives of capital assets, and liabilities for pension and other post-employment benefits. In addition, long-term and current portions of compensated absences are based on estimates and assumptions relating to when earned compensated absences will be paid. Actual results may differ from these estimates.

#### ***H. Change in Accounting Principle***

The City early implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year:

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The provisions of this standard have been incorporated into the financial statements and notes.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWELVE**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**I. Recent Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 84, Fiduciary Activities (GASB-84), which when effective will improve the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The guidance is effective for the year ending September 30, 2021, and early adoption is permitted. The City is evaluating the effect the guidance will have on their financial statements.

**NOTE 2 - PRIOR PERIOD ADJUSTMENTS**

A summary of prior period adjustments reflected on the City's financial statements is presented below:

<u>Explanation</u>	<u>Amount</u>
<b>Exhibit B (Business-Type Activities) and Exhibit F</b>	
<i>Correction of Error:</i>	
To remove prior period disbursements.	\$ 928,970
To adjust meter deposits to actual.	295,714
	<hr/>
Total prior period adjustments	<u>\$ 1,224,684</u>

**NOTE 3 - DEPOSITS**

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 entity'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 (FDIC).

The carrying amount of the City's deposits with financial institutions reported in the government-wide statements was \$70,490,912 (exclusive of cash with fiscal agents disclosed below). The bank balance was \$76,324,645. The City's long standing, although not formally adopted, investment policy is based upon all bank accounts being fully collateralized (using the procedures described above) and interest-bearing with rates updated on a quarterly basis and benchmarked using verifiable appropriate federal funds rates. Interest is calculated using average balances and recorded monthly.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THIRTEEN**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 3 - DEPOSITS (Cont.)***

*Custodial Credit Risk - Deposits* - Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2020, the City's bank balance was not exposed to custodial credit risk because deposits are covered by the State Treasurer collateral pool.

*Cash with Fiscal Agents* - The carrying amount of the City's cash with fiscal agents held by financial institutions was \$5,293,819.

*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.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
PAGE FOURTEEN  
YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

	<b>Primary Government</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 30,352,721	\$ 128,385	\$ -
Construction in progress	6,066,793	20,270,141	(5,772,444)
Total capital assets not being depreciated	<u>36,419,514</u>	<u>20,398,526</u>	<u>51,045,596</u>
Capital assets being depreciated:			
Buildings and improvements	64,651,761	4,082,488	-
Machinery and equipment	37,498,412	647,374	(316,764)
Infrastructure	157,268,762	3,852,374	-
Total capital assets being depreciated	<u>259,418,935</u>	<u>8,582,236</u>	<u>267,684,407</u>
Less accumulated depreciation for:			
Buildings and improvements	31,486,094	2,568,056	-
Machinery and equipment	32,802,535	1,473,825	(316,764)
Infrastructure	96,311,603	4,936,689	-
Total accumulated depreciation	<u>160,600,232</u>	<u>8,978,570</u>	<u>(316,764)</u>
Total capital assets being depreciated, net	<u>98,818,703</u>	<u>(396,334)</u>	<u>-</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 135,238,217</u></u>	<u><u>\$ 20,002,192</u></u>	<u><u>\$ (5,772,444)</u></u>
			<u><u>\$ 149,467,965</u></u>

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 - CAPITAL ASSETS (Cont.)**

	<b>Primary Government</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>
			<b>Ending Balance</b>
<b>Business-type Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 321,243	\$ 36,921	\$ -
Construction in progress	12,801,994	9,127,640	(7,567,202)
Total capital assets not being depreciated	<u>13,123,237</u>	<u>9,164,561</u>	<u>(7,567,202)</u>
Capital assets being depreciated:			
Buildings and improvements	478,071	-	-
Machinery and equipment	9,303,764	573,209	-
Infrastructure	138,675,285	8,188,823	-
Total capital assets being depreciated	<u>148,457,120</u>	<u>8,762,032</u>	<u>-</u>
Less accumulated depreciation for:			
Buildings and improvements	318,478	8,599	-
Machinery and equipment	8,872,601	146,754	-
Infrastructure	38,011,775	3,773,792	-
Total accumulated depreciation	<u>47,202,854</u>	<u>3,929,145</u>	<u>-</u>
Total capital assets being depreciated, net	<u>101,254,266</u>	<u>4,832,887</u>	<u>-</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 114,377,503</u>	<u>\$ 13,997,448</u>	<u>\$ (7,567,202)</u>

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 - CAPITAL ASSETS (Cont.)**

Depreciation expense was charged to the functions/programs of the governmental activities of the City as follows:

**Governmental Activities:**

General government	\$ 647,648
Public safety	857,703
Public services – which includes the depreciation of infrastructure assets	5,593,382
Human/social assistance	18,980
Other services	487,419
Culture and recreation	649,413
Mass transit	724,025

<b>Total depreciation expense - governmental activities</b>	<b>\$ 8,978,570</b>
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**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Balances due to/from various City funds at September 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,028,105
General fund	Combined water and sewer system	221,819
Nonmajor governmental funds	General fund	717
<b>Total</b>		<b>\$ 1,250,641</b>

The outstanding balances between funds result mainly from the time lag between the dates that goods and services are provided or reimbursable expenditures occur and satisfaction of those amounts. These balances are expected to be collected within one year.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont.)**

Advances to/from other funds at September 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 300,000</u>

The amount payable to the General Fund is attributable to working capital loans made to the Community Development Block Grant Fund. None of the balance shown is scheduled to be collected in the subsequent year.

The composition of interfund transfers for the year ended September 30, 2020, is as follows:

<u>Transfers out:</u>	<u>Transfers In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Series 2019 and 2020 Bond Projects Fund</u>	<u>Other Governmental Funds</u>	
General fund	\$ -	\$ -	\$ 4,143,150	\$ 4,143,150
Series 2019 and 2020 bond projects fund	-	-	570,504	570,504
Nonmajor governmental funds	-	15,439	146,433	161,872
Combined water and sewer system	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<b>Total</b>	<u>\$ 500,000</u>	<u>\$ 15,439</u>	<u>\$ 4,860,087</u>	<u>\$ 5,375,526</u>

Interfund transfers are authorized components of the budget and are typically used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE EIGHTEEN**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 6 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES**

Section 35-57-1 et seq., Mississippi Code 1972, requires that the City levy and collect all taxes for and on behalf of the municipal separate school district. Section 39-3-7, Mississippi Code 1972, authorizes the City to levy and collect a tax not in excess of three mills for the support of any public library system located within the municipality.

For the fiscal year 2020, the following ad valorem tax levies were made in accordance with the applicable statutory requirements and authorizations:

<u>Entity/Purpose of Levy</u>	<u>Applicable State Law</u>	<u>Mills Levied</u>
School District:		
Operational Support	37-57-105	56.60
School Bonded Indebtedness	37-59-23	7.50
Library (support, upkeep and maintenance of Hattiesburg Public Library System)	39-3-7	1.95

**NOTE 7 - CLAIMS AND JUDGMENTS**

**Self-Funded Health Insurance Program** - The City provides employee health and accident coverage through a self-insurance program that utilizes a plan administrator as its claims-servicing organization, with the City retaining the risk of loss on all claims to which the City is exposed. Premium payments into the plan are established as a part of the City's budgetary process and upon consideration of actuarial recommendations provided by the plan administrator. The City has opted to set premium rates for individual and family coverage at somewhat lower levels than those recommended. Therefore, additional costs not expected to be covered by premiums are separately budgeted in individual funds in which related payroll costs are incurred. When necessary, based upon the claims paid during the fiscal year, the City makes supplemental transfers from payroll budgets of various funds into separate self-insurance fund accounts, which are included in the general fund for financial reporting purposes.

To limit its exposure to risk under this self-insured program, the City maintains reinsurance which provides two separate stop loss coverages: specific and aggregate. These coverages are provided by an outside commercial carrier. For fiscal year 2020, the specific coverage begins when an individual participant's claim exceeds \$100,000, with unlimited maximum benefit per covered person. The aggregate policy covers all submitted claims in excess of the minimum aggregate deductible, which is the greater of \$6,492,246 or 95% of the annualized first monthly aggregate deductible. Maximum covered expenses of \$100,000 per covered person accumulate toward the unlimited maximum aggregate benefit.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE NINETEEN**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 - CLAIMS AND JUDGMENTS (Cont.)**

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal year 2020:

<b>Unpaid claims, beginning of fiscal year</b>	\$ 269,630
Plus: Incurred claims (including IBNRs)	4,574,613
Less: Claims payments	<u>(4,585,820)</u>
<b>Unpaid claims, end of fiscal year</b>	<u><u>\$ 258,423</u></u>

Cash on deposit in the Group Insurance Fund at September 30, 2020 was \$267,521 which exceeded unpaid claims. Therefore, no interfund receivables were established from the respective operating funds at September 30, 2020.

**Kohler Tax Exemption Judgment** - Pursuant to the settlement and mutual release, effective January 31, 2019, the City agreed to pay Kohler Company \$599,250 in tax refunds over a period of 10 years. Installments of \$50,000 are due December 31 of each year. These payments may be processed as either cash settlements or ad valorem tax credits each year at the option of the City. See Note 9 for additional information related to the payment schedule.

**NOTE 8 - LEASE OBLIGATIONS**

The City has entered into various lease agreements as lessee for financing equipment purchases and for a major energy improvement project for various City facilities. The assets under capital lease have useful lives ranging from 7 to 10 years for machinery and equipment and from 10 to 20 years for buildings and improvements and are being depreciated based on those useful lives.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8 - LEASE OBLIGATIONS (Cont.)**

For fiscal year 2020, the assets recorded under capital leases and included in capital assets in the accompanying statement of net position are as follows:

<b>Governmental Activities:</b>	
Machinery and equipment	\$ 1,210,534
Buildings and improvements	<u>7,726,727</u>
Less accumulated depreciation	<u>(2,196,176)</u>
<b>Net book value</b>	<u><u>\$ 6,741,085</u></u>
<b>Current year depreciation expense</b>	<u><u>\$ 678,895</u></u>

These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of minimum lease payments as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2021	\$ 638,860
2022	655,926
2023	655,345
2024	672,905
2025	661,809
2026-2030	3,395,623
2031-2032	<u>1,350,070</u>
Total minimum lease payments	8,030,538
Less: amount representing interest	<u>(1,171,324)</u>
<b>Present value of minimum lease payments</b>	<u><u>\$ 6,859,214</u></u>

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWENTY-ONE**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City and have been issued for both governmental and business-type activities. The City has no special assessment bonds at September 30, 2020. Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 5 to 30 years. Upon default, the Trustee shall notify the owners of all bonds then outstanding of such event of default by registered or certified mail, may pursue any available remedy at law or in equity or by statute to enforce the payment of principal of and interest on the bonds outstanding, and may declare the principal of and accrued interest on all bonds to be due and payable immediately.

General obligation bonds outstanding at September 30, 2020 are as follows:

**General Obligation Bonds**

<b><u>Governmental Activities:</u></b>	<b><u>Sale Date</u></b>	<b><u>Original Borrowing</u></b>	<b><u>Interest Rates to Maturity</u></b>	<b><u>Final Maturity</u></b>	<b><u>Outstanding 9/30/20</u></b>
Public Improvements	2016	\$ 5,400,000	2.00 - 3.00%	2022	\$ 1,810,000
Public Improvements	2019	29,850,000	3.00 - 5.25%	2049	29,850,000
Public Improvements	2020	15,150,000	3.00 - 4.00%	2050	<u>15,150,000</u>
<b>Total</b>					<u><u>\$ 46,810,000</u></u>
<b><u>Business-type Activities:</u></b>					
Public Improvements	2011	\$ 3,600,000	2.70 - 3.70%	2031	\$ 2,190,000
Public Improvements	2016	4,605,000	2.00 - 3.00%	2024	2,275,000
Public Improvements	2016	7,125,000	1.60%	2021	<u>1,470,000</u>
<b>Total</b>					<u><u>\$ 5,935,000</u></u>

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWENTY-TWO**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

Limited Obligation Tax Increment Financing Bonds

Tax increment financing (TIF) bonds are issued by the City to provide funds for the acquisition and construction of infrastructure and related improvements in conjunction with commercial development projects. Bonds are generally issued as serial bonds with essentially level principal and interest payments with maturities that range from 10 to 20 years. These bonds are secured by the payment of the incremental increase in City property taxes from each project's TIF taxing district as authorized under the TIF plan document approved by the governing authorities. These bonds may also be secured by county participation as authorized by executed interlocal agreements pledging incremental increase in county property taxes in the TIF taxing district. The City's obligation is limited to the increase in taxes provided by improvements in the taxing district.

Limited obligation TIF bonds outstanding at September 30, 2020 are as follows:

Limited Obligation TIF Bonds

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/20</u>
Chauvet Square	2003	\$ 1,100,000	4.50 - 5.35%	2023	\$ 255,000
Chauvet Square	2007	1,400,000	4.50%	2027	875,000
Turtle Crossing	2007	4,100,000	4.35%	2021	390,000
Lincoln Center	2008	610,000	4.00%	2023	150,000
Turtle Creek Crossing	2011	400,000	5.68%	2025	130,000
Kohl's	2012	715,000	5.00%	2021	85,000
Southern Pointe	2014	2,600,000	4.85%	2029	1,770,000
Hattiesburg Clinic - Midtown Project	2015	845,000	4.00%	2031	667,000
Ridge at Turtle Creek	2016	1,225,000	5.50%	2031	983,000
Midtown Market	2016	210,000	5.50%	2031	169,000
Whispering Pines	2016	3,021,000	4.00 - 4.75%	2031	2,381,000
Turtle Creek Phase III	2019	750,000	5.50%	2028	680,000
Elam Arms	2020	3,215,000	4.15%	2035	3,215,000
Planet Fitness	2020	768,000	3.00%	2036	758,718
<b>Total</b>					<u><u>\$ 12,508,718</u></u>

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 9 - LONG-TERM LIABILITIES (Cont.)***

**Certificates of Participation**

In accordance with Section 31-8-1, et seq. Miss. Code Ann. (1972), the City issued Certificates of Participation and transferred the proceeds to the Southern Mississippi Investment Company, Inc. (Corporation). The funds were used to construct a City Public Safety Complex, including renovations of an existing building to be used as a multi-purpose building and a Parks and Recreation administration building.

At completion, the Corporation entered into a 20 year agreement with the City, with the City being obligated to make payments to the Corporation equal to the principal and interest payments on the debt. When the debt is paid, the City will assume ownership of the facilities. The obligation is not a general obligation and does not constitute a pledge of full faith and credit of the City. Upon default, the City will be liable for, any deficiency resulting from said reletting of the Project or sale of the Improvements, or from the continuation of this Lease by the Lessor, beyond the amount of the specific appropriation, if any, by the City for the Project for the Fiscal Year in which the default occurred reduced by the amount of said current and specific appropriation disbursed by the City in accordance with the terms of this Lease and the Trust Agreement.

There is an unamortized premium of \$210,514 which is not included in the principal in the following schedule:

**Certificates of Participation**

<b><u>Governmental Activities:</u></b>	<b><u>Sale Date</u></b>	<b><u>Original Borrowing</u></b>	<b><u>Interest Rates to Maturity</u></b>	<b><u>Final Maturity</u></b>	<b><u>Outstanding 9/30/20</u></b>
Certificates of Participation	2016	\$ 5,300,000	3.00 - 5.00%	2036	<u>\$ 4,750,000</u>

**Economic Development Limited Obligation Bonds**

The City also has issued limited obligation debt for economic development purposes that is repaid from revenues pledged under the terms of the respective contractual agreements made pursuant to the authorization for these projects by the governing authorities. Thus, future revenues are pledged in the amount of future debt service requirements. These limited obligation bonds and notes are generally issued with essentially level annual principal and interest payments with a maturity of 10 years.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

Limited obligation bonds and notes outstanding at September 30, 2020 are as follows:

**Economic Development Limited Obligation Bonds**

<b><u>Governmental Activities:</u></b>	<b><u>Sale Date</u></b>	<b><u>Original Borrowing</u></b>	<b><u>Interest Rates to Maturity</u></b>	<b><u>Final Maturity</u></b>	<b><u>Outstanding 9/30/20</u></b>
MDB Limited Obligation Bonds	2009	\$ 2,937,000	2.90 - 6.00%*	2030	<u>\$ 156,334</u>

\*Variable rate for MDB debt is adjusted weekly using the SIFMA Muni-Index plus 1.2%.

**Notes from Direct Borrowings and Direct Placements**

The City issues notes to provide funds for the acquisition and construction of major capital facilities. These notes from direct borrowings and direct placements are direct obligations and pledge the full faith and credit of the City and have been issued for governmental activities. Notes from direct borrowings and direct placements are generally issued with a five-year maturity. The City has no anticipation notes at September 30, 2020. Upon default, the notes from direct borrowings and direct placements become immediately due in full.

Notes from direct borrowings and direct placements outstanding at September 30, 2020 are as follows:

**Notes from Direct Borrowings/Direct Placements**

<b><u>Governmental Activities:</u></b>	<b><u>Sale Date</u></b>	<b><u>Original Borrowing</u></b>	<b><u>Interest Rates to Maturity</u></b>	<b><u>Final Maturity</u></b>	<b><u>Outstanding 9/30/20</u></b>
Public Improvements	2019	494,000	1.52%	2025	493,875
Public Improvements	2019	4,100,000	1.82%	2025	<u>4,100,000</u>
<b>Total</b>					<u><u>\$ 4,593,875</u></u>

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 9 - LONG-TERM LIABILITIES (Cont.)***

***Business-type Activities (Water and Sewer) Revenue Bonds***

In addition to water and sewer general obligation bonds, the City also issues water and sewer revenue bonds to provide funds for the acquisition and construction of water and sewer system infrastructure and related improvements and system rehabilitation. These bonds are secured by water and sewer operating revenues and are subject to the requirements of the respective revenue bond documents. These bond documents include important parity debt requirements with the issuance of each new series of revenue bonds and require annual net revenue tests to be performed in accordance with the prescribed calculations. Water and sewer rates are required to be adjusted if debt requirements are not met. Upon default, the Trustee shall notify the owners of all bonds then outstanding of such event of default by registered or certified mail, may pursue any available remedy at law or in equity or by stature to enforce the payment of principal of and interest on the bonds outstanding, and may declare the principal of and accrued interest on all bonds to be due and payable immediately.

Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 10 to 25 years. Revenue bonds outstanding at September 30, 2020 are as follows:

**Revenue Bonds**

<b><u>Business-type Activities:</u></b>	<b><u>Sale Date</u></b>	<b><u>Original Borrowing</u></b>	<b><u>Interest Rates to Maturity</u></b>	<b><u>Final Maturity</u></b>	<b><u>Outstanding 9/30/20</u></b>
W&S Revenue Project, Series 2012	2012	\$ 12,500,000	2.50 - 5.00%	2032	\$ 8,440,000
W&S Refunding Bonds, Series 2013	2014	28,000,000	2.75 - 4.78%	2039	27,450,000
W&S Refunding Bonds, Series 2016	2016	25,000,000	3.03%	2026	15,890,000
<b><i>Total</i></b>					<b><u>\$ 51,780,000</u></b>

**Compensated Absences**

Vested or accumulated vacation leave, holiday leave, and accrued overtime that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave, holiday leave, and accrued overtime that are not expected to be liquidated with expendable available financial resources are reported as noncurrent liabilities. In accordance with the provisions of ASC 710-10-20, *Compensation*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

Compensated absences at September 30, 2020 are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Primary Government</b>
Accrued vacation pay	\$ 1,971,079	\$ 173,607	\$ 2,144,686
Accrued overtime pay	9,631	580	10,211
Accrued holiday pay	117,805	-	117,805
<b>Total</b>	<b>\$ 2,098,515</b>	<b>\$ 174,187</b>	<b>\$ 2,272,702</b>

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
PAGE TWENTY-SEVEN  
YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2020 are as follows:

	<b>Balance September 30, 2019</b>
<b><u>Governmental Activities:</u></b>	
Bonds and notes payable	
General obligation bonds	\$ 32,595,000
Unamortized premium on bonds	2,971,828
Limited obligation TIF bonds	9,721,000
Certificates of participation	4,940,000
Unamortized premium on certificates of participation	223,671
Economic development limited obligation bonds	1,594,398
Notes from direct borrowings and direct placements	607,000
Total bonds and notes payable	<u>52,652,897</u>
Capital leases	7,474,830
Compensated absences	2,127,270
Claims and judgments	<u>599,250</u>
<b>Governmental activities long-term liabilities</b>	<u><u>\$ 62,854,247</u></u>
<b><u>Business-type Activities:</u></b>	
Bonds and notes payable	
General obligation bonds	\$ 8,141,000
Revenue bonds	54,935,000
Unamortized premium on bonds	301,649
Total bonds and notes payable	<u>63,377,649</u>
Compensated absences	<u>153,592</u>
<b>Business-type activities long-term liabilities</b>	<u><u>\$ 63,531,241</u></u>

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<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2020</u>	<u>Due Within One Year</u>
\$ 15,150,000	\$ (935,000)	\$ 46,810,000	\$ 965,000
2,630,151	(230,653)	5,371,326	230,653
3,983,000	(1,195,282)	12,508,718	1,429,994
-	(190,000)	4,750,000	200,000
-	(13,157)	210,514	13,157
-	(1,438,064)	156,334	21,563
4,100,000	(113,125)	4,593,875	865,254
<u>25,863,151</u>	<u>(4,115,281)</u>	<u>74,400,767</u>	<u>3,725,621</u>
-	(615,616)	6,859,214	464,848
-	(28,755)	2,098,515	314,777
-	(50,000)	549,250	50,000
<u>\$ 25,863,151</u>	<u>\$ (4,809,652)</u>	<u>\$ 83,907,746</u>	<u>\$ 4,555,246</u>
\$ -	\$ (2,206,000)	\$ 5,935,000	\$ 2,260,000
-	(3,155,000)	51,780,000	3,240,000
-	(45,384)	256,265	45,384
<u>-</u>	<u>(5,406,384)</u>	<u>57,971,265</u>	<u>5,545,384</u>
20,595	-	174,187	26,128
<u>\$ 20,595</u>	<u>\$ (5,406,384)</u>	<u>\$ 58,145,452</u>	<u>\$ 5,571,512</u>

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWENTY-EIGHT**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

The debt service requirements for the City's bonds and notes are as follows:

**Governmental Activities:**

Year Ending September 30,	G.O. Bonds		Limited Obligation TIF Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 965,000	\$ 1,981,136	\$ 1,429,994	\$ 541,225
2022	845,000	1,993,057	988,520	489,268
2023	-	1,980,382	1,035,766	443,874
2024	605,000	1,965,256	1,023,049	397,344
2025	635,000	1,934,257	1,062,370	350,753
2026-2030	5,685,000	9,003,532	4,900,103	1,023,035
2031-2035	7,050,000	7,639,555	2,063,621	212,216
2036-2040	8,795,000	5,894,184	5,295	159
2041-2045	10,745,000	3,941,519	-	-
2046-2050	11,485,000	1,222,418	-	-
<b>Total</b>	<b>\$ 46,810,000</b>	<b>\$ 37,555,296</b>	<b>\$ 12,508,718</b>	<b>\$ 3,457,874</b>

Year Ending September 30,	Certificates of Participation		Economic Development Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 200,000	\$ 199,900	\$ 21,563	\$ 2,389
2022	205,000	191,825	21,563	2,150
2023	220,000	185,450	21,563	1,935
2024	230,000	178,700	21,563	1,742
2025	240,000	171,650	21,563	1,567
2026-2030	1,345,000	699,675	48,519	3,315
2031-2035	1,890,000	314,075	-	-
2036	420,000	9,450	-	-
<b>Total</b>	<b>\$ 4,750,000</b>	<b>\$ 1,950,725</b>	<b>\$ 156,334</b>	<b>\$ 13,098</b>

(Table Continued on Next Page)

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWENTY-NINE**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

<b>Year Ending September 30,</b>	<b>Notes from Direct Borrowings and Direct Placements</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 865,254	\$ 75,101
2022	891,420	59,422
2023	918,285	43,269
2024	944,863	26,619
2025	974,053	9,506
<b>Total</b>	<b>\$ 4,593,875</b>	<b>\$ 213,917</b>

<b>Year Ending September 30,</b>	<b>Claims and Judgments</b>		<b>Total Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 50,000	\$ -	\$ 3,531,811	\$ 2,799,751
2022	50,000	-	3,001,503	2,735,722
2023	64,178	-	2,259,792	2,654,910
2024	64,178	-	2,888,653	2,569,661
2025	64,178	-	2,997,164	2,467,733
2026-2030	256,716	-	12,235,338	10,729,557
2031-2035	-	-	11,003,621	8,165,846
2036-2040	-	-	9,220,295	5,903,793
2041-2045	-	-	10,745,000	3,941,519
2046-2050	-	-	11,485,000	1,222,418
<b>Total</b>	<b>\$ 549,250</b>	<b>\$ -</b>	<b>\$ 69,368,177</b>	<b>\$ 43,190,910</b>

(Table Continued on Next Page)

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 - LONG-TERM LIABILITIES (Cont.)**

***Business-type Activities:***

<b>Year Ending September 30,</b>	<b>G.O. Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 2,260,000	\$ 145,109
2022	815,000	101,359
2023	850,000	77,089
2024	585,000	56,104
2025	210,000	44,459
2026-2030	1,215,000	119,531
<b>Total</b>	<b>\$ 5,935,000</b>	<b>\$ 543,651</b>

<b>Year Ending September 30,</b>	<b>Revenue Bonds</b>		<b>Total Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 3,240,000	\$ 1,936,961	\$ 5,500,000	\$ 2,082,070
2022	3,535,000	1,836,225	4,350,000	1,937,584
2023	4,325,000	1,719,190	5,175,000	1,796,279
2024	4,425,000	1,587,671	5,010,000	1,643,775
2025	4,625,000	1,436,329	4,835,000	1,480,788
2026-2030	13,130,000	5,286,926	14,345,000	5,406,457
2031-2035	10,105,000	3,073,782	10,105,000	3,073,782
2036-2039	8,395,000	826,300	8,395,000	826,300
<b>Total</b>	<b>\$ 51,780,000</b>	<b>\$ 17,703,384</b>	<b>\$ 57,715,000</b>	<b>\$ 18,247,035</b>

During the year ended September 30, 2020, interest expense paid for governmental activities and business-type activities totaled \$2,161,961 and \$2,177,472, respectively.

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## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS

#### PAGE THIRTY-ONE

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 10 - SCHEDULE OF STATUTORY DEBT LIMITATIONS**

The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests.

Presented in the schedule below are the calculations of the applicable statutory debt limitations as of September 30, 2020:

		<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2020			
(\$470,364,425) times applicable percentage	[a]	\$ 70,554,664	\$ 94,072,885
Present debt subject to debt limits as of September 30, 2020:			
Total bonds and notes other than water and sewer		64,068,927	64,068,927
Less: Bonds exempt from debt limitation calculations		(12,665,052)	(12,665,052)
Add: Water & Sewer debt other than revenue bonds		<u>N/A</u>	<u>5,935,000</u>
General obligation debt subject to applicable tests	[b]	<u>51,403,875</u>	<u>57,338,875</u>
Margin for additional debt [a] minus [b]		<u>\$ 19,150,789</u>	<u>\$ 36,734,010</u>

#### **NOTE 11 - TAX ABATEMENTS**

GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they would otherwise be entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or citizens of those governments.

The City negotiates property tax abatements on an individual basis. All abatements are for 5 and/or 10 years and are for economic development purposes. The City has two types of abatements, as follows:

Section 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972 – All allowable tax levies  
There are twenty-four companies that have tax abatements under this statute.



## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS

#### PAGE THIRTY-TWO

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 11 - TAX ABATEMENTS (Cont.)**

Section 17-21-5, Miss. Code (Ann.) 1972 – Historic district exemptions

There are four companies that had tax abatements under this statute.

<u>Category</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>	<u>Direct Employment Impact</u>	<u>Indirect Employment Impact</u>
Industrial expansion exemptions	\$ 1,473,239	4,848 jobs	5,526 jobs
Historic district exemptions	68,810	3 jobs	4 jobs

The projected public investment for jobs impacted by industrial expansions is \$437 per direct job and \$204 per indirect job. The projected public investment for historic district exemptions is \$10,052 per direct job and \$7,539 per indirect job.

The economic impact information presented above was compiled by consultants contracted by the City and was prepared in conjunction with fiscal year 2020 tax abatement totals obtained from the Forrest County Tax Assessor's office. There were no tax abatement agreements for Lamar County properties in fiscal year 2020.

The companies were required to comply with certain special provisions, and did so in order to receive the abatements. The City made no commitments as part of the agreements other than to reduce taxes.

#### **NOTE 12 - RELATED ORGANIZATION**

The following related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the organization.

Hattiesburg Tourism Commission - The Commission consists of seven members appointed by the Mayor and ratified by the City Council. Funding is from a special tax levied upon the gross proceeds from hotel and motel overnight room rentals. The City collects that tax and distributes it to the Tourism Commission. Amounts disbursed for the fiscal year ended September 30, 2020 totaled \$744,123. Amount due from special tax agency fund to the Tourism Commission at September 30, 2020 was \$135,095 and was included in the accompanying statement of fiduciary net position under the caption due to other agencies and was distributed within thirty days.

## **CITY OF HATTIESBURG, MISSISSIPPI**

### **NOTES TO FINANCIAL STATEMENTS**

#### **PAGE THIRTY-THREE**

**YEAR ENDED SEPTEMBER 30, 2020**

#### ***NOTE 13 - JOINT VENTURES***

The City of Hattiesburg is a participant with Forrest County in a joint venture authorized by Section 57-31-1, Mississippi Code Annotated (1972), to operate the Forrest County Industrial Park Commission (FCIPC). The joint venture was created to develop and operate an industrial park complex for citizens of Forrest County and the City of Hattiesburg. During fiscal year 2020, the City contributed \$240,000 to the Forrest County Industrial Park Commission. The Commission is governed by a ten member board. The governing authorities of the City of Hattiesburg and the Forrest County Board of Supervisors each appoint five members. Each entity is obligated to provide equal funding for the ongoing financial support of the Commission. A separate financial statement of the Forrest County Industrial Park Commission can be obtained by contacting the Commission at Post Office Box 1898, Hattiesburg, Mississippi 39403.

The City of Hattiesburg is a participant with Forrest County, Jones County, and the State of Mississippi to operate the Hattiesburg/Laurel Regional Airport Authority authorized by Section 61-3-5, Mississippi Code Annotated (1972). The joint venture, governed by a five member board of commissioners, was created to maintain and develop the Authority for the City and aforementioned entities. Each governmental entity appoints one board member. A separate financial statement of the Hattiesburg/Laurel Regional Airport Authority can be obtained by contacting the Authority at 1002 Terminal Drive, Moselle, Mississippi 39459.

The City of Hattiesburg is a participant with Forrest County and the City of Petal in a joint venture authorized by Section 39-3-38, Mississippi Code Annotated (1972) to operate the Library of Hattiesburg, Petal, and Forrest County. The joint venture was created to provide free public library service to the citizens of Forrest County and the Cities of Hattiesburg and Petal. The library is governed by a fifteen member board appointed by the governments involved as follows: City of Hattiesburg - six members; Forrest County - six members; and City of Petal - three members. Each entity is obligated by contract to levy not less than 1.25 mills as authorized by Sections 39-3-35 and 39-3-37, Mississippi Code Annotated (1972), for the ongoing financial support of the library. A separate financial statement of the library can be obtained by contacting the Library at 329 Hardy Street, Hattiesburg, Mississippi 39401.

#### ***NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS***

The Emergency Management District provides emergency services to the City of Hattiesburg and Forrest County. The entity is controlled by an eight member council. The Council is chosen as follows by the following authorities: Mayor of Hattiesburg - one; Forrest County Board of Supervisors - one; Sheriff of Forrest County - one; AAA Ambulance - one; Hattiesburg Police Chief - one; Hattiesburg Fire Chief - one; the University of Southern Mississippi - one; and Forrest General Hospital - one. Operating funds are provided by state grants, E-911 charges and direct contributions.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THIRTY-FOUR**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 15 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS**

At September 30, 2020, the City's Airport Improvement Fund and the Community Development Block Grant Fund reported deficit fund balances of \$258,303 and \$151,577, respectively, which are attributable to the cumulative effect of program expenditures in excess of grant reimbursements.

**NOTE 16 - COMMITMENTS**

Significant encumbrances at September 30, 2020, included \$138,000 for public services projects, \$502,319 for economic development projects, \$459,900 for public safety projects and \$323,542 for water and sewer projects.

Commitments for construction projects in progress are as follows:

<u>September 30, 2020</u>	<u>Amount</u>
Airport improvements	\$ 77,869
Infrastructure projects	3,326,580
Public safety	14,567,019
Fire station	1,583,276
Water and sewer projects	<u>2,654,638</u>
<b><i>Commitments for construction projects in progress, end of fiscal year</i></b>	<b><u><u>\$ 22,209,382</u></u></b>

**NOTE 17 - CONTINGENCIES**

**USA Yeast Facility** - During fiscal year 2015, the City completed construction of a wastewater pretreatment facility, or evaporator plant, for a manufacturing facility located within the City. Project costs were funded with CDBG Economic Development Grant funds along with private funds provided by the manufacturer. Under the terms of the grant agreement, the City has title to assets constructed with grant funds, and the manufacturing company owns the assets constructed with its funds. Pursuant to an agreement between the City and the company and to terms stated in the CDBG grant agreement, title to the facility, equipment and components will transfer to the company upon expiration of the agreement on December 31, 2021. In conjunction with this project, the City has a ground lease for company property on which the evaporator plant is located. This lease requires payment of \$1 per year and expires December 31, 2021.

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## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS

#### PAGE THIRTY-FIVE

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 17 - CONTINGENCIES (Cont.)**

**Litigation** - The City is party to various legal proceedings which normally occur in governmental operations. While the City cannot predict the results of any litigation, legal counsel for the City of Hattiesburg believes that it has meritorious defenses for those actions, proceedings and claims, or they are without merit or are of such kind, or involve such amounts, that unfavorable dispositions not covered by insurance resulting from such litigation would not materially affect the financial statements of the City of Hattiesburg, Mississippi. The City includes anticipated attorney fees for ongoing matters in its annual budget for the year in which such fees are incurred.

In 2015, the City began the process to annex properties located West and North of the current city limits. The discovery process was completed in the fall of 2019. The trial was scheduled for August 2020 but was postponed due to the COVID-19 pandemic. Negotiations have continued, and the trial has not yet been rescheduled.

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

**Group Insurance Programs** - The City obtains its workers' compensation, general and automobile liability insurance through certain group insurance programs of the Mississippi Municipal Service Company. Under these programs and pursuant to State of Mississippi regulations, participants are jointly and severally liable for claims incurred; however, the City has experienced no loss under such provisions and cannot reasonably estimate the amount or possibility of losses under these programs.

**Self-Funded Health Insurance Program** - The City provides health insurance to its employees under a self-insured program, as previously described. The City obtains reinsurance to protect against significant loss; however, under the terms of such reinsurance policies, the City is ultimately responsible for covered claims. While the City estimates and recognizes expected claims liabilities related to this program, the amount or possibility of any additional loss cannot be reasonably estimated.

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## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS

#### PAGE THIRTY-SIX

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** - The City provides health insurance coverage to participating retirees and their spouses through its single employer defined benefit healthcare plan, which is a self-funded plan administered by United Healthcare, who meet the plan's eligibility requirements. Retirees who elect coverage are automatically provided a \$20,000 life insurance benefit at no cost to retiree. Employees are eligible for these benefits upon attaining age 60 with 8 years of service or any age with 25 years of service. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, such postemployment healthcare benefits are reportable by the City under GASB Statement 75 as a single employer defined benefit health care plan. The portion of the plan attributable to retirees represents other postemployment benefits for financial reporting purposes. Although the City expects to continue the plan indefinitely, it has the right to discontinue, alter, or modify the plan in whole or in part at any time and for any reason, at its sole determination. The plan does not issue a stand-alone financial report. Instead, accounts of the plan are included in the financial statements of the City. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 75. The City Council must approve any changes to the plan provisions.

**Funding Policy** - Benefits of the plan are self-insured by the City. The City maintains an account for the purpose of paying claims and administrative costs of its self-funded health insurance plan. The account requires that a minimum balance be maintained, and the City deposits additional funds for claims incurred and anticipated payments on a pay-as-you-go basis. Balances in the account belong to the City. Amounts contributed to this account are earmarked for plan expenses but may be revoked at the City's discretion. Therefore, balances are reported in assets of the general fund, and employer contributions are not recognized until payment of claims by the administrator to retirees or their beneficiaries. No assets have been segregated and restricted to provide for postretirement benefits.

Participating retirees make monthly contributions through premium payments based on coverage type. Monthly retiree contributions for single and family coverage for the fiscal year ended September 30, 2020 totaled \$388 and \$638, respectively. For the years ended September 30, 2020, 2019, and 2018, the City contributed \$468,268, \$436,614, and \$228,209, respectively, to the plan for expected payouts for retiree benefits, which represented 28.00%, 28.20%, and 19.32%, respectively, of the actuarially determined annual required contribution of \$1,672,469, \$1,548,237, and \$1,180,987, respectively. No amounts have been contributed to finance future medical benefits under the plan for either current or future retirees.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THIRTY-SEVEN**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)**

**Employees Covered by Benefit Terms** - At September 30, 2020, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving	59
Active members	<u>586</u>
<b>Total participants</b>	<u><u>645</u></u>

**Total OPEB Liability** - The City's Total OPEB liability of \$11,872,905 was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019.

**Actuarial assumptions and other inputs** - The Total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increase	2.50% per annum
Discount rate	3.58%
Healthcare costs trends rate	7.25% graded uniformly to 6.50% over 3 years and following the 2020 Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075
Administrative costs	\$259 per member
Retirees' share of health benefit related cost	100% of health premiums

The discount rate was based on the S&P 500 High Grade 20 Year Rate Index as of September 30, 2019.

Mortality rates were based on the SOA RP-2014 Blue Collar Mortality Adjusted to 2006 with Improvement Scale MP-2019.

100% of future eligible retirees are assumed to elect the medical coverage upon retirement.

Claims cost have been calculated for a male at attained age of 65 and decrease according to the Dale Yamamoto aging table.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THIRTY-EIGHT**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)**

**Schedule of Changes in Total OPEB Liability** - The change in Total OPEB liability for the year ended September 30, 2020 is as follows:

	<b>Total OPEB Liability</b>
Service cost	\$ 825,006
Interest	410,359
Benefit payments	<u>(468,268)</u>
Net change	767,097
Beginning Total OPEB Liability	<u>11,105,808</u>
<b>Ending Total OPEB Liability</b>	<b><u>\$ 11,872,905</u></b>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the Total OPEB liability, calculated using the discount rate, as well as what the City's Total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current rate:

<b>1% Decrease 2.58%</b>	<b>Current Discount Rate 3.58%</b>	<b>1% Increase 4.58%</b>
\$ 13,226,552	\$ 11,872,905	\$ 10,702,533

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the Total OPEB liability of the City, as well as what the City's Total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower and 1-percentage-point higher than the assumed trend rate:

<b>1% Decrease 6.25% to 5.50% over 3 years and following the Getzen model thereafter</b>	<b>Current Rate 7.25% to 6.50% over 3 years and following the Getzen model thereafter</b>	<b>1% Increase 8.25% to 7.50% over 3 years and following the Getzen model thereafter</b>
\$ 10,680,437	\$ 11,872,905	\$ 13,304,951

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THIRTY-NINE**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)**

**OPEB Expense and Deferred Outflows of Resources** - For the year ended September 30, 2020, the City recognized OPEB expense of \$1,021,373. The City reported deferred outflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>
Changes of assumptions	\$ 1,082,288
Experience losses	697,640
<b>Total</b>	<b>\$ 1,779,928</b>

Amounts reported as deferred outflows of resources related to the Total OPEB liability at September 30, 2020, will be recognized in OPEB expense as follows:

<b>Year Ending September 30,</b>	<b>Deferred Outflows of Resources</b>
2021	\$ 254,276
2022	254,276
2023	254,276
2024	254,276
2025	254,276
Thereafter	508,548
<b>Total</b>	<b>\$ 1,779,928</b>

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## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS

#### PAGE FORTY

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 19 - DEFINED BENEFIT PENSION PLANS**

##### **Public Employees Retirement Plans**

**Plan Descriptions** - The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan (the Cost-Sharing Plan), which covers all eligible employees, except certain sworn and uniformed policemen and firemen who participate in the City of Hattiesburg Police and Fire Disability and Relief Fund (PFDR), also administered by PERS. Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PFDR Plan members consist of all full-time sworn and uniformed policemen and firemen who were employed by July 1, 1987. All full-time sworn and uniformed policemen and firemen employed after July 1, 1987, participate in the Cost-Sharing Plan. The PFDR Plan is affiliated with the Mississippi Municipal Retirement System (MRS), an agent multiple-employer defined benefit pension plan, and as of June 30, 2019, included no active members and 141 retirees and beneficiaries currently receiving benefits. Benefit provisions for both plans are established by State law and may be amended only by the State of Mississippi Legislature. The Plans' provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq. (1972, as amended), and may be amended only by the 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 or by calling 1-800-444-PERS.

**Cost-Sharing Plan Benefits Provided** - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, 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 of Mississippi, 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. 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 the Cost-Sharing Plan before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of the Cost-Sharing Plan before July 1, 2011), plus 2.5% 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. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of the Cost-Sharing

## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS

#### PAGE FORTY-ONE

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)**

Plan before July 1, 2007). The Cost-Sharing Plan also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% 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 the Cost-Sharing Plan before July 1, 2011), with 3.0% compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**PFDR Plan Benefits Provided** - MRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Membership eligibility and benefit provisions are governed by the general laws of the State of Mississippi, as well as local and private legislation enacted by the Mississippi State Legislature. Statutes may only be amended by the Mississippi Legislature. The PFDR retirement allowance is payable under this plan to any member who retires and has completed at least 20 years of creditable service, regardless of age. The retirement benefits are calculated in an amount equal to 50% of the employee's average compensation, plus 1.7% of average compensation for each year of credited service over 20 with an aggregate amount not to exceed 66-2/3%. Annual cost-of-living (COLA) adjustments are made to allowances of all retirees and beneficiaries, as further described below. Disability and death benefits are also provided under the plan. Upon a member's termination for any reason before retirement, that member's accumulated contributions are refunded.

**Cost-Sharing Plan Contributions** - At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary. The employer's rate at September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ended September 30, 2020, 2019 and 2018 were \$4,334,297, \$4,024,837, and \$3,719,626, respectively, equal to the required contributions each year.

**PFDR Funding Policy** - The PERS System Board of Trustees establishes the funding policy for MRS plans. The funding policy for PFDR provides for periodic employer contributions at actuarially determined rates, expressed as millage rate tax applied to assessed property tax values, and active employee contributions at stated rates. The employee contribution rate as of September 30, 2020, was 10% of covered payroll. Contributions under this funding policy, established beginning in the 2011-2012 fiscal year, will generate an ultimate asset reserve level equal to a reasonable percentage (initially 100% - 150%) of the next year's projected benefit payment. At that point, actuarially determined employer contributions will be set equal to the fiscal year's projected benefit payments and adjusted as necessary to maintain the assets at the established reserve level; however, ultimately the City has the option of determining the contribution rate to set as its certified millage rate. The millage rate set by the City must be at a level that will ensure actuarial soundness of the System.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)**

In developing the annual required contribution shown in the following paragraphs, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a remaining amortization period of twenty years. The asset valuation method used is a 5-year smoothed market method. The City has the option to set property tax rates to allow for extended contributions beyond 2020 under the funding policy adopted by the PERS Board of Trustees in February 2011. The millage rates certified as of June 30, 2019 under the Pre-2011 and Post-2011 Funding Policy rates are 30.23 mills and 2.83 mills, respectively. The actual tax levy set in 2019 for the pension fund for policemen and firemen for the year ended September 30, 2020 was 2.85 mills.

For the plan year ended June 30, 2020, contributions totaling \$1,358,079 (employer only, no active members) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2020. The employer's annual required contribution (ARC) as of June 30, 2020, was actuarially determined to be \$1,310,427.

**Pension Liabilities and Pension Expense** - At September 30, 2020, the City reported a liability of approximately \$88,433,126 for its proportionate share of the collective net pension liability of the Cost-Sharing Plan and the net pension liability allocated to PFDR. The net pension liability (NPL) for both plans was measured as of June 30, 2020, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2020 for both the Cost-Sharing Plan and PFDR Plan.

The NPL recorded and the pension expense recognized by the City for the year ended September 30, 2020, were as follows:

	<b>Cost - Sharing Plan</b>	<b>PFDR</b>	<b>Total</b>
Net pension liability	<u>\$ 73,815,249</u>	<u>\$ 14,617,877</u>	<u>\$ 88,433,126</u>
Net pension expense	<u>\$ 6,358,580</u>	<u>\$ 1,080,829</u>	<u>\$ 7,439,409</u>

The NPL is the difference between the TPL and the pension plans' fiduciary net position (FNP). The TPL is the present value of the pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments. The FNP is determined on the same basis as that used by the pension plans. The City's proportion of the collective Cost-Sharing Plan NPL was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2020, the City's proportion was 0.381271% as compared to its proportion measured at June 30, 2019 of 0.378836%, or an increase of 0.002435%.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)**

**Sensitivity to the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate** - The discount rate used to measure the total pension liability was 7.75% for both pension plans. The projection of cash flows used to determine the discount rate for the Cost-Sharing Plan assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (17.40%). 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 TPL.

The following table presents the City's net pension liabilities calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liabilities would be calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Cost-sharing plan net pension liability	\$ 95,544,770	\$ 73,815,249	\$ 55,879,664
PFDR plan net pension liability	\$ 17,471,955	\$ 14,617,877	\$ 12,153,667

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)**

***Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -***

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>September 30, 2020</b>	<b>Cost - Sharing Plan</b>		<b>PFDR</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 465,664	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on investments	2,425,638	-	660,877	-
Changes of assumptions	300,104	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	6,311,824	-	-	231,995
Employer contributions subsequent to the measurement date	1,119,250	-	135,904	-
<b>Total</b>	<b>\$ 10,622,480</b>	<b>\$ -</b>	<b>\$ 796,781</b>	<b>\$ 231,995</b>

Deferred outflows of resources related to the Cost-Sharing Plan and PFDR resulting from City contributions subsequent to June 30, 2020 (the measurement date) were \$1,119,250 and \$135,904, respectively, and will be recognized as a reduction of the net pension liability in the year ending September 30, 2021.

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# CITY OF HATTIESBURG, MISSISSIPPI

## NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

#### NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an addition to (reduction of) pension expense as follows:

Year Ending September 30,	Cost - Sharing Plan		PFDR	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 2,618,834	\$ -	\$ 165,219	\$ 57,999
2022	2,618,834	-	165,219	57,999
2023	2,520,956	-	165,219	57,999
2024	1,744,606	-	165,220	57,998
<b>Total</b>	<b>\$ 9,503,230</b>	<b>\$ -</b>	<b>\$ 660,877</b>	<b>\$ 231,995</b>

Recognition of pension-related deferred inflows and deferred outflows is reflected in changes in unrestricted net position.

**Actuarial Assumptions** - In determining employer contribution rates for the PFDR Plan, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. The TPL in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

	Cost - Sharing Plan	PFDR Plan
Inflation	2.75%	3.00%
Investment rate of return (net of plan investment expense, including inflation)	7.75%	7.75%
Projected salary increases, including inflation	3.00% - 18.25%	3.00% - 4.50%

For both plans, the mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class in the Cost-Sharing Plan are as follows:

<u>Investment Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	27.00%	4.90%
International equity	22.00%	4.75%
Global	12.00%	5.00%
Fixed income	20.00%	0.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash	1.00%	-
<b>Total</b>	<b>100.00%</b>	

The actuarial value of assets for the PFDR Plan recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected market value. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE FORTY-SEVEN**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 20 - ASSET RETIREMENT OBLIGATION***

The City has determined that based on the highly unlikely scenario of water and sewer services no longer being required across its service area and the numerous variables that would be involved with completely abandoning its plant facilities and waste water lagoon it is unable to feasibly determine the calculation of this liability as of September 30, 2020.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT**

Capital asset activity for the Hattiesburg Convention Commission (Commission) for the year ended September 30, 2020 was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balances</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,445,386	\$ -	\$ -	\$ 1,445,386
Construction in progress - Zoo projects	1,987,927	2,434,232	(70,471)	4,351,688
Construction in progress - Osceola McCarty House Museum	-	17,845	-	17,845
Construction in progress - Smith Drug Store	-	38,098	-	38,098
Total capital assets not being depreciated	<u>3,433,313</u>	<u>2,490,175</u>	<u>(70,471)</u>	<u>5,853,017</u>
Capital assets being depreciated:				
Buildings and improvements	22,980,439	-	-	22,980,439
Furniture and fixtures	487,942	-	-	487,942
Equipment and vehicles	1,862,651	19,890	-	1,882,541
Assets acquired under capital lease	34,737	-	-	34,737
Total capital assets being depreciated	<u>25,365,769</u>	<u>19,890</u>	<u>-</u>	<u>25,385,659</u>
Less accumulated depreciation for:				
Buildings and improvements	8,646,789	478,895	-	9,125,684
Furniture and fixtures	438,192	1,857	-	440,049
Equipment and vehicles	1,543,448	54,774	-	1,598,222
Assets acquired under capital lease	34,737	-	-	34,737
Total accumulated depreciation	<u>10,663,166</u>	<u>535,526</u>	<u>-</u>	<u>11,198,692</u>
Total capital assets being depreciated, net	<u>14,702,603</u>	<u>(515,636)</u>	<u>-</u>	<u>14,186,967</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 18,135,916</u>	<u>\$ 1,974,539</u>	<u>\$ (70,471)</u>	<u>\$ 20,039,984</u>

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT (Cont.)***

The Commission executed a contract in 2010 with the City for the management of the Hattiesburg Zoo at Kamper Park. In May of 2012, a new agreement was entered into by the City and the Commission where the Commission agreed to accept full financial responsibility for any subsidy requirement necessary for the operation of the Hattiesburg Zoo. This agreement was renewed in August 2015. In September 2020, the subsequent renewal agreement was styled to continue without a designated termination date. Pursuant to the agreement, all parties reserve the right to cancel this agreement at any time upon six months written notice to the other party. Furthermore, the City agrees to reimburse on a pro rata basis, the Commission for capital equipment, expansion expenditures or major renovation expenditures executed for benefit of the City in the 2 years prior to the date of notice of cancellation.

During the year ended September 30, 2020, the Commission contracted for certain capital projects. The Commission transferred completed construction projects totaling \$111,426 to the City, which are reflected in capital assets of the City as of September 30, 2020.

***NOTE 22 - SUBSEQUENT EVENTS***

In preparing the financial statements, management has evaluated and disclosed all material subsequent events through May 20, 2021, which is the date the financial statements were available to be issued.

The City issued the Combined Water and Sewer System Revenue Refunding Bonds, Series 2021 in the amount of \$38,405,000 for the purpose of refinancing, prepayment and advance refunding of Series 2012 Revenue Project Bonds; Series 2013 Refunding Bonds; and Series 2016 Refunding Bonds.

The City was awarded the Coronavirus State Fiscal Recovery Fund Grant through the Department of the Treasury to provide aid to state and local governments impacted by economic downfall as a result of the pandemic. The total amount of funds to be awarded to the City will be \$12,875,821.00 and will be distributed in two equal installments the first in May 2021 and the second issued 12 months later.

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***REQUIRED SUPPLEMENTARY INFORMATION***

SCHEDULE 1  
PAGE 1 OF 4

**CITY OF HATTIESBURG, MISSISSIPPI**

**Budgetary Comparison Schedule - General Fund  
Year Ended September 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>
<b>REVENUES</b>		
Intergovernmental:		
Federal grants	\$ 1,285,567	\$ 1,787,950
State grants	202,595	261,122
State - shared revenue	23,358,000	21,958,000
County - shared revenue	22,218	63,518
General property taxes	18,400,000	18,735,000
Other taxes	40,000	40,000
Licenses and permits	4,397,600	4,397,600
Charges for services:		
Public safety	295,000	395,000
Streets	-	-
Sanitation	2,245,000	2,245,000
Fines and forfeitures	1,043,300	1,043,300
Miscellaneous	302,400	428,150
Non-revenue receipts	237,412	1,535,194
<b>Total revenues</b>	<b>51,829,092</b>	<b>52,889,834</b>
<b>EXPENDITURES</b>		
General government:		
Personnel	4,657,038	4,421,966
Supplies and expenses	250,300	226,558
Other services and charges	4,518,591	5,273,537
Capital outlays	254,703	269,253
Total general government	<b>9,680,632</b>	<b>10,191,314</b>
Police department:		
Personnel	11,350,274	11,279,195
Supplies and expenses	729,324	828,303
Other services and charges	644,796	658,839
Capital outlays	-	117,353
Total police department	<b>12,724,394</b>	<b>12,883,690</b>
Police and fire training:		
Personnel	41,107	42,507
Supplies and expenses	108,175	117,375
Other services and charges	71,356	71,045
Capital outlays	2,002	6,215
Total police and fire training	<b>222,640</b>	<b>237,142</b>

The accompanying notes to the required supplementary information are an integral part of this schedule.

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 465,116	\$ (1,322,834)
110,766	(150,356)
22,852,608	894,608
41,300	(22,218)
19,099,072	364,072
20,868	(19,132)
4,054,659	(342,941)
334,329	(60,671)
2,733	2,733
2,287,365	42,365
708,771	(334,529)
385,337	(42,813)
1,496,071	(39,123)
<u>51,858,995</u>	<u>(1,030,839)</u>
4,243,775	178,191
121,505	105,053
4,038,880	1,234,657
263,309	5,944
<u>8,667,469</u>	<u>1,523,845</u>
10,812,294	466,901
683,416	144,887
549,366	109,473
17,347	100,006
<u>12,062,423</u>	<u>821,267</u>
41,832	675
100,502	16,873
70,596	449
5,001	1,214
<u>217,931</u>	<u>19,211</u>

SCHEDULE 1  
PAGE 2 OF 4

**CITY OF HATTIESBURG, MISSISSIPPI**

**Budgetary Comparison Schedule - General Fund  
Year Ended September 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>
<b>EXPENDITURES (Cont.)</b>		
Fire department:		
Personnel	\$ 8,727,232	\$ 8,727,232
Supplies and expenses	323,068	362,368
Other services and charges	313,109	313,109
Total fire department	<u>9,363,409</u>	<u>9,402,709</u>
Land development administration:		
Personnel	652,212	619,730
Supplies and expenses	26,450	26,450
Other services and charges	261,700	261,700
Total land development administration	<u>940,362</u>	<u>907,880</u>
Public safety contractual services:		
Personnel	281,300	381,300
Other services and charges	918,000	1,218,000
Total public safety contractual services	<u>1,199,300</u>	<u>1,599,300</u>
Public services:		
Personnel	6,461,766	5,983,905
Supplies and expenses	1,479,094	1,494,304
Other services and charges	4,993,195	5,755,705
Capital outlays	1,299,310	1,197,760
Total public services	<u>14,233,365</u>	<u>14,431,674</u>
Animal control:		
Personnel	167,939	158,387
Supplies and expenses	15,400	15,400
Other services and charges	182,125	182,125
Total animal control	<u>365,464</u>	<u>355,912</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 7,966,431	\$ 760,801
336,830	25,538
237,102	76,007
<u>8,540,363</u>	<u>862,346</u>
576,769	42,961
20,159	6,291
238,256	23,444
<u>835,184</u>	<u>72,696</u>
264,988	116,312
1,089,163	128,837
<u>1,354,151</u>	<u>245,149</u>
5,466,943	516,962
1,007,061	487,243
5,308,354	447,351
473,619	724,141
<u>12,255,977</u>	<u>2,175,697</u>
149,050	9,337
11,907	3,493
174,766	7,359
<u>335,723</u>	<u>20,189</u>

SCHEDULE 1  
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CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund  
Year Ended September 30, 2020

	Original Budget	Final Budget
<b>EXPENDITURES (Cont.)</b>		
Human/social assistance:		
Other services and charges	\$ 288,500	\$ 380,900
Total human/social assistance	288,500	380,900
Economic development:		
Other services and charges	360,810	402,812
Capital outlays	-	1,800,000
Total economic development	360,810	2,202,812
Airport:		
Supplies and expenses	32,000	32,000
Other services and charges	47,550	47,550
Total airport	79,550	79,550
Cemetery:		
Personnel	821,001	799,826
Supplies and expenses	79,650	82,650
Other services and charges	60,801	86,801
Capital outlays	65,200	65,200
Total cemetery	1,026,652	1,034,477
Parking garages:		
Personnel	124,288	110,994
Supplies and expenses	6,950	6,950
Other services and charges	54,950	54,950
Total parking garages	186,188	172,894



<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<u>\$ 160,000</u>	<u>\$ 220,900</u>
<u>160,000</u>	<u>220,900</u>
350,758	52,054
116,521	1,683,479
<u>467,279</u>	<u>1,735,533</u>
776	31,224
34,441	13,109
<u>35,217</u>	<u>44,333</u>
722,363	77,463
67,202	15,448
71,515	15,286
38,669	26,531
<u>899,749</u>	<u>134,728</u>
82,938	28,056
299	6,651
42,047	12,903
<u>125,284</u>	<u>47,610</u>

SCHEDULE 1  
PAGE 4 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund  
Year Ended September 30, 2020

	Original Budget	Final Budget
<b>EXPENDITURES (Cont.)</b>		
Debt service:		
Principal payments	\$ 702,600	\$ 2,114,772
Interest payments	412,310	419,332
Pay agent fees	3,000	3,000
Total debt service	<u>1,117,910</u>	<u>2,537,104</u>
<b>Total expenditures</b>	<u>51,789,176</u>	<u>56,417,358</u>
<b>Excess (deficiency) of revenues over expenditures</b>	39,916	(3,527,524)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	850,000	850,000
Transfers out	<u>(3,850,150)</u>	<u>(4,143,150)</u>
<b>Total other financing sources (uses)</b>	<u>(3,000,150)</u>	<u>(3,293,150)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,960,234)	(6,820,674)
Fund balances - beginning (Non-GAAP Budgetary Basis)	<u>8,400,000</u>	<u>9,394,348</u>
Fund balances - ending (Non-GAAP Budgetary Basis)	<u>\$ 5,439,766</u>	<u>\$ 2,573,674</u>
<b>ADJUSTMENTS:</b>		
To adjust for other receivables/accruals		
Fund balances - ending (GAAP Basis)		

The accompanying notes to the required supplementary information are an integral part of this schedule.

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 2,123,455	\$ (8,683)
405,973	13,359
3,000	-
<u>2,532,428</u>	<u>4,676</u>
<u>48,489,178</u>	<u>7,928,180</u>
3,369,817	6,897,341
938,630	88,630
(4,143,150)	-
<u>(3,204,520)</u>	<u>88,630</u>
165,297	<u>\$ 6,985,971</u>
<u>9,394,348</u>	
9,559,645	
<u>2,400,556</u>	
<u>\$ 11,960,201</u>	

SCHEDULE 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Schedule of the City's Proportionate Share of the Net Pension Liability - PERS  
Last Ten Fiscal Years\*  
Year Ended September 30, 2020**

	<b>2020</b>	<b>2019</b>
City's proportion of the net pension liability (asset)	0.381271%	0.378836%
City's proportionate share of the net pension liability (asset)	\$ 73,815,249	\$ 66,638,394
Covered payroll	\$ 25,387,885	\$ 24,672,648
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.75%	270.09%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
0.366040%	0.365585%	0.356159%	0.354714%
\$ 60,876,674	\$ 60,775,128	\$ 63,626,214	\$ 54,831,789
\$ 23,616,660	\$ 23,537,422	\$ 23,739,349	\$ 22,228,762
257.77%	258.21%	268.02%	246.67%
62.54%	61.49%	57.47%	61.70%

SCHEDULE 3

**CITY OF HATTIESBURG, MISSISSIPPI**

**Schedule of City Contributions  
Public Employees' Retirement System - PERS  
Last Ten Fiscal Years\*  
Year Ended September 30, 2020**

	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 4,334,297	\$ 4,024,837
Contributions in relation to the contractually required contribution	<u>(4,334,297)</u>	<u>(4,024,837)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 24,909,750	\$ 24,698,252
Contributions as a percentage of covered payroll	17.40%	16.30%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

Note A - The 2019 contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$ 3,719,626	\$ 3,707,145	\$ 3,738,948	\$ 3,501,030
<u>(3,719,626)</u>	<u>(3,707,145)</u>	<u>(3,738,948)</u>	<u>(3,501,030)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 23,616,673	\$ 23,537,429	\$ 23,739,352	\$ 22,228,762
15.75%	15.75%	15.75%	15.75%

SCHEDULE 4

**CITY OF HATTIESBURG, MISSISSIPPI**

**Schedule of the City's Proportionate Share of the Net Pension Liability - PFDR  
Last Ten Fiscal Years\*  
Year Ended September 30, 2020**

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability (asset)	11.77%	11.75%
City's proportionate share of the net pension liability (asset)	\$14,617,877	\$14,266,753
Covered payroll**	N/A	N/A
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll**	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	56.64%	58.99%

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

\*\* Payroll-related information not provided because plan is closed to new entrants and there are no active members.



<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
11.49%	11.26%	11.04%	10.86%
\$14,249,426	\$14,848,105	\$15,838,774	\$14,490,323
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
59.68%	59.01%	56.63%	60.94%

SCHEDULE 5

**CITY OF HATTIESBURG, MISSISSIPPI**

**Schedule of City Contributions  
Mississippi Municipal Retirement Systems - PFDR  
Last Ten Fiscal Years\*  
Year Ended September 30, 2020**

	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,378,508	\$ 1,392,033
Contributions in relation to the contractually required contribution	<u>(1,378,508)</u>	<u>(1,392,033)</u>
<b><i>Contribution deficiency (excess)</i></b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll**	N/A	N/A
Contributions as a percentage of covered payroll**	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

\*\* Payroll-related information not provided because plan is closed to new entrants and there are no active members.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$ 1,512,066	\$ 1,334,243	\$ 1,346,542	\$ 1,626,692
<u>(1,512,066)</u>	<u>(1,334,243)</u>	<u>(1,346,542)</u>	<u>(1,626,692)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

SCHEDULE 6

**CITY OF HATTIESBURG, MISSISSIPPI**

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios  
Last Ten Fiscal Years\*  
Year Ended September 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 825,006	\$ 785,720	\$ 601,832
Interest	410,359	304,750	236,232
Differences between expected and actual experience	-	896,966	-
Change in assumptions	-	1,391,514	-
Benefit payments	<u>(468,268)</u>	<u>(436,614)</u>	<u>(211,305)</u>
Net change in total OPEB liability	767,097	2,942,336	626,759
Total OPEB liability - beginning	<u>11,105,808</u>	<u>8,163,472</u>	<u>7,536,713</u>
Total OPEB liability - ending	<u><u>\$ 11,872,905</u></u>	<u><u>\$ 11,105,808</u></u>	<u><u>\$ 8,163,472</u></u>
City's covered-employee payroll	\$ 24,909,750	\$ 24,698,252	\$ 23,616,673
Total OPEB liability as a percentage of its covered-employee payroll	47.66%	44.97%	34.57%

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of September 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018, and until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the required supplementary information are an integral part of this schedule.

## **CITY OF HATTIESBURG, MISSISSIPPI**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2020**

#### **NOTE 1 - BUDGETARY COMPARISON SCHEDULE**

##### ***A. Basis of Presentation:***

The Budgetary Comparison Schedule (the Schedule) presents the original legally adopted budget, the final legally adopted budget, the actual amounts on the budgetary cash basis, and variances between the final budget and the actual amounts. The Schedule is a part of required supplementary information. As disclosed in Note 1, Section F to the financial statements, the Schedule is presented in the Mississippi State Department of Audit's prescribed format.

##### ***B. Budget/GAAP Reconciliation:***

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The budget to GAAP reconciliation is shown at the bottom of Schedule 1.

#### **NOTE 2 - PENSION SCHEDULES**

##### ***A. Changes of Assumptions:***

###### 2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

## CITY OF HATTIESBURG, MISSISSIPPI

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

#### PAGE TWO

YEAR ENDED SEPTEMBER 30, 2020

#### **NOTE 2 - PENSION SCHEDULES (Cont.)**

##### 2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

##### 2017

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

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

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

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

##### 2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PAGE THREE**

**YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 2 - PENSION SCHEDULES (Cont.)**

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

**A. Changes in Benefit Provisions:**

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**NOTE 3 - OPEB SCHEDULES**

**A. Changes of Assumptions:**

2017

The discount rate is 2.98% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 29, 2017, compared to the prior year Statement No. 45 discount rate of 4.0%.

**CITY OF HATTIESBURG, MISSISSIPPI**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PAGE FOUR**

**YEAR ENDED SEPTEMBER 30, 2020**

***NOTE 3 - OPEB SCHEDULES (Cont.)***

The mortality improvement was changed from scale MP-2014 to scale MP-2017.

The medical trend was changed from 8% grading to 5% over 6 years beginning in 2014 to 8% grading to 5% over 10 years beginning in 2017.

2019

The discount rate is 3.58% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 30, 2019 under Statement No. 75, compared to the prior discount rate of 2.98%.

The medical claims aging table was updated to be based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The assumed trend rate for the medical claims was changed to 7.25% grading uniformly to 6.50% over 3 years, and following the 2020 Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075.

Mortality was updated to mortality table MP-2014 Adjusted to 2006 with Scale MP-2019.

***B. Funding Policy:***

Benefits of the plan are self-insured by the City. The City maintains an account for the purpose of paying claims and administrative costs of its self-funded health insurance plan. The account requires that a minimum balance be maintained, and the City deposits additional funds for claims incurred and anticipated payments on a pay-as-you-go basis. No assets have been segregated and restricted to provide for postretirement benefits.

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***SUPPLEMENTARY INFORMATION***

SCHEDULE 7

**CITY OF HATTIESBURG, MISSISSIPPI**

**Combining Balance Sheet - Nonmajor Governmental Funds  
September 30, 2020**

	<b>Special Revenue Funds (Schedule 9)</b>	<b>Debt Service Funds (Schedule 11)</b>
<b>ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 2,736,620	\$ -
Cash and cash equivalents - restricted	3,492,840	9,056,945
Cash with fiscal agent - restricted	-	694,144
Due from other funds	717	-
Sales tax receivable	224,117	-
Intergovernmental receivables	568,361	-
Other receivables	16,127	-
Property taxes receivable	1,176,330	2,129,949
<b>Total assets</b>	<b>\$ 8,215,112</b>	<b>\$ 11,881,038</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 697,672	\$ -
Due to other funds	1,028,105	-
Due to other governments	112,059	-
Accrued wages and benefits	96,580	-
Other liabilities	306,120	-
Advances from other funds	300,000	-
Total liabilities	2,540,536	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	1,167,000	2,115,000
Total deferred inflows of resources	1,167,000	2,115,000
<b>FUND BALANCES</b>		
<b>Restricted:</b>		
Public Safety:		
Fire protection	372,333	-
Law enforcement	225,846	-
Mass transit	123,193	-
Debt service	-	9,766,038
Culture and recreation	956,874	-
Economic development	1,814,594	-
<b>Committed:</b>		
Culture and recreation	1,424,596	-
<b>Unassigned</b>	(409,860)	-
Total fund balances	4,507,576	9,766,038
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,215,112</b>	<b>\$ 11,881,038</b>

The accompanying notes are an integral part of this schedule.

<b>Capital Project Funds (Schedule 13)</b>	<b>Total Nonmajor Governmental Funds (Exhibit C)</b>
\$ 216,865	\$ 2,953,485
2,709,169	15,258,954
-	694,144
-	717
-	224,117
-	568,361
-	16,127
-	3,306,279
<u>\$ 2,926,034</u>	<u>\$ 23,022,184</u>
\$ 216,865	\$ 914,537
-	1,028,105
-	112,059
-	96,580
-	306,120
-	300,000
<u>216,865</u>	<u>2,757,401</u>
-	3,282,000
-	3,282,000
-	372,333
2,706,038	2,931,884
-	123,193
-	9,766,038
2,317	959,191
814	1,815,408
-	1,424,596
-	(409,860)
<u>2,709,169</u>	<u>16,982,783</u>
<u>\$ 2,926,034</u>	<u>\$ 23,022,184</u>

SCHEDULE 8

**CITY OF HATTIESBURG, MISSISSIPPI**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Year Ended September 30, 2020**

	<b>Special Revenue Funds (Schedule 10)</b>	<b>Debt Service Funds (Schedule 12)</b>
<b>REVENUES</b>		
General property taxes	\$ 1,215,901	\$ 3,364,168
Special sales tax collections	2,561,625	-
Internet sales tax	537,798	-
Fines, forfeitures and penalties	36,474	-
Interest, rents and concessions	57,565	170,107
Intergovernmental revenues	6,404,087	809,389
Charges for services	281,778	-
Other revenues	208,519	-
<b>Total revenues</b>	<b>11,303,747</b>	<b>4,343,664</b>
<b>EXPENDITURES</b>		
Current:		
Public safety	146,315	-
Public services	4,543,152	-
Other services	2,563,297	69,634
Mass transit	1,812,822	-
Culture and recreation	5,738,746	-
Human/social assistance	432,384	-
Economic development	-	-
Debt service:		
Principal payments	239,522	2,130,282
Interest and fiscal charges	10,690	1,977,585
<b>Total expenditures</b>	<b>15,486,928</b>	<b>4,177,501</b>
Excess (deficiency) of revenues over expenditures	(4,183,181)	166,163
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from long-term debt	-	-
Transfers in	4,061,891	798,196
Transfers out	-	(15,439)
Other sources	100,000	10
<b>Total other financing sources (uses)</b>	<b>4,161,891</b>	<b>782,767</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,290)</b>	<b>948,930</b>
Fund balances - beginning	4,528,866	8,817,108
Fund balances - ending	<b>\$ 4,507,576</b>	<b>\$ 9,766,038</b>

The accompanying notes are an integral part of this schedule.

<b>Capital Project Funds (Schedule 14)</b>	<b>Total Nonmajor Governmental Funds (Exhibit D)</b>
\$ -	\$ 4,580,069
-	2,561,625
-	537,798
-	36,474
64,481	292,153
-	7,213,476
-	281,778
-	208,519
<u>64,481</u>	<u>15,711,892</u>
1,457,878	1,604,193
-	4,543,152
-	2,632,931
-	1,812,822
-	5,738,746
-	432,384
3,836,567	3,836,567
-	2,369,804
-	1,988,275
<u>5,294,445</u>	<u>24,958,874</u>
(5,229,964)	(9,246,982)
8,083,000	8,083,000
-	4,860,087
(146,433)	(161,872)
-	100,010
<u>7,936,567</u>	<u>12,881,225</u>
2,706,603	3,634,243
2,566	13,348,540
<u>\$ 2,709,169</u>	<u>\$ 16,982,783</u>

SCHEDULE 9

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Special Revenue Funds  
September 30, 2020

	<u>PARKS &amp; RECREATION</u>	<u>MUNICIPAL FIRE PROTECTION</u>	<u>SPECIAL STREET</u>	<u>POLICE FORFEITURES</u>	<u>AIRPORT IMPROVEMENT</u>	<u>MUNICIPAL ROAD &amp; BRIDGE</u>
<b>ASSETS</b>						
Cash and cash equivalents - unrestricted	\$ 1,295,422	\$ -	\$ -	\$ 33,395	\$ 288,406	\$ (175,074)
Cash and cash equivalents - restricted	-	372,333	124,790	225,846	-	1,551,272
Due from other funds	-	-	-	717	-	-
Sales tax receivable	-	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	464,343
Other receivables	-	-	-	150	3,291	12,686
Property taxes receivable	947,464	-	-	-	-	-
<b>Total assets</b>	<u>\$ 2,242,886</u>	<u>\$ 372,333</u>	<u>\$ 124,790</u>	<u>\$ 260,108</u>	<u>\$ 291,697</u>	<u>\$ 1,853,227</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 39,277	\$ -	\$ -	\$ 6,098	\$ -	\$ 301,955
Due to other funds	-	-	-	-	550,000	-
Due to other governments	-	-	-	-	-	-
Accrued wages and benefits	43,010	-	-	-	-	-
Other liabilities	200	-	-	28,164	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>82,487</u>	<u>-</u>	<u>-</u>	<u>34,262</u>	<u>550,000</u>	<u>301,955</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	940,000	-	-	-	-	-
Total deferred inflows of resources	<u>940,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
<b>Restricted:</b>						
Public Safety:						
Fire protection	-	372,333	-	-	-	-
Law enforcement	-	-	-	225,846	-	-
Mass transit	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Economic development	-	-	124,790	-	-	1,551,272
<b>Committed:</b>						
Culture and recreation	1,220,399	-	-	-	-	-
<b>Unassigned</b>	-	-	-	-	(258,303)	-
Total fund balances	<u>1,220,399</u>	<u>372,333</u>	<u>124,790</u>	<u>225,846</u>	<u>(258,303)</u>	<u>1,551,272</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 2,242,886</u>	<u>\$ 372,333</u>	<u>\$ 124,790</u>	<u>\$ 260,108</u>	<u>\$ 291,697</u>	<u>\$ 1,853,227</u>

The accompanying notes are an integral part of this schedule.

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	SPECIAL 1% SALES TAX	INTERNET SALES TAX	GROUP INSURANCE	TOTAL
\$ 481,512	\$ 244,733	\$ 161,605	\$ 121,541	\$ 17,559	\$ 267,521	\$ 2,736,620
123,193	-	-	956,874	138,532	-	3,492,840
-	-	-	-	-	-	717
-	-	-	224,117	-	-	224,117
104,018	-	-	-	-	-	568,361
-	-	-	-	-	-	16,127
228,866	-	-	-	-	-	1,176,330
<u>\$ 937,589</u>	<u>\$ 244,733</u>	<u>\$ 161,605</u>	<u>\$ 1,302,532</u>	<u>\$ 156,091</u>	<u>\$ 267,521</u>	<u>\$ 8,215,112</u>
\$ 78,473	\$ 15,474	\$ 6,523	\$ 232,313	\$ 17,559	\$ -	\$ 697,672
478,105	-	-	-	-	-	1,028,105
-	-	-	112,059	-	-	112,059
30,818	14,827	6,639	1,286	-	-	96,580
-	10,235	-	-	-	267,521	306,120
-	-	300,000	-	-	-	300,000
<u>587,396</u>	<u>40,536</u>	<u>313,162</u>	<u>345,658</u>	<u>17,559</u>	<u>267,521</u>	<u>2,540,536</u>
227,000	-	-	-	-	-	1,167,000
<u>227,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167,000</u>
-	-	-	-	-	-	372,333
-	-	-	-	-	-	225,846
123,193	-	-	-	-	-	123,193
-	-	-	956,874	-	-	956,874
-	-	-	-	138,532	-	1,814,594
-	204,197	-	-	-	-	1,424,596
-	-	(151,557)	-	-	-	(409,860)
<u>123,193</u>	<u>204,197</u>	<u>(151,557)</u>	<u>956,874</u>	<u>138,532</u>	<u>-</u>	<u>4,507,576</u>
<u>\$ 937,589</u>	<u>\$ 244,733</u>	<u>\$ 161,605</u>	<u>\$ 1,302,532</u>	<u>\$ 156,091</u>	<u>\$ 267,521</u>	<u>\$ 8,215,112</u>

SCHEDULE 10

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds  
Year Ended September 30, 2020

	<u>PARKS &amp; RECREATION</u>	<u>MUNICIPAL FIRE PROTECTION</u>	<u>SPECIAL STREET</u>	<u>POLICE FORFEITURES</u>	<u>AIRPORT IMPROVEMENT</u>	<u>MUNICIPAL ROAD &amp; BRIDGE</u>
<b>REVENUES</b>						
General property taxes	\$ 972,721	\$ -	\$ -	\$ -	\$ -	\$ -
Special sales tax collections	-	-	-	-	-	-
Internet sales tax	-	-	-	-	-	-
Fines, forfeitures and penalties	-	631	-	35,843	-	-
Interest, rents and concessions	24,558	2,257	1,365	134	2,962	9,502
Intergovernmental revenues	1,000	277,444	60,925	-	1,940,591	2,675,758
Charges for services	19,042	95,652	-	2,471	-	-
Other revenues	-	-	-	-	35,519	170,000
<b>Total revenues</b>	<u>1,017,321</u>	<u>375,984</u>	<u>62,290</u>	<u>38,448</u>	<u>1,979,072</u>	<u>2,855,260</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	-	99,996	-	46,319	-	-
Public services	-	-	-	-	-	4,141,296
Other services	-	-	-	-	2,563,297	-
Mass transit	-	-	-	-	-	-
Culture and recreation	2,951,995	-	-	-	-	-
Human/social assistance	-	-	-	-	-	-
Debt service:						
Principal payments	-	239,522	-	-	-	-
Interest and fiscal charges	-	10,690	-	-	-	-
<b>Total expenditures</b>	<u>2,951,995</u>	<u>350,208</u>	<u>-</u>	<u>46,319</u>	<u>2,563,297</u>	<u>4,141,296</u>
Excess (deficiency) of revenues over expenditures	(1,934,674)	25,776	62,290	(7,871)	(584,225)	(1,286,036)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,117,000	-	-	-	250,000	393,000
Other sources	-	-	-	-	-	100,000
<b>Total other financing sources (uses)</b>	<u>2,117,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>493,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	182,326	25,776	62,290	(7,871)	(334,225)	(793,036)
Fund balances - beginning	<u>1,038,073</u>	<u>346,557</u>	<u>62,500</u>	<u>233,717</u>	<u>75,922</u>	<u>2,344,308</u>
Fund balances - ending	<u>\$ 1,220,399</u>	<u>\$ 372,333</u>	<u>\$ 124,790</u>	<u>\$ 225,846</u>	<u>\$ (258,303)</u>	<u>\$ 1,551,272</u>

The accompanying notes are an integral part of this schedule.



MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	SPECIAL 1% SALES TAX	INTERNET SALES TAX	GROUP INSURANCE	TOTAL
\$ 243,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,215,901
-	-	-	2,561,625	-	-	2,561,625
-	-	-	-	537,798	-	537,798
-	-	-	-	-	-	36,474
4,533	9,291	42	331	2,590	-	57,565
1,221,126	-	226,191	1,052	-	-	6,404,087
146,689	17,924	-	-	-	-	281,778
-	-	-	3,000	-	-	208,519
1,615,528	27,215	226,233	2,566,008	540,388	-	11,303,747
-	-	-	-	-	-	146,315
-	-	-	-	401,856	-	4,543,152
-	-	-	-	-	-	2,563,297
1,812,822	-	-	-	-	-	1,812,822
-	799,082	-	1,987,669	-	-	5,738,746
-	-	432,384	-	-	-	432,384
-	-	-	-	-	-	239,522
-	-	-	-	-	-	10,690
1,812,822	799,082	432,384	1,987,669	401,856	-	15,486,928
(197,294)	(771,867)	(206,151)	578,339	138,532	-	(4,183,181)
691,096	575,000	35,795	-	-	-	4,061,891
-	-	-	-	-	-	100,000
691,096	575,000	35,795	-	-	-	4,161,891
493,802	(196,867)	(170,356)	578,339	138,532	-	(21,290)
(370,609)	401,064	18,799	378,535	-	-	4,528,866
\$ 123,193	\$ 204,197	\$ (151,557)	\$ 956,874	\$ 138,532	\$ -	\$ 4,507,576

SCHEDULE 11

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Debt Service Funds  
September 30, 2020

	2019 TIF BOND AND INTEREST PLANET FITNESS	CITY BOND AND INTEREST	2014 TIF BOND AND INTEREST SOUTHERN POINTE	2003 TIF BOND AND INTEREST CHAUVET SQUARE	2007 TIF BOND AND INTEREST TURTLE CROSSING
<b>ASSETS</b>					
Cash and cash equivalents - restricted	\$ 192	\$ 7,200,418	\$ 291,061	\$ 202,188	\$ 195,825
Cash with fiscal agent - restricted	-	546,981	-	-	-
Property taxes receivable	-	2,129,949	-	-	-
<b>Total assets</b>	<b>\$ 192</b>	<b>\$ 9,877,348</b>	<b>\$ 291,061</b>	<b>\$ 202,188</b>	<b>\$ 195,825</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ -	\$ 2,115,000	\$ -	\$ -	\$ -
Total deferred inflows of resources	-	2,115,000	-	-	-
<b>FUND BALANCES</b>					
<b>Restricted:</b>					
Debt service	192	7,762,348	291,061	202,188	195,825
Total fund balances	192	7,762,348	291,061	202,188	195,825
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 192</b>	<b>\$ 9,877,348</b>	<b>\$ 291,061</b>	<b>\$ 202,188</b>	<b>\$ 195,825</b>

The accompanying notes are an integral part of this schedule.

2008 TIF BOND AND INTEREST LINCOLN CENTER	2012 TIF BOND AND INTEREST KOHL'S	2016 TIF BOND AND INTEREST WHISPERING PINES	2016 TIF BOND AND INTEREST HATTIESBURG CLINIC	2015-A TIF BOND AND INTEREST RIDGE AT TURTLE CREEK	2015-B TIF BOND AND INTEREST MIDTOWN MARKET	2019 TIF BOND AND INTEREST ELAM ARMS	TOTAL
\$ 73,373	\$ 32,992	\$ 386,610	\$ 53,740	\$ 123,954	\$ 11,087	\$ 485,505	\$ 9,056,945
-	-	-	-	-	-	147,163	694,144
-	-	-	-	-	-	-	2,129,949
\$ 73,373	\$ 32,992	\$ 386,610	\$ 53,740	\$ 123,954	\$ 11,087	\$ 632,668	\$ 11,881,038
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,115,000
-	-	-	-	-	-	-	2,115,000
73,373	32,992	386,610	53,740	123,954	11,087	632,668	9,766,038
73,373	32,992	386,610	53,740	123,954	11,087	632,668	9,766,038
\$ 73,373	\$ 32,992	\$ 386,610	\$ 53,740	\$ 123,954	\$ 11,087	\$ 632,668	\$ 11,881,038

SCHEDULE 12

**CITY OF HATTIESBURG, MISSISSIPPI**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Debt Service Funds  
Year Ended September 30, 2020**

	2019 TIF BOND AND INTEREST PLANET FITNESS	CITY BOND AND INTEREST	2014 TIF BOND AND INTEREST SOUTHERN POINTE	2003 TIF BOND AND INTEREST CHAUVET SQUARE	2007 TIF BOND AND INTEREST TURTLE CROSSING
<b>REVENUES</b>					
General property taxes	\$ 28,575	\$ 1,950,476	\$ 125,000	\$ 200,000	\$ 450,000
Interest, rents and concessions	192	142,030	3,300	4,501	5,588
Intergovernmental revenues	34,387	-	125,000	-	167,466
<b>Total revenues</b>	<u>63,154</u>	<u>2,092,506</u>	<u>253,300</u>	<u>204,501</u>	<u>623,054</u>
<b>EXPENDITURES</b>					
Current:					
Other services	49,850	19,784	-	-	-
Debt service:					
Principal payments	9,282	935,000	155,000	135,000	475,000
Interest and fiscal charges	3,840	1,502,993	90,854	61,610	88,366
<b>Total expenditures</b>	<u>62,972</u>	<u>2,457,777</u>	<u>245,854</u>	<u>196,610</u>	<u>563,366</u>
Excess (deficiency) of revenues over expenditures	182	(365,271)	7,446	7,891	59,688
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	570,504	-	-	-
Transfer out	-	(15,439)	-	-	-
Other sources (uses)	10	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>10</u>	<u>555,065</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	192	189,794	7,446	7,891	59,688
Fund balances - beginning	<u>-</u>	<u>7,572,554</u>	<u>283,615</u>	<u>194,297</u>	<u>136,137</u>
Fund balances - ending	<u>\$ 192</u>	<u>\$ 7,762,348</u>	<u>\$ 291,061</u>	<u>\$ 202,188</u>	<u>\$ 195,825</u>

The accompanying notes are an integral part of this schedule.

2008 TIF BOND AND INTEREST LINCOLN CENTER	2012 TIF BOND AND INTEREST KOHL'S	2016 TIF BOND AND INTEREST WHISPERING PINES	2016 TIF BOND AND INTEREST HATTIESBURG CLINIC	2015-A TIF BOND AND INTEREST RIDGE AT TURTLE CREEK	2015-B TIF BOND AND INTEREST MIDTOWN MARKET	2019 TIF BOND AND INTEREST ELAM ARMS	TOTAL
\$ 60,000	\$ 65,000	\$ 166,772	\$ 37,743	\$ 116,500	\$ 11,450	\$ 152,652	\$ 3,364,168
1,408	808	7,325	671	494	254	3,536	170,107
-	30,887	185,880	37,743	29,956	11,450	186,620	809,389
61,408	96,695	359,977	76,157	146,950	23,154	342,808	4,343,664
-	-	-	-	-	-	-	69,634
50,000	80,000	169,000	47,000	64,000	11,000	-	2,130,282
8,850	10,190	113,083	28,485	57,765	11,549	-	1,977,585
58,850	90,190	282,083	75,485	121,765	22,549	-	4,177,501
2,558	6,505	77,894	672	25,185	605	342,808	166,163
-	-	-	-	-	-	227,692	798,196
-	-	-	-	-	-	-	(15,439)
-	-	-	-	-	-	-	10
-	-	-	-	-	-	227,692	782,767
2,558	6,505	77,894	672	25,185	605	570,500	948,930
70,815	26,487	308,716	53,068	98,769	10,482	62,168	8,817,108
\$ 73,373	\$ 32,992	\$ 386,610	\$ 53,740	\$ 123,954	\$ 11,087	\$ 632,668	\$ 9,766,038

SCHEDULE 13

**CITY OF HATTIESBURG, MISSISSIPPI**

**Combining Balance Sheet - Nonmajor Capital Project Funds  
September 30, 2020**

	<b>TIF CONSTRUCTION</b>	<b>BOND CONSTRUCTION</b>	<b>KAMPER PARK/ZOO IMPROVEMENTS</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ -	\$ 216,865	\$ -	\$ 216,865
Cash and cash equivalents - restricted	814	2,706,038	2,317	2,709,169
<b>Total assets</b>	<u>\$ 814</u>	<u>\$ 2,922,903</u>	<u>\$ 2,317</u>	<u>\$ 2,926,034</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 216,865	\$ -	\$ 216,865
<b>Total liabilities</b>	<u>-</u>	<u>216,865</u>	<u>-</u>	<u>216,865</u>
<b>FUND BALANCES</b>				
<b>Restricted:</b>				
Public safety - law enforcement	-	2,706,038	-	2,706,038
Culture and recreation	-	-	2,317	2,317
Economic development	814	-	-	814
Total fund balances	<u>814</u>	<u>2,706,038</u>	<u>2,317</u>	<u>2,709,169</u>
<b>Total liabilities and fund balances</b>	<u>\$ 814</u>	<u>\$ 2,922,903</u>	<u>\$ 2,317</u>	<u>\$ 2,926,034</u>

The accompanying notes are an integral part of this schedule.

SCHEDULE 14

**CITY OF HATTIESBURG, MISSISSIPPI**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Capital Project Funds  
Year Ended September 30, 2020**

	<b>TIF CONSTRUCTION</b>	<b>BOND CONSTRUCTION</b>	<b>KAMPER PARK/ZOO IMPROVEMENTS</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Interest, rents and concessions	\$ 508	\$ 63,916	\$ 57	\$ 64,481
<b>Total revenues</b>	<u>508</u>	<u>63,916</u>	<u>57</u>	<u>64,481</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	1,457,878	-	1,457,878
Economic development	3,836,567	-	-	3,836,567
<b>Total expenditures</b>	<u>3,836,567</u>	<u>1,457,878</u>	<u>-</u>	<u>5,294,445</u>
Excess (deficiency) of revenues over expenditures	(3,836,059)	(1,393,962)	57	(5,229,964)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	3,983,000	4,100,000	-	8,083,000
Transfers out	(146,433)	-	-	(146,433)
<b>Total other financing sources (uses)</b>	<u>3,836,567</u>	<u>4,100,000</u>	<u>-</u>	<u>7,936,567</u>
<b>NET CHANGE IN FUND BALANCES</b>	508	2,706,038	57	2,706,603
Fund balances - beginning	<u>306</u>	<u>-</u>	<u>2,260</u>	<u>2,566</u>
Fund balances - ending	<u>\$ 814</u>	<u>\$ 2,706,038</u>	<u>\$ 2,317</u>	<u>\$ 2,709,169</u>

The accompanying notes are an integral part of this schedule.

SCHEDULE 15  
PAGE 1 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Departmental Expenditures - Budgetary Basis - General Fund  
Year Ended September 30, 2020**

	<b>PERSONNEL SERVICES</b>	<b>SUPPLIES &amp; EXPENSES</b>
<b>GENERAL GOVERNMENT</b>		
City Council	\$ 356,216	\$ 2,869
Mayor/Administration	677,577	9,256
Elections	-	329
Municipal Clerk	269,688	2,897
Accounting Division	309,532	1,979
Purchasing Division	123,398	1,068
City Attorney	87,828	-
Human Resources Division	186,067	2,162
Loss Control Division	68,841	2,558
Urban Development	652,712	8,388
Information Systems	300,427	48,439
Metro Planning	202,771	3,660
General Government Building	-	13,900
General Government - Other	-	136
Intermodal Facility	-	5,989
City Court	1,008,718	17,875
<b>Total General Government</b>	<b>4,243,775</b>	<b>121,505</b>
<b>PUBLIC SAFETY</b>		
Police Department	10,812,294	683,416
Police and Fire Training	41,832	100,502
Fire Department	7,966,431	336,830
Land Development Administration	576,769	20,159
Contractual Services	264,988	-
<b>Total Public Safety</b>	<b>19,662,314</b>	<b>1,140,907</b>
<b>PUBLIC SERVICE</b>		
Traffic Maintenance	301,882	111,453
Street Division	957,519	278,247
Street Lights	-	-
Engineering	431,378	6,610
Shop Division	442,004	32,770
Garage and Office	-	1,058
Drainage Division	-	26,321
Construction Division	696,797	66,063
Sanitation Division	1,468,892	336,499
Street Cleaning Division	-	703
Health Division	1,168,471	147,337
<b>Total Public Service</b>	<b>5,466,943</b>	<b>1,007,061</b>

The accompanying notes are an integral part of this schedule.



<b>OTHER SERVICES/ CHARGES</b>	<b>CAPITAL OUTLAYS</b>	<b>DEBT SERVICE</b>	<b>TOTAL</b>
\$ 188,059	\$ 6,000	\$ -	\$ 553,144
146,341	-	-	833,174
17,344	-	-	17,673
21,875	-	-	294,460
916	-	-	312,427
1,997	-	-	126,463
-	-	-	87,828
4,103	-	-	192,332
2,889	-	-	74,288
68,363	-	-	729,463
549,375	255,410	-	1,153,651
195,861	-	-	402,292
152,767	1,899	-	168,566
2,212,439	-	-	2,212,575
90,242	-	-	96,231
386,309	-	-	1,412,902
<u>4,038,880</u>	<u>263,309</u>	<u>-</u>	<u>8,667,469</u>
549,366	17,347	-	12,062,423
70,596	5,001	-	217,931
237,102	-	-	8,540,363
238,256	-	-	835,184
1,089,163	-	-	1,354,151
<u>2,184,483</u>	<u>22,348</u>	<u>-</u>	<u>23,010,052</u>
38,616	-	-	451,951
2,146,336	264,450	-	3,646,552
1,317,880	-	-	1,317,880
363,087	-	-	801,075
40,268	-	-	515,042
17,042	10,749	-	28,849
88,420	166,857	-	281,598
102,945	-	-	865,805
1,192,510	31,563	-	3,029,464
-	-	-	703
1,250	-	-	1,317,058
<u>5,308,354</u>	<u>473,619</u>	<u>-</u>	<u>12,255,977</u>

SCHEDULE 15  
PAGE 2 OF 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**Statement of Departmental Expenditures - Budgetary Basis - General Fund  
Year Ended September 30, 2020**

	<b>PERSONNEL SERVICES</b>	<b>SUPPLIES &amp; EXPENSES</b>
<b><i>HUMAN/SOCIAL ASSISTANCE</i></b>		
Human/Social Assistance	\$ -	\$ -
<b><i>Total Human/Social Assistance</i></b>	<u>-</u>	<u>-</u>
<b><i>ECONOMIC DEVELOPMENT</i></b>		
Economic Development	-	-
<b><i>Total Economic Development</i></b>	<u>-</u>	<u>-</u>
<b><i>OTHER SERVICES</i></b>		
Animal Control	149,050	11,907
Airport	-	776
Cemetery	722,363	67,202
Parking Operations	82,938	299
<b><i>Total Other Services</i></b>	<u>954,351</u>	<u>80,184</u>
<b><i>DEBT SERVICE</i></b>	<u>-</u>	<u>-</u>
<b><i>TOTAL DEPARTMENTAL EXPENDITURES</i></b>	<u>\$ 30,327,383</u>	<u>\$ 2,349,657</u>

The accompanying notes are an integral part of this schedule.

<b>OTHER SERVICES/ CHARGES</b>	<b>CAPITAL OUTLAYS</b>	<b>DEBT SERVICE</b>	<b>TOTAL</b>
<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,000</u>
<u>160,000</u>	<u>-</u>	<u>-</u>	<u>160,000</u>
<u>350,758</u>	<u>116,521</u>	<u>-</u>	<u>467,279</u>
<u>350,758</u>	<u>116,521</u>	<u>-</u>	<u>467,279</u>
174,766	-	-	335,723
34,441	-	-	35,217
71,515	38,669	-	899,749
42,047	-	-	125,284
<u>322,769</u>	<u>38,669</u>	<u>-</u>	<u>1,395,973</u>
<u>-</u>	<u>-</u>	<u>2,532,428</u>	<u>2,532,428</u>
<u>\$ 12,365,244</u>	<u>\$ 914,466</u>	<u>\$ 2,532,428</u>	<u>\$ 48,489,178</u>

SCHEDULE 16

**CITY OF HATTIESBURG, MISSISSIPPI**

**Combining Statement of Fiduciary Assets and Liabilities - Agency Funds  
September 30, 2020**

	<b>Payroll Withholding Fund</b>	<b>Police &amp; Fire Disability &amp; Relief Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 462,831	\$ 62,051
Property taxes and fees receivable	-	11,514
Sales tax receivable	-	-
<b>Total assets</b>	<b>\$ 462,831</b>	<b>\$ 73,565</b>
<b>LIABILITIES</b>		
Employee contributions payable	\$ 462,831	\$ -
Due to other agencies	-	-
Amounts held in custody for others	-	73,565
<b>Total liabilities</b>	<b>\$ 462,831</b>	<b>\$ 73,565</b>

The accompanying notes are an integral part of this schedule.

<b>Tax Collectors Fund</b>	<b>Industrial Park Fund</b>	<b>Hattiesburg Special Sales Tax</b>	<b>Claims Fund</b>	<b>Total</b>
\$ 76,037	\$ 302,771	\$ -	\$ 2,338	\$ 906,028
578,988	-	-	-	590,502
-	-	521,438	-	521,438
<u>\$ 655,025</u>	<u>\$ 302,771</u>	<u>\$ 521,438</u>	<u>\$ 2,338</u>	<u>\$ 2,017,968</u>
\$ -	\$ -	\$ -	\$ 2,338	\$ 465,169
47,607	-	-	-	47,607
607,418	302,771	521,438	-	1,505,192
<u>\$ 655,025</u>	<u>\$ 302,771</u>	<u>\$ 521,438</u>	<u>\$ 2,338</u>	<u>\$ 2,017,968</u>

SCHEDULE 17

**CITY OF HATTIESBURG, MISSISSIPPI**

**Schedule of Surety Bonds for Municipal Officials  
September 30, 2020**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Insurance Company</u></b>	<b><u>Amount</u></b>
Thomas "Toby" Barker	Mayor	Travelers	\$ 100,000
Deborah Denard Delgado	Council Member	FCCI Insurance Co.	100,000
Edmond Carter Carroll	Council Member	FCCI Insurance Co.	100,000
Mary Currie Dryden	Council Member	FCCI Insurance Co.	100,000
Nicholas R. Brown	Council Member	FCCI Insurance Co.	100,000
Jeffrey Randolph George	Council Member	Travelers	100,000
Kermas Eaton	City Clerk	Travelers	50,000
Anthony L. Parker	Police Chief	FCCI Insurance Co.	50,000

The accompanying notes are an integral part of this schedule.

SCHEDULE 18

**CITY OF HATTIESBURG, MISSISSIPPI**

**Full Cost Accounting - Solid Waste Management Services  
Year Ended September 30, 2020**

***EXPENSES - Sanitation Cost Center (General Fund):***

Personnel costs	\$ 1,468,892
Supplies	336,499
Other services and charges	1,192,510
Total expenses (other than capital outlay) Sanitation Cost Center	<u>2,997,901</u>

***Depreciation expense*** 543,036

***Allocation of certain expenses in Other Cost Centers:***

50% of shop cost center - Repair and maintenance	257,521
Indirect cost allocation - 10% of administration cost centers	<u>224,145</u>

***Total calculated expenses - full cost basis*** \$ 4,022,603

***Number of tons of solid waste collected and disposed of by City:***

Sanitation trucks:	
Garbage (tons)	16,363
Trash (tons)	<u>19,201</u>
<b><i>Total tons solid waste</i></b>	<u><u>35,564</u></u>

***Distribution of residential and non-residential costs:***

Residential (84%)	\$ 3,378,987
Non-residential (16%)	<u>643,616</u>

***Total distribution*** \$ 4,022,603

***NOTES:***

Pursuant to Section 17-17-347 of the Mississippi Code, this schedule is presented to provide a full cost accounting of sanitation services. "Residential" solid waste service includes routine household garbage and yard waste collections and disposal. Additionally, duplexes and smaller apartments with individual water meters are also considered to be "residential" customers. "Non-residential" would include garbage and trash service to City-owned facilities, overgrown lot and demolition debris, waste generated by tree crews or other city departments. The distribution of "Residential" and "Non-residential" at 84/16 is based upon regularly scheduled direct labor hours. Unusual occurrences, such as severe storm damage or demolition of large structures will cause significant fluctuations both in labor hours and debris removal costs.

SCHEDULE 19

**CITY OF HATTIESBURG, MISSISSIPPI**

**Report on Revenues and Expenditures  
Additional 1% Sales Tax for City Parks & Recreation Projects  
and Improvements to USM Athletic Facilities - Modified Accrual Basis  
Year Ended September 30, 2020**

***Revenues (Special Sales Tax Fund):***

Additional 1% Sales Taxes	
Restaurants	\$ 2,231,392
Hotels and motels	330,233
Total additional 1% sales taxes	<u>2,561,625</u>
Other revenues	
Miscellaneous	3,000
State grants	1,052
Interest	331
Total other revenues	<u>4,383</u>
<b><i>Total revenues</i></b>	<u>2,566,008</u>
<b><i>Expenditures</i></b>	
Culture and recreation	706,537
Payments to USM of 1/2 of special taxes collected	1,280,813
Miscellaneous	319
Total expenditures	<u>1,987,669</u>
Net Change in Fund Balance	578,339
Fund balance - beginning	<u>378,535</u>
Fund balance - ending	<u>\$ 956,874</u>

***NOTES:***

Pursuant to Senate Bill 3069 enacted during the 2018 regular session of the Mississippi Legislature, the above schedule is presented as a recapitulation of the additional 1% sales taxes levied by the City of Hattiesburg as authorized by that legislation. This additional 1% sales tax is collected from the specified restaurants, alcoholic beverage retail stores, hotels, and motels in the City of Hattiesburg. The proceeds of this tax are settled to the City each month and deposited into a separate fund. One-half of these taxes are then remitted to the University of Southern Mississippi for improvements to athletic facilities and one-half is used for improvements to City parks and recreation facilities. If the City's share exceeds the projected \$1.2 million per year to be used for city parks and recreation, the City will use those additional taxes for sidewalks and multi-use paths located in seven designated areas within the City.



SCHEDULE 20

**CITY OF HATTIESBURG, MISSISSIPPI**

**Water and Sewer Budget Basis Balance Sheets  
Year Ended September 30, 2020**

	<b>OPERATIONS AND MAINTENANCE FUND</b>	<b>BOND AND INTEREST FUND</b>	<b>REVENUE FUND</b>
<b>ASSETS</b>			
<b><i>CURRENT ASSETS</i></b>			
Cash and cash equivalents	\$ 248,528	\$ -	\$ 3,417,380
Cash and cash equivalents - restricted	-	5,592,156	-
Cash with fiscal agent - restricted	-	922,088	-
Due from other funds	1,016,663	427,989	-
Total current assets	<u>1,265,191</u>	<u>6,942,233</u>	<u>3,417,380</u>
<b><i>Total assets</i></b>	<u><u>\$ 1,265,191</u></u>	<u><u>\$ 6,942,233</u></u>	<u><u>\$ 3,417,380</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b><i>CURRENT LIABILITIES</i></b>			
Accounts payable	\$ -	\$ -	\$ 6,453
Sales tax payable	-	-	19,559
Due to other funds	-	500,000	2,340,160
Total current liabilities	<u>-</u>	<u>500,000</u>	<u>2,366,172</u>
Total liabilities	<u>-</u>	<u>500,000</u>	<u>2,366,172</u>
<b><i>NET POSITION</i></b>	<u>1,265,191</u>	<u>6,442,233</u>	<u>1,051,208</u>
<b><i>Total liabilities and net position</i></b>	<u><u>\$ 1,265,191</u></u>	<u><u>\$ 6,942,233</u></u>	<u><u>\$ 3,417,380</u></u>

The accompanying notes are an integral part of this schedule.

CONSTRUCTION FUND	2016 CONSTRUCTION FUND	2012 CONSTRUCTION FUND	2010 CONSTRUCTION FUND
\$ -	\$ -	\$ -	\$ -
2,672,020	-	-	-
-	4,094,862	64	571
1,028,902	-	-	-
3,700,922	4,094,862	64	571
\$ 3,700,922	\$ 4,094,862	\$ 64	\$ 571
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,700,922	4,094,862	64	571
\$ 3,700,922	\$ 4,094,862	\$ 64	\$ 571

SCHEDULE 21

**CITY OF HATTIESBURG, MISSISSIPPI**

**Water and Sewer Budget Basis Statements of Revenues, Expenses,  
and Changes in Net Position  
Year Ended September 30, 2020**

	<b>OPERATIONS AND MAINTENANCE FUND</b>	<b>BOND AND INTEREST FUND</b>	<b>REVENUE FUND</b>
<b>OPERATING REVENUES</b>	<u>\$ 43,510</u>	<u>\$ -</u>	<u>\$ 22,821,268</u>
<b>OPERATING EXPENSES</b>			
Personnel services	2,861,031	-	-
Supplies and expenses	809,434	-	-
Other services and charges	7,583,459	-	1,255
Other operating expenses	591,369	-	20,906
Total operating expenses	<u>11,845,293</u>	<u>-</u>	<u>22,161</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(11,801,783)</u>	<u>-</u>	<u>22,799,107</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Principal payments on notes	-	(5,361,000)	-
Interest expense	-	(2,237,958)	(10,700)
Interest revenue	703	177,869	70,283
Intergovernmental revenues	-	-	-
Other revenue (expense)	698	-	1,400
Total non-operating revenues (expenses)	<u>1,401</u>	<u>(7,421,089)</u>	<u>60,983</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<u>(11,800,382)</u>	<u>(7,421,089)</u>	<u>22,860,090</u>
<b>OPERATING TRANSFERS</b>			
Operating transfers in	12,200,000	6,576,000	-
Operating transfers out	-	-	(22,832,723)
Total operating transfers	<u>12,200,000</u>	<u>6,576,000</u>	<u>(22,832,723)</u>
<b>CHANGES IN NET POSITION</b>	<u>399,618</u>	<u>(845,089)</u>	<u>27,367</u>
<b>NET POSITION, beginning of year</b>	<u>865,573</u>	<u>7,287,322</u>	<u>1,023,841 *</u>
<b>NET POSITION, end of year</b>	<u>\$ 1,265,191</u>	<u>\$ 6,442,233</u>	<u>\$ 1,051,208</u>

\* Adjusted for changes in meter deposit liabilities.

The accompanying notes are an integral part of this schedule.

CONSTRUCTION FUND	2016 CONSTRUCTION FUND	2012 CONSTRUCTION FUND	2010 CONSTRUCTION FUND
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
885,956	4,153	-	-
2,074,389	7,537,183	-	-
2,960,345	7,541,336	-	-
(2,960,345)	(7,541,336)	-	-
-	-	-	-
-	-	-	-
70,166	85,125	1	6
356,025	-	-	-
48,178	-	-	-
474,369	85,125	1	6
(2,485,976)	(7,456,211)	1	6
3,556,723	-	-	-
-	-	-	-
3,556,723	-	-	-
1,070,747	(7,456,211)	1	6
2,630,175	11,551,073	63	565
\$ 3,700,922	\$ 4,094,862	\$ 64	\$ 571

SCHEDULE 22

**CITY OF HATTIESBURG, MISSISSIPPI**

**Water and Sewer Budget Basis Operation and Maintenance Cost Centers  
Year Ended September 30, 2020**

	<b>Personnel Services</b>	<b>Supplies and Expenses</b>	<b>Other Services and Charges</b>	<b>Capital Outlays</b>	<b>Total</b>
Office	\$ 653,780	\$ 35,973	\$ 234,413	\$ 18,600	\$ 942,766
Transmission	900,136	204,768	1,673,060	227,079	3,005,043
Plant	591,611	107,579	1,096,275	136,490	1,931,955
Sewer	445,371	181,076	2,621,234	209,200	3,456,881
Sewer lagoon	270,133	280,038	1,958,477	-	2,508,648
<b>Total expenses</b>	<b>\$ 2,861,031</b>	<b>\$ 809,434</b>	<b>\$ 7,583,459</b>	<b>\$ 591,369</b>	<b>\$ 11,845,293</b>

The accompanying notes are an integral part of this schedule.

SCHEDULE 23  
PAGE 1 OF 5

**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Amounts Provided to Subrecipients</b>
<b><i>U.S. Department of Housing and Urban Development</i></b>				
Pass-Through Programs From:				
Governor's Department of Housing and Urban Development				
<i>CDBG Entitlement Grants - Cluster:</i>				
Community Development Block Grants/ Entitlement Grants	14.218	MC-28-0006	\$ 372,252	\$ 21,975
Total - CDBG Entitlement Grants Cluster			<u>372,252</u>	
HOME Investment Partnerships Program	14.239	MC-28-0201	<u>22,312</u>	<u>2,500</u>
Total U.S. Department of Housing and Urban Development Pass-Through Programs			<u>394,564</u>	
<b><i>U.S. Department of the Interior</i></b>				
Pass-Through Programs From:				
Mississippi Department of Archives and History 2019 Certified Local Government Grant				
	15.904	N/A	<u>5,000</u>	
Total U.S. Department of the Interior Pass-Through Programs			<u>5,000</u>	
<b><i>U.S. Department of Justice</i></b>				
Office of Justice Programs:				
HPD Coronavirus Emergency Response 2020	16.034	2020-VD-BX-1206	<u>17,419</u>	
			<u>17,419</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE 23  
PAGE 2 OF 5

**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Amounts Provided to Subrecipients</b>
<b><i>U.S. Department of Justice (Cont.)</i></b>				
Office of Justice Programs:				
Bulletproof Vest Partnership Program	16.607	2019 Award	\$ 10,066	
			<u>10,066</u>	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0369	-	\$ <u>7,404</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0822	12,287	
			<u>12,287</u>	
Total U.S. Department of Justice Direct Programs			<u>39,772</u>	
Pass-Through Programs From:				
Mississippi Department of Health				
OVW Technical Assistance Initiative	16.526	2020-ST-019	19,095	
OVW Technical Assistance Initiative	16.526	2021-ST-019	8,020	
			<u>27,115</u>	
Total U.S. Department of Justice Pass- Through Programs			<u>27,115</u>	
<b><i>U.S. Department of Transportation</i></b>				
Federal Aviation Administration				
Airport Improvement Program	20.106	3-28-0031-025-2018	74,196	
Airport Improvement Program	20.106	3-28-0031-026-2019	334,291	
Airport Improvement Program	20.106	3-28-0031-027-2020	1,895,025	
Total - Federal Aviation Administration Direct Programs			<u>2,303,512</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE 23  
PAGE 3 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Transportation (Cont.)</b>				
Federal Transit Administration				
Federal Transit Cluster:				
Federal Transit Formula Grants:				
Mass Transit JARC	20.507	MS-90-X093	\$ 44,285	
Mass Transit Capital	20.507	MS-90-X095	116,988	
Mass Transit Preventive	20.507	MS-2017-006-01-01 (0102)	138,979	
Mass Transit Paratransit	20.507	MS-2020-008-00 (0110)	39,351	
Mass Transit Operating	20.507	MS-2017-006-01-01 (4102)	124,766	
Mass Transit Preventive	20.507	MS-2017-003-01 (X100)	67,105	
Mass Transit Operating	20.507	MS-2017-010-01 (4103)	246,407	
Mass Transit Operating	20.507	MS-2020-008-00 (4110)	446,443	
Total - Federal Transit Cluster			<u>1,224,324</u>	
Total U.S. Department of Transportation Direct Programs			<u>3,527,836</u>	
Federal Highway Administration				
Pass-Through Programs From:				
Mississippi Department of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction Grants:				
Metropolitan Planning Organization	20.205	N/A	278,064	
Fourth St. Improvements - Phase II	20.205	HPP-7194-00(003)/105845/801000	68,513	
38th Avenue Improvements	20.205	STP-8771-00(002)LPA/106943-701000	1,006,799	
Total - Highway Planning and Construction Cluster			<u>1,353,376</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.



SCHEDULE 23  
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CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Amounts Provided to Subrecipients</b>
<b><i>U.S. Department of Transportation (Cont.)</i></b>				
National Highway Traffic Safety Administration Pass-Through Programs From:				
Mississippi Department of Public Safety - Office of Highway Safety				
Alcohol Open Container Requirements	20.607	154-AL-2020-ST-21-51	<u>\$ 42,877</u>	
Total U.S. Department of Transportation Pass-Through Programs			<u>1,396,253</u>	
<b><i>U.S. Department of Health and Human Services</i></b>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	#1H79TI081923-01	<u>129,821</u>	
Total U.S. Department of Health and Human Services Direct Programs			<u>129,821</u>	
Center for Disease Control and Prevention Pass-Through Programs From:				
Mississippi State Department of Health Preventive Health and Health Services Block Grant	93.991	1NB010T009209-01	<u>1,052</u>	
Total U.S. Department of Health and Human Services Pass-through Programs			<u>1,052</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE 23  
PAGE 5 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<b><i>Executive Office of the President</i></b>				
Pass-Through Program From:				
Mississippi Bureau of Narcotics				
HIDTA-High Intensity Drug Trafficking Areas Program	95.001	G19GC0003A	\$ 18,649	
HIDTA-High Intensity Drug Trafficking Areas Program	95.001	G20GC0003A	4,138	
			<u>22,787</u>	
Total Executive Office of the President Pass-Through Programs			<u>22,787</u>	
<b><i>U.S. Department of Homeland Security</i></b>				
Office of Homeland Security				
Homeland Security Grant Program	97.067	EMW-2019-SS-00009	4,569	
Total U.S. Department of Homeland Security Direct Programs			<u>4,569</u>	
Pass-Through Programs From:				
Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	FEMA-4415-DR-MS	165,677	
(Presidentially Declared Disasters)	97.036	FEMA-4528-DR-MS	87,967	
			<u>253,644</u>	
Total U.S. Department of Homeland Security Pass-Through Programs			<u>253,644</u>	
<b><i>Total Expenditures of Federal Awards</i></b>			<u>\$ 5,802,413</u>	<u>\$ 31,879</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

## **CITY OF HATTIESBURG**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2020**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Hattiesburg under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Hattiesburg, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hattiesburg.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### **NOTE 2 - DE MINIMIS COST RATE**

The City elected not to recover indirect costs for federal programs using the 10% de minimis cost rate allowed by the Uniform Guidance in Section 414.

#### **NOTE 3 - PAYMENTS MADE TO SUBRECIPIENTS**

Federal funds provided to subrecipients from the Community Development Block Grants/Entitlement Grants, the HOME Investment Partnerships Program, and from the Edward Byrne Memorial Justice Assistance Program during the year ended September 30, 2020 totaled \$21,975, \$2,500, and \$7,404, respectively.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements, and have issued our report thereon dated May 20, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hattiesburg, Mississippi's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-006 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hattiesburg, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Hattiesburg's Response to Findings**

The City of Hattiesburg, Mississippi's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. The City of Hattiesburg, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Hattiesburg, Mississippi  
May 20, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hattiesburg, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Hattiesburg, Mississippi's major federal programs for the year ended September 30, 2020. The City of Hattiesburg, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Hattiesburg, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hattiesburg, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hattiesburg, Mississippi's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Hattiesburg, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

### **Report on Internal Control over Compliance**

Management of the City of Hattiesburg, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hattiesburg, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

  
Hattiesburg, Mississippi  
May 20, 2021



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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section I - Summary of Auditor's Results***

**Financial Statements**

Type of auditor's report issued on the financial statements:

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Series 2019 and 2020 Bond Projects Fund	Unmodified
Aggregate Remaining Governmental Funds	Unmodified
Combined Water and Sewer System	Unmodified

Internal control over financial reporting:

Material weaknesses identified?	Yes
Significant deficiency identified not considered to be a material weakness?	None reported

Noncompliance material to financial statements noted?	No
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**Federal Awards**

Internal control over major federal programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported

Type of auditor's report issued on compliance for each major federal program:

Federal Aviation Administration Airport Improvement Program	Unmodified
Highway Planning and Construction Cluster	Unmodified
Federal Transit Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section I - Summary of Auditor's Results (Cont.)***

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Federal Aviation Administration Airport Improvement Program
20.205	Highway Planning and Construction Cluster
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

***Section II - Financial Statement Findings***

**Finding:**

Finding 2020-001 Entity-Level Control Environment and Risk Assessment Processes

Finding Type: Material Weakness

**Criteria** - The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model has been adopted as the generally accepted framework for evaluating internal controls framework, organizational structure, assignment of authority and responsibility, estimating the potential significance of risks relevant to achievement of financial reporting objectives, and responding to such risks represent elements of entity-level internal controls.

**Condition** - The City did not timely initiate or make substantial progress in implementation of corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2020.

**Context** - The City has previously developed a comprehensive plan in response to certain material entity-level control weaknesses related to financial reporting, but the City had not yet implemented corrective actions during fiscal year 2020.

**Cause** - The City's organizational structure, depth of resources of personnel with suitable knowledge and skill in financial reporting, and process for evaluating and addressing risks related to financial reporting result in entity-level control weaknesses.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-001      Entity-Level Control Environment and Risk Assessment Processes  
(Cont.)

***Effect*** - Previously identified material weaknesses in internal control continued unmitigated in fiscal year 2020.

***Identification of Repeat Finding*** 2019-001

***Recommendation*** - The Administration should take steps to implement corrective actions for identified material weaknesses in internal controls and assess its overall control environment and risk assessment processes.

***Views of Responsible Officials*** - See the Auditee's Corrective Action Plan.

**Finding:**

Finding 2020-002      Entity-Level Information, Communication and Monitoring

Finding Type:              Material weakness

***Criteria*** - The City must maintain effective internal accounting procedures over information, communication, and monitoring functions that relate to financial reporting and legal compliance.

***Condition*** - The City's financial reporting system and monitoring processes lack sufficient depth and structure to ensure that all relevant information is timely identified, communicated to appropriate financial and accounting personnel, assessed for financial reporting impact, and assimilated into the financial reporting process.

***Context*** - The City's centralized accounting system does not have a structured and cohesive process to obtain, maintain, and analyze data from varied sources as part of its information management and financial reporting system or to communicate and educate departmental personnel regarding criteria and responsibilities for conveyance of information.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-002      Entity-Level Information, Communication and Monitoring (Cont.)

**Cause** - The City's entity-wide controls and procedures do not effectively ensure that all relevant information is timely incorporated into the financial reporting process. In addition, lines of authority and responsibility under the City's organizational structure are incompatible with the structure of its financial reporting process. Further, the City has experienced significant turnover of management personnel in recent years. Staff turnover has caused loss of knowledge base, including familiarity with informal and undocumented procedures performed in prior years.

**Effect** - Deficiencies in information and communication processes cause unnecessary hardship in the preparation of the annual financial reporting process.

***Identification of Repeat Finding*** 2019-002

**Recommendation** - The City should immediately develop and implement procedures to enhance its process for timely identifying, maintaining, conveying, and reporting information relevant to financial reporting. Procedures should be formally documented and incorporated into the financial reporting process on an ongoing basis, and personnel responsible for financial reporting monitoring and oversight should have appropriate levels of authority in order to enforce accountability of personnel responsible for accumulating, maintaining, and communicating data.

**Views of Responsible Officials** - See the Auditee's Corrective Action Plan.

**Finding:**

Finding 2020-003      Financial Statement Adjustment, Close, and Disclosure

Finding Type:      Material weakness

**Criteria** - The City's internal accounting controls, including year-end procedures, should be sufficient to ensure that amounts are properly classified, that accounts are properly valued, and that pertinent rights and obligations are properly reflected in the financial statements in accordance with U.S. generally accepted accounting principles.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-003      Financial Statement Adjustment, Close, and Disclosure (Cont.)

**Condition** - The City does not routinely maintain data necessary to prepare required conversions from its cash basis accounting records to the modified accrual and/or accrual basis of accounting required for financial reporting purposes. Additionally, the City's accounting system does not consistently ensure proper cut-off and valuation or completeness of transactions and balances at year-end for reporting purposes.

**Context** - The City's financial reporting system centers on its budgetary cash basis accounting processes and this typically requires extensive manual processes after the end of the fiscal year for financial reporting purposes. These year-end processes have become increasingly difficult due to the complexity of governmental financial reporting requirements. In particular, the City does not routinely capture and maintain data necessary for conversion of cash basis to appropriate fund and accrual basis financial presentation or for preparation of necessary disclosures and supplementary information reported in its financial statements. Further, the City does not routinely perform valuation assessments, such as estimates of impairment of carrying value of its long-term assets or estimates of net realizable values of receivables, in order to determine whether financial statement adjustments are appropriate.

**Cause** - The City's reliance on its budgetary cash basis general ledger system and year-end conversion processes to provide financial reporting information causes difficulty in the preparation of its basic financial statements along with the necessary disclosures and supplemental schedules.

**Effect** - The City cannot readily prepare conversion adjustments required for financial reporting purposes and cannot readily produce necessary disclosures and supplemental schedules which increases the risk of omission of information that should be reported under U.S. generally accepted accounting principles.

***Identification of Repeat Finding*** 2019-003

**Recommendation** - The City should develop a plan to address deficiencies in its financial statement adjustment, close, and disclosure processes.

**Views of Responsible Officials** - See the Auditee's Corrective Action Plan.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

**Finding:**

Finding 2020-004      Municipal Court Fines

Finding Type:      Material weakness

**Criteria** - Internal accounting controls should be sufficient to ensure that recorded Municipal Court fines and related accounts receivable and assessments payable balances are complete, accurate, properly valued, and reported in the proper period. In addition, State law requires maintenance of permanent Court dockets and minute records, as well as an accounts receivable system which is reconciled monthly and periodically aged and analyzed.

**Condition** - The City lacks sufficient internal controls over Municipal Court fines to ensure that all amounts are properly recorded, that only authorized transactions are accurately recorded in the proper period, that gross balances outstanding represent valid underlying amounts, that State assessments are properly applied, that nonmonetary credits and adjustments are properly authorized and recorded, and that estimates of net realizable value take into account collection activity, nonmonetary credits and other pertinent data. City procedures related to Municipal Court fines are not adequate to achieve compliance with requirements of Mississippi law or to ensure integrity of recorded amounts.

The City does not exercise appropriate oversight of the Municipal Court accounting process. Case management activities, including both manual procedures and software application processes, are not adequate to ensure completeness or accuracy of data or to assure that errors and irregularities are prevented or detected and corrected on a timely basis. In addition, system-generated reports are not adequate to support reconciliation and roll-forward of case balances or to facilitate effective review. Periodic analyses are neither prepared nor reported to management for review, and the City lacks formal procedures and methodology to support its estimated net realizable value of outstanding fines.

**Context** - The Municipal Court department is responsible for maintaining detail case data, including original estimated fines, adjusted fines as legally imposed, payments and nonmonetary credits applied against fines, mandated State assessments, and various data related to each citation and offense. The City utilizes specialized peripheral software systems to record and maintain case information and related activity.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-004      Municipal Court Fines (Cont.)

Amounts of fines receivable and State assessments payable for each case are maintained in the separate peripheral system but are not recorded in the City's general ledger system. Instead, the general ledger reflects only daily cash receipt amounts, summarized by account, and detail of expenditures, which consist primarily of payments of State assessments. Recorded cash receipts and disbursements are the only information routinely reported to or reviewed by management. However, since the cash basis excludes amounts of fines imposed, related State assessment obligations, adjustments to case amounts, nonmonetary credits, and balances outstanding, it is insufficient to allow effective monitoring of case balances or activity related to fines.

Receivables and payables are recognized only for annual financial reporting purposes and are not reconciled or reviewed periodically. Year-end recognition of these balances, net of the allowance for uncollectible accounts, is based upon retrospective review of data available after fiscal year-end.

Subsidiary software does not effectively maintain accounting period cut-off data and there are system design limitations that result in reports that do not accurately reflect accounting period cut-off since records do not consistently or effectively capture dates upon which case fines legally attach or base balance calculations on dates of underlying transactions. This lack of proper accounting period information also distorts the aging analyses of outstanding balances that are required by law and are essential support for estimating collectability.

The City did not timely or effectively monitor data recorded into the subsidiary system or reports generated therefrom to ensure completeness, accuracy, or agreement to underlying records. Further, access to subsidiary computer system functions was not effectively restricted, and personnel duties were not adequately segregated to ensure that employees could not commit and conceal errors or irregularities. No procedures are routinely performed to monitor accuracy or completeness of cases initially recorded into the subsidiary records maintained in specialized application software or to reconcile or monitor recorded activity in those cases. The City did not prepare analyses or reconciliations of nonmonetary credits applied against fines for jail time served, community service, or house arrest, and other account adjustments were not monitored or reconciled.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-004      Municipal Court Fines (Cont.)

**Cause** - The City has not established appropriate procedures for accounting for Municipal Court fines in accordance with U.S. generally accepted accounting principles or to comply with Mississippi law.

The City has not established and enforced effective segregation of duties for case management processes, including limiting access to information technology system functions, and the current application software used for case management and accounting is not adequate to meet requirements of State law or to produce sufficient financial reports. The City did not prepare interim or annual reconciliations or analyses of Municipal Court fines receivable or related assessments payable, compare recorded fines to underlying Court documents, or maintain an effective audit trail of account adjustments for the year ended September 30, 2020.

**Effect** - The City's systems and procedures for accounting for Municipal Court fines do not achieve effective control over completeness, accuracy, or cut-off of recorded amounts and do not meet applicable requirements of State law. Data deficiencies, system limitations, absence of effective procedures, and lack of effective oversight impede the City's ability to properly account for its fines revenues and assess collectability of its related receivable balances and State assessment obligations.

***Identification of Repeat Finding*** 2019-004

**Recommendation** - The City should develop a comprehensive plan for addressing deficiencies in its Municipal Court accounting systems and procedures that allows for daily verification of case data entry and daily roll-forward of balances in fines and assessments. The City should also develop procedures to capture dates of legal attachment for all fines, as well as procedures to monitor that such data is timely and properly maintained. Additionally, the City should prepare, reconcile, review, and retain monthly case detail and summary reports, including account aging reports that are reported to appropriate City management for review and approval.

**Views of Responsible Officials** - See the Auditee's Corrective Action Plan.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

**Finding:**

Finding 2020-005      Water and Sewer Customer Accounts Receivable

Finding Type:      Material weakness

**Criteria** - Internal accounting controls should be sufficient to ensure that recorded Water and Sewer System customer accounts receivable are complete, accurate, properly valued, and reported in the proper period.

**Condition** - The City's internal controls for recording and reconciling Water and Sewer customer account balances outstanding are not sufficient to ensure that account balances are accurate and does not allow for the proper evaluation of collectability. The City does not routinely perform reconciliations or analyses of customer receivable detail records. Additionally, aged receivable reports do not segregate finance charges from service fees, thereby distorting brackets and limiting effectiveness for monitoring propriety of service cut-off and assessing overall collectability. The City is also unable to produce reliable reports of subsequent collections on year-end outstanding balances for proper assessment of collectability and has no formal documentation of methodology or calculations supporting its estimated allowance for doubtful accounts.

**Context** - The City utilizes a separate module of its general ledger accounting software for its Water and Sewer billing functions that does not include an interface with the City's general ledger accounting system, and the City does not routinely review, reconcile, or analyze aggregate Water and Sewer customer account receivables.

**Cause** - While the City routinely processes and reviews billing route reports and reports of unpaid accounts subject to service cut-off, the City's procedures do not require periodic generation, reconciliation, and retention of detail accounts receivable and activity reports.

**Effect** - Without timely reconciliations and proper aging of its customer account balances and related activity, the City cannot readily determine net realizable value of outstanding Water and Sewer customer accounts receivable at fiscal year-end. This lack of timely review and reconciliation of subsidiary account balances could allow significant errors to go undetected.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-005      Water and Sewer Customer Accounts Receivable (Cont.)

***Identification of Repeat Finding*** 2019-005

***Recommendation*** - The City should implement procedures to routinely prepare and reconcile Water and Sewer customer accounts receivable activity and balances at each interim period, and a formal analysis of collectability of outstanding balances should be performed on at least an annual basis in order to estimate the related allowance for doubtful accounts.

***Views of Responsible Officials*** - See the Auditee's Corrective Action Plan.

**Finding:**

Finding 2020-006      Capital Assets

Finding Type:      Material weakness

***Criteria*** - Internal controls over capital assets should be sufficient to ensure that assets are properly recorded, depreciated, assessed for impairment, and reported. Detail subsidiary ledgers should be reconciled on a timely basis, and disposals should be timely recognized and reported. Rights and obligations related to ownership and pledges of capital assets should also be properly reported.

***Condition*** - The City's procedures and controls are not sufficient to ensure that all City-owned assets are properly recorded. Additionally, the City's procedures related to construction projects are not sufficient to ensure that all project costs are identified and captured in the proper period.

***Context*** - Existing accounting procedures do not ensure inclusion of contributed assets received or transfers of infrastructure from developers or other governmental entities, and the City does not routinely reconcile capital outlay expenditures to additions to fixed assets and additional inventoried items. The City does not routinely monitor assets acquired with grants or other restricted funds to ensure that any disposition of those assets is in accordance with terms of agreements and/or regulations and to ensure proper disclosure of commitments relating to those assets. Also, the City does not periodically assess its long-term assets for impairment nor does the City have an adequate system of accounting for its construction project activity.

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**CITY OF HATTIESBURG, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2020**

***Section II - Financial Statement Findings (Cont.)***

Finding 2020-006      Capital Assets (Cont.)

**Cause** - The City did not routinely and formally reconcile capital asset subsidiary detail to its financial statements, and the City does not maintain a comprehensive schedule of construction projects sufficient to support financial reporting.

**Effect** - The City's procedures are not adequate to ensure that capital outlay expenditures are reported in the proper period, or properly classified as capital expenditure or expense. Detail records are not timely reconciled to detect errors or irregularities, or to ensure that required disclosures are accurate and complete.

The City's deficiencies in procedures related to construction projects and capital assets indicate material weaknesses in internal controls over financial reporting.

***Identification of Repeat Finding*** 2019-008

**Recommendation** - The City should take immediate steps to develop and implement a comprehensive system of accounting for capital assets, including construction projects. Subsidiary records should include adequate descriptions and should be periodically reviewed to identify any assets no longer in service or those with indicated impairment.

**Views of Responsible Officials** - See the Auditee's Corrective Action Plan.

***Section III - Federal Awards Findings and Questioned Costs***

No matters were reported.

**CITY OF HATTIESBURG, MISSISSIPPI**

**AUDITEE CORRECTIVE ACTION PLAN**

**Year Ended September 30, 2020**



MAYOR  
*Toby Barker*

COUNCIL - WARD ONE  
*Jeffrey George*

COUNCIL - WARD TWO  
*Deborah Denard Delgado*

COUNCIL - WARD THREE  
*Carter Carroll*

COUNCIL - WARD FOUR  
*Mary Dryden*

COUNCIL - WARD FIVE  
*Nicholas Brown*

## Auditee Corrective Action Plan

The City of Hattiesburg respectfully submits the following corrective action plan.

**Audit Period:** September 30, 2020

The findings discussed below are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

### Corrective Action Plan for Financial Statement Findings

2020-001                      Entity-Level Control Environment and Risk Assessment Processes

The City's Administration acknowledges the importance of the control environment and, in particular, the organizational structure, with the assignment of authority and responsibility in addressing risks relevant to the achievement of financial reporting objectives. The Administration initiated an entity-wide assessment of the existing organizational structure and found that many issues were relevant to deficiencies in financial software in use. The City has purchased new software, and training and implementation began during the summer of 2020. The financial software became fully operational in January 2021. The Payroll module is scheduled to become operational on July 1, 2021. The Municipal Court and Water Billing modules are scheduled to become operational on October 1, 2021.

Name of Responsible Person:	Ann Jones, Chief Administrative Officer; Connie Everett, Interim Chief Financial Officer
Name of Department Contact:	Ann Jones, Chief Administrative Officer
Expected Date of Completion:	Fall 2021

2020-002                      Entity-Level Information, Communication and Monitoring

The City has recognized that the current financial software has deficiencies which impede the ability to obtain, maintain, and analyze data from varied sources. The City has purchased financial software, and training and implementation began during the summer of 2020. The financial software module became operational on January 1, 2021. The new software will aid in improving internal control procedures and provide greater detail for project accounting and documentation of federal awards.

**Auditee Corrective Action Plan (Cont.)**

Name of Responsible Person:	Connie Everett, Interim Chief Financial Officer
Name of Department Contact:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2021

2020-003                      Financial Statement Adjustment, Close, and Disclosure

Finding 2020-003 emphasizes the "increasing complexity of financial reporting requirements", and it includes other notations that generally describe the difficulties encountered by the City in its financial accounting functions. Other points, including the need for a formal process for ensuring the accuracy and completeness of various peripheral systems and reconciliation procedures, are, in the opinion of the Administration, valid concerns.

As noted in our response to findings 2020-001 and 2020-002, the City has purchased financial software, which became operation on January 1, 2021. The Accounting staff has endeavored to produce timely and reliable budgetary basis accounting reports in the interim and has facilitated improved conversion procedures as far as practicable until new software is functional.

Name of Responsible Person:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2021

2020-004                      Municipal Court Fines

The Administration has assessed the ongoing difficulties experienced pursuant to the court fines recordkeeping function. Changes were implemented with respect to staff operations in order to provide more timely and accurate information. It has been determined that new software for Municipal Court will be the best option for correction of deficiencies. New software will have the ability to communicate seamlessly with the financial software package, thereby furthering provision of timely and accurate information. Training on a new Municipal Court software module has begun and is expected to be fully operational by October 1, 2021.

Name of Responsible Person:	Ann Jones, Chief Administrative Officer
Name of Department Contact:	Ann Jones, Chief Administrative Officer
Expected Date of Completion:	Fall 2021

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**Auditee Corrective Action Plan (Cont.)**

2020-005                      Water and Sewer Customer Accounts Receivable

The Administration implemented procedures to prepare and reconcile water and sewer customer accounts receivable activity. Due to deficiencies with current billing and financial software, some data is not accessible or has not been captured, making manual capture of the data on subsidiary spreadsheets necessary. Along with financial software upgrades, new billing software will be implemented. The Water Billing software module is expected to be fully operational on October 1, 2021. This will enable seamless communication with the Accounting Department to properly capture financial data and provide more detailed information on outstanding balance, aging of accounts receivable, and allowance for doubtful accounts.

Name of Responsible Person:	Allen Howe, Director of Water and Sewer
Name of Department Contact:	Wanda Turner, Office Manager
Estimated Date of Completion:	Fall 2021

2020-006                      Capital Assets

The City has implemented a system of policies and procedures for accounting for capital assets pending implementation of financial software which will be able to capture this information seamlessly as part of the financial transactions. The current system can accommodate both approved construction projects and acquisitions of assets achieved outside the routine cash disbursement process, as well as any contributions or transfers of fixed assets to the City. Periodic review by the City's management team for the identification of impaired assets or assets no longer in service is performed to ensure that capitalization policies and procedures are followed. Greater accountability for accuracy of capital assets will be available when new software is fully implemented. The financial software module became fully operational on January 1, 2021. It has many additional reporting capabilities, which will be utilized to track capital assets and provide more detailed reporting.

Name of Responsible Person:	Connie Everett, Interim Chief Financial Officer; Ann Jones, Chief Administrative Officer
Name of Department Contact:	Lamar Rutland, Director of Engineering; Lisa Hanson, Comptroller
Estimated Date of Completion:	Fall 2021

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**CITY OF HATTIESBURG, MISSISSIPPI**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended September 30, 2020**





MAYOR  
*Toby Barker*

COUNCIL - WARD ONE  
*Jeffrey George*

COUNCIL - WARD TWO  
*Deborah Denard Delgado*

COUNCIL - WARD THREE  
*Carter Carroll*

COUNCIL - WARD FOUR  
*Mary Dryden*

COUNCIL - WARD FIVE  
*Nicholas Brown*

## Summary Schedule of Prior Audit Findings Year Ended September 30, 2020

The following is an update of the prior audit findings and is prepared in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

2019-001      Entity-Level Control Environment and Risk Assessment Process

**Condition** - This finding was a material weakness stating that entity-wide controls and procedures were not effectively initiated or implemented for corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2019.

**Recommendation** - The auditor recommended that the City take steps to implement corrective actions for identified material weaknesses and significant deficiencies in internal controls.

**Current Status** - In early 2018, the Administration implemented changes to the organizational structure, adding a Department of Finance and Procurement, and assigning responsibility for this function to the Chief Financial Officer. At this time, an individual has not been appointed to this position, and the Accounting and Purchasing departments continue to operate under the supervision of the City Clerk and coordination with the Chief Financial Officer. An additional accountant was hired and serves as liaison with the various city departments to ensure greater accountability and documentation of ongoing projects.

2019-002      Entity-Level Information, Communication and Monitoring

**Condition** - This finding was a material weakness stating that entity-wide controls and procedures did not effectively ensure that all information relevant to the financial reporting process was timely identified and communicated for assessment of financial reporting impact and for assimilation into the financial reporting process.

**Recommendation** - The auditor recommended that the City formalize its information, communications, and monitoring processes to ensure that data from external and internal sources is timely captured, retained, and available for financial reporting purposes. Management concurred with the recommendation and indicated that the procedures would be implemented.

**Summary Schedule of Prior Audit Findings Year Ended September 30, 2020 (Cont.)**

**Current Status** - As mentioned in the current status to Finding 2019-001, the additional accountant hired has been assigned the responsibility of communicating with various city departments to ensure proper capture and documentation of financial information on various projects. This position is responsible for compiling and documenting information for federal awards, and preparation and maintenance of supplementary spreadsheets has been developed and is being utilized at this time. City Administration acknowledges that updating the financial software is necessary in order to properly report financial information in accordance with generally accepted accounting principles, and the Administration has purchased new software and is currently engaged in training and subsequent implementation. The financial software became fully operational on January 1, 2021.

2019-003      Financial Statement Adjustment, Close, and Disclosure

**Condition** - This finding was a material weakness stating that the City's internal accounting controls were not sufficient to ensure that transactions and account balances were properly reported in conformity with bases of accounting required by generally accepted accounting principles .

**Recommendation** - The auditor recommended that the City assess the quality of existing peripheral processes and implement effective control procedures to ensure that data maintained therein is accurate and that errors or irregularities are prevented or timely detected and corrected. Management concurred with the recommendation and indicated that the procedures would be implemented.

**Current Status** - As stated in the current status to Finding 2019-002, a needs assessment and subsequent selection and implementation of updated financial software has been completed and new software purchased. The financial software module became fully operational on January 1, 2021. The payroll module will be operational on July 1, 2021. The Municipal Court and Water Billings module will be operational on October 1, 2021. The Administration acknowledges that during the period 2014 – 2018, staffing changes due to retirements resulted in loss of institutional knowledge which had, in the past, afforded timely and accurate production of financial information at year-end. The Administration has taken steps to provide the needed support and institutional knowledge to ensure improvement in this area through the hiring process and subsequent training of current staff.

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**Summary Schedule of Prior Audit Findings Year Ended September 30, 2020 (Cont.)**

2019-004      Municipal Court Fines

**Condition** - This finding was a material weakness stating that the City's internal controls are not adequate to ensure that Municipal Court fines are properly valued and reported.

**Recommendation** - The auditor recommended that the City generate, reconcile, review, and retain monthly receivable detail and summary reports, including agings of outstanding fines account balances and that the City analyze periodic reports and related trends in assessing collectability and in estimating the allowance for doubtful accounts. Management concurred with the recommendation and indicated that the procedures would be implemented.

**Current Status** - The Administration reorganized the Municipal Court system in 2018, with selection of new judges and support personnel. The staff has been analyzing the court software and obtaining training in order to assess modifications necessary to meet reporting requirements. Continued assessment of court software has revealed that it would be best to purchase new court software which will communicate seamlessly with financial software and provide the necessary financial information on municipal court fines. Software has been selected and purchased, and training and implementation began in Spring 2021. It is expected to be fully operational on October 1, 2021.

2019-005      Water and Sewer Customer Accounts Receivable

**Condition** - This finding was a material weakness stating that the City's internal controls for recording and reconciling customer account balances outstanding are not sufficient to ensure that account balances are accurate and reflect valid amounts receivable and that collectability is properly evaluated.

**Recommendation** - The auditor recommended that the City develop and implement procedures to routinely prepare and reconcile Water and Sewer customer accounts receivable activity and balances at each interim period and that formal analysis of collectability of outstanding balances should be prepared to estimate the related allowance for doubtful accounts. Management concurred with the recommendation and indicated that the procedures would be implemented.

**Current Status** - The Administration adjusted the organization structure of the Water and Sewer Department by placing responsibility for the Billing Office with the Water and Sewer Director. (It was previously the responsibility of the Director of Administration.) Review of current procedures has been completed, and adjustments have been made for better accountability and communication with the service departments. An outside company has been contracted with to aid in evaluation of water meter performance in order to assess lost revenue. Non-functioning meters are being replaced. New procedures are assessed after implementation to determine their viability, and adjustments are made as needed.

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**Summary Schedule of Prior Audit Findings Year Ended September 30, 2020 (Cont.)**

2019-006      Water and Sewer Billings

**Condition** - This finding was a material weakness stating that the City's internal controls do not include analysis of accounting data in conjunction with underlying operations data for Water and Sewer volumes processed and billed, and that the City does not formally document, reconcile, and monitor adjustments to customer billings to ensure propriety and accuracy.

**Recommendation** - The auditor recommended that the City install meters at all City facilities to monitor volumes used and to generate periodic reports of City usage in order to monitor economic resources and system usage to facilitate effective management of unaccounted for volumes.

**Current Status** - Corrective action was taken.

2019-007      Water and Sewer Customer Meter Deposits

**Condition** - This finding was a material weakness stating that the City's liability for customer meter deposits does not agree to its customer detail records, and that meter deposits are not timely and effectively reconciled.

**Recommendation** - The auditor recommended that the City perform a review of its subsidiary records of customer meter deposits and perform timely reconciliations at interim periods.

**Current Status** - Corrective action was taken.

2019-008      Capital assets

**Condition** - This finding was a material weakness stating that the City did not appropriately identify and accurately capture, maintain, and report activity and balances relating to capital assets.

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**Summary Schedule of Prior Audit Findings Year Ended September 30, 2020 (Cont.)**

**Recommendation** - The auditor recommended that the City implement policies and procedures to initially identify capital asset transactions, enhance detail data maintained, perform periodic reconciliations of detail, review propriety of account coding, and review for indicated impairment. Management concurred with the recommendation and indicated that the procedures would be implemented.

**Current Status** - New financial software was implemented on January 1, 2021, which will capture the capital asset information during the procurement process. Other staff, such as the Engineer and Chief Financial Officer, as well as engineer consultants, may be included when assessing potential impairment as well as reporting construction in progress.

2019-009      Procurement and Suspension and Debarment (I)  
CFDA No. 20.507: Federal Transit Formula Grants

**Condition** - This finding was a material weakness stating that the City did not have adequate internal control procedures in place to monitor compliance with the federal debarment and suspension regulations for contracts and subawards.

**Recommendation** - The auditor recommended that the City should implement procedures to ensure compliance with the debarment and suspension regulations for contracts related to federal programs.

**Current Status** - As stated in the current status to Finding 2019-002, the additional accountant hired has been assigned the responsibility of federal expenditure management. Spreadsheets have been developed and are being utilized for each project, identifying expenditures as federal and non-federal, as well as identifying matching funds received. The manual production of subsidiary spreadsheets will not be necessary when the new financial software is implemented, as it will have the capability of capturing data on federal awards and producing the required reports. The financial software module was implemented on January 1, 2021, and it is capable of capturing the information necessary for compliance with federal grant regulations. The manual spreadsheets will be maintained as a backup procedure and to provide historical information on grants in process prior to financial software implementation.

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

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

We have audited the basic financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2020, and have issued our report dated May 20, 2021. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

### Finding 1 - Fixed Asset Accounting

The City's procedures for determining the total acquisition cost of fixed assets and maintaining fixed asset detail did not comply with accounting system procedures prescribed by the Municipal Auditing and Accounting Guide. Noncompliance with prescribed fixed asset accounting procedures is a recurring finding.

#### ***Criteria, Context, and Condition***

The property accounting system must follow prescribed procedures for recording acquisition cost of fixed assets, and certain professional fees, such as appraisal, architectural, engineering, and legal fees, should also be capitalized into fixed asset records. Additionally, the City's property accounting system must maintain the required fixed asset data elements as listed in the Municipal Auditing and Accounting Guide.

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To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

***Recommendation***

The Administration should implement procedures to properly capture and maintain fixed asset detail, including the required data elements, in accordance with prescribed procedures.

***Response***

The City Administration agrees with this finding, and management had implemented a temporary corrective action plan to address all fixed asset recordkeeping requirements. New financial software was implemented on January 1, 2021, which will satisfy recording requirements.

**Finding 2 - City Court Accounting Procedures**

The City's accounting procedures for Municipal Court fines receivable are not in compliance with accounting system procedures prescribed by the State Auditor under Mississippi law. Noncompliance with prescribed Court accounting procedures is a recurring finding.

***Criteria, Context, and Condition***

Pursuant to Mississippi Code Section 21-23-11 and the Municipal Auditing and Accounting Guide issued by the Office of the State Auditor. The City must maintain separate accounting records for the Municipal Court; the Court records must include an accounts receivable system that allows for balancing receivable accounts monthly, and periodic analysis of aging data. Relevant reports should be made to the judge and City Council as those parties may require. In addition, pursuant to Mississippi Code Section 99-19-73 and the Municipal Auditing and Accounting Guide, State-imposed Court assessments collected by the Municipal Court must be settled monthly with the Department of Finance and Administration.

Although the City routinely records fines by case and posts collections against those fines in a subsidiary ledger system, it was unable to generate an accurate summary or aging of outstanding accounts as of September 30, 2020 or during the year then ended. Further, the City did not provide related reports to the judge and City Council during the year ended September 30, 2020.

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

City procedures do not include reconciliation or roll-forward of gross case activity. In addition, subsidiary account records do not include complete information from which to generate reports of fines which have met criteria for accounting recognition. Further, subsidiary account records are not adequately controlled to ensure completeness, accuracy, and integrity of data. Allocation of cash collections among City fines and various State imposed assessments is not verified for accuracy or reconciled to periodic changes in balances of underlying detail.

The City undertook a project to assess deficiencies in its Court accounting and reporting system in order to develop a corrective action plan. This involved additional staff training and adjustments to how current software applications are utilized to provide more accurate reporting. This is a temporary solution until newly purchased software becomes operational. New court software was purchased, and staff is currently undergoing training. Full implementation of new software is scheduled for October 1, 2021.

#### ***Recommendation***

The Administration should immediately implement procedures to ensure completeness and integrity of Court data. The City should implement procedures to produce periodic detail reports of outstanding balances and case fine activity, as well as to timely reconcile related balances. Ongoing assessment of the adequacy of the case management software applications utilized by the Municipal Court should be completed, and the City's corrective action plan should address any noted accounting or reporting limitations. Use of peripheral applications and procedures should be commenced immediately to address and contain identified deficiencies in existing systems. Periodic reports should be made to the judge and Members of the City Council and should include balances of outstanding fines, aging of outstanding accounts, and related roll-forwards and analyses of activity. Activity roll-forwards should include, at a minimum, beginning balances, new case dispositions, collections, nonmonetary credits, other adjustments, and ending balances. In addition, reports of corresponding assessments payable on fines should be periodically produced, reconciled, analyzed, and provided to the judge and Members of the City Council.

#### ***Response***

The City Administration agrees with this finding. As of July 2017, the newly elected Administration has undertaken the task of assessment of the Municipal Court operations. All aspects of operations were assessed, from current software to personnel. Current software was deemed inadequate to satisfy the City's Court functions, as well as those required by State of Mississippi reporting, and the City's Information Technology



To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

Department has assisted Municipal Court personnel with reviewing and procuring new software. Training on the new software is underway at this time, and implementation is scheduled for October 1, 2021. Additionally, personnel will be evaluated during this process to determine what training may be necessary to ensure optimal functioning of the department.

### **Finding 3 - Annual Inventory of Assets**

The City did not maintain a complete annual inventory of its assets in accordance with the guidelines established by the Office of the State Auditor. Noncompliance with the annual inventory completion guidelines is a recurring finding.

#### ***Criteria, Context, and Condition***

The Municipal Audit and Accounting Guide published by the State of Mississippi Office of the State Auditor requires municipalities to conduct a “thorough inventory of all fixed assets” at the end of each fiscal year in order to verify the existence of all fixed assets. The Municipal Audit and Accounting Guide also prescribes inventory procedures to be followed, including the assignment of the general oversight of the inventory process to an appropriate municipal officer, the use of inventory forms and a tagging system, and the investigation of discrepancies and missing inventory tags.

#### ***Recommendation***

The City should follow the specific instructions of the Municipal Audit and Accounting Guide in order to update the City inventory records. This process, as prescribed by the Office of the State Auditor, must be considered to be an important legal compliance procedure that must be performed at the end of each fiscal year.

#### ***Response***

The City Administration agrees with this finding and has implemented procedures to update the City’s detailed fixed asset inventory records. Additionally, the prescribed update of inventory records will be completed at the end of each fiscal year on a timely basis.

[See Schedule 24 - Schedule of Findings and Questioned Costs.]

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

To the Honorable Mayor and Members of the City Council  
City of Hattiesburg, Mississippi

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City of Hattiesburg, Mississippi's management, Honorable Mayor and Members of the City Council, and the Mississippi Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Hattiesburg, Mississippi  
May 20, 2021

***STATISTICAL INFORMATION***  
***(UNAUDITED)***

TABLE 1

**CITY OF HATTIESBURG, MISSISSIPPI**

**NET POSITION BY COMPONENTS  
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>GOVERNMENTAL ACTIVITIES:</b>										
Net investment in capital assets	\$ 68,207,984	\$ 76,522,662	\$ 106,200,635	\$ 114,719,895	\$ 100,533,244	\$ 110,313,874	\$ 108,266,535	\$ 112,905,526	\$ 108,901,420	\$ 94,987,280
Restricted for:										
Debt service	9,766,038	8,817,108	7,169,815	6,162,469	4,100,910	4,067,078	3,764,608	3,403,781	535,670	4,202,271
Capital projects	30,834,556	-	-	-	-	-	50,515	-	-	915,715
Other purposes	-	-	-	-	-	-	1,794,732	-	-	-
Federal program	-	-	-	-	-	1,913,562	10,593	-	-	-
Unrestricted	(58,126,369)	(31,910,542)	(56,327,118)	(57,378,373)	(37,764,759)	(46,057,590)	12,182,338	10,786,997	13,801,803	12,534,415
Governmental activities net position	<u>\$ 50,682,209</u>	<u>\$ 53,429,228</u>	<u>\$ 57,043,332</u>	<u>\$ 63,503,991</u>	<u>\$ 66,869,395</u>	<u>\$ 70,236,924</u>	<u>\$ 126,069,321</u>	<u>\$ 127,096,304</u>	<u>\$ 123,238,893</u>	<u>\$ 112,639,681</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Net investment in capital assets	\$ 62,836,484	\$ 50,999,854	\$ 39,832,512	\$ 29,709,397	\$ 23,460,573	\$ 44,493,366	\$ 60,747,195	\$ 63,029,378	\$ 45,223,694	\$ 44,616,923
Restricted for:										
Debt service	6,373,573	8,094,960	8,094,960	7,685,090	-	4,833,982	4,838,130	-	-	-
Capital projects	6,328,731	-	-	-	-	-	-	-	-	-
Unrestricted	(5,091,662)	5,234,042	13,933,041	21,938,437	33,737,335	(921,448)	4,758,857	5,522,689	17,607,456	8,940,970
Business-type activities net position	<u>\$ 70,447,126</u>	<u>\$ 64,328,856</u>	<u>\$ 61,860,513</u>	<u>\$ 59,332,924</u>	<u>\$ 57,197,908</u>	<u>\$ 48,405,900</u>	<u>\$ 70,344,182</u>	<u>\$ 68,552,067</u>	<u>\$ 62,831,150</u>	<u>\$ 53,557,893</u>
<b>PRIMARY GOVERNMENT:</b>										
Net investment in capital assets	\$ 131,044,468	\$ 127,522,516	\$ 146,033,147	\$ 144,429,292	\$ 123,993,817	\$ 154,807,240	\$ 169,013,730	\$ 175,934,904	\$ 154,125,114	\$ 139,604,203
Restricted for:										
Capital projects	37,163,287	-	-	-	-	-	50,515	-	-	915,715
Debt service	16,139,611	16,912,068	15,264,775	13,847,559	4,100,910	8,901,060	8,602,738	3,403,781	535,670	4,202,271
Other purposes	-	-	-	-	-	-	1,794,732	-	-	-
Federal program	-	-	-	-	-	1,913,562	10,593	-	-	-
Unrestricted	(63,218,031)	(26,676,500)	(42,394,077)	(35,439,936)	(4,027,424)	(46,979,038)	16,941,195	16,309,686	31,409,259	21,475,385
Primary government net position	<u>\$ 121,129,335</u>	<u>\$ 117,758,084</u>	<u>\$ 118,903,845</u>	<u>\$ 122,836,915</u>	<u>\$ 124,067,303</u>	<u>\$ 118,642,824</u>	<u>\$ 196,413,503</u>	<u>\$ 195,648,371</u>	<u>\$ 186,070,043</u>	<u>\$ 166,197,574</u>

The accompanying notes are an integral part of this table.

TABLE 2

**CITY OF HATTIESBURG, MISSISSIPPI**

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>GOVERNMENTAL ACTIVITIES:</b>										
General government	\$ 9,706,192	\$ 9,856,181	\$ 10,331,281	\$ 9,454,614	\$ 8,601,383	\$ 11,569,276	\$ 7,641,758	\$ 6,424,709	\$ 7,329,898	\$ 6,925,636
Public safety	27,025,859	27,096,070	24,554,459	24,876,846	24,355,235	20,821,509	21,476,883	21,339,689	20,763,051	20,097,532
Public services	17,317,329	19,589,388	18,216,227	22,301,631	20,621,611	16,434,765	15,253,508	18,356,293	17,341,042	17,767,209
Other services	1,388,068	1,579,771	1,395,047	1,429,409	980,641	2,093,259	1,847,824	1,751,307	6,281,474	5,384,474
Mass transit	2,154,841	2,380,293	1,802,171	1,901,374	1,861,405	1,217,110	1,203,191	1,104,428	1,176,837	1,145,590
Cultural and recreation	6,393,310	5,565,089	4,893,041	4,336,206	4,298,347	4,323,579	4,039,345	4,481,390	3,916,227	4,421,402
Human/social assistance	475,730	576,634	947,143	772,346	746,355	712,985	1,130,925	889,795	1,310,363	1,864,618
Economic development	4,353,707	1,070,757	305,000	255,000	5,319,409	208,115	286,500	160,000	160,000	150,000
Interest and fiscal charges	2,161,961	1,644,427	960,978	1,119,296	976,120	990,023	893,887	1,089,410	1,287,540	1,299,623
Total governmental activities expenses	70,976,997	69,358,610	63,405,347	66,446,722	67,760,506	58,370,621	53,773,821	55,597,021	59,566,432	59,056,084
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Water and sewer system	16,039,290	17,715,761	17,568,985	16,373,370	18,507,187	31,166,774	14,349,426	10,448,403	10,018,978	9,582,704
Interest and fiscal charges	2,177,472	2,296,933	2,446,012	2,389,665	2,197,054	2,235,365	2,034,814	1,421,749	1,148,066	-
Total business-type activities expenses	18,216,762	20,012,694	20,014,997	18,763,035	20,704,241	33,402,139	16,384,240	11,870,152	11,167,044	9,582,704
<b>Total primary government expenses</b>	<b>\$ 89,193,759</b>	<b>\$ 89,371,304</b>	<b>\$ 83,420,344</b>	<b>\$ 85,209,757</b>	<b>\$ 88,464,747</b>	<b>\$ 91,772,760</b>	<b>\$ 70,158,061</b>	<b>\$ 67,467,173</b>	<b>\$ 70,733,476</b>	<b>\$ 68,638,788</b>
<b>PROGRAM REVENUES:</b>										
<b>Governmental Activities:</b>										
Charges for services	\$ 3,063,373	\$ 2,640,705	\$ 3,986,607	\$ 3,827,142	\$ 4,843,653	\$ 3,854,495	\$ 5,718,952	\$ 4,654,384	\$ 8,558,345	\$ 8,287,847
Operating grants and contributions	4,212,115	3,814,222	4,433,288	6,598,716	4,886,946	4,614,942	4,783,239	4,988,000	4,982,172	5,956,487
Capital grants and contributions	2,901,877	2,262,474	1,227,481	1,519,484	437,183	25,901,537	3,669,922	3,185,681	2,813,432	2,800,969
Total governmental activities program revenues	10,177,365	8,717,401	9,647,376	11,945,342	10,167,782	34,370,974	14,172,113	12,828,065	16,353,949	17,045,303
<b>Business-Type Activities:</b>										
Charges for services	23,121,868	21,947,492	22,821,070	20,748,288	20,627,608	17,086,586	16,361,169	14,811,137	13,218,896	11,734,715
Operating grants and contributions	-	-	228,348	-	38,718	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	474,084	1,407,145	3,152,032	7,053,303	3,023,224
Total business-type activities program revenues	23,121,868	21,947,492	23,049,418	20,748,288	20,666,326	17,560,670	17,768,314	17,963,169	20,272,199	14,757,939
<b>Total primary government program revenues</b>	<b>\$ 33,299,233</b>	<b>\$ 30,664,893</b>	<b>\$ 32,696,794</b>	<b>\$ 32,693,630</b>	<b>\$ 30,834,108</b>	<b>\$ 51,931,644</b>	<b>\$ 31,940,427</b>	<b>\$ 30,791,234</b>	<b>\$ 36,626,148</b>	<b>\$ 31,803,242</b>

The accompanying notes are an integral part of this table.

TABLE 2  
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Net Revenues (Expenses):</b>										
Governmental activities	\$ (60,799,632)	\$ (60,641,209)	\$ (53,757,971)	\$ (54,501,380)	\$ (57,592,724)	\$ (23,999,647)	\$ (39,601,708)	\$ (42,768,956)	\$ (43,212,483)	\$ (42,010,781)
Business-type activities	4,905,106	1,934,798	3,034,421	1,985,253	(37,915)	(15,841,469)	1,384,074	6,093,017	9,105,155	5,175,235
<b>Total primary government net revenues (expenses)</b>	<u>\$ (55,894,526)</u>	<u>\$ (58,706,411)</u>	<u>\$ (50,723,550)</u>	<u>\$ (52,516,127)</u>	<u>\$ (57,630,639)</u>	<u>\$ (39,841,116)</u>	<u>\$ (38,217,634)</u>	<u>\$ (36,675,939)</u>	<u>\$ (34,107,328)</u>	<u>\$ (36,835,546)</u>
<b>GENERAL REVENUES AND OTHER CHANGES:</b>										
<b>Governmental Activities:</b>										
Property taxes	\$ 23,958,334	\$ 23,540,801	\$ 22,260,336	\$ 20,782,953	\$ 19,777,229	\$ 17,947,847	\$ 17,685,196	\$ 17,528,265	\$ 16,812,683	\$ 17,261,796
Sales taxes	26,071,784	22,767,871	22,688,619	22,440,431	21,824,103	22,375,186	21,777,709	21,596,080	20,709,684	19,902,590
Franchise and other taxes	4,128,012	5,324,082	4,319,076	4,228,559	4,221,931	4,613,330	4,728,782	4,820,407	3,977,566	4,493,197
Grants and contributions (not restricted)	63,319	39,254	41,100	98,932	34,000	-	-	4,795	-	126,500
Unrestricted investment earnings	459,852	239,531	275,691	227,856	171,400	180,344	181,505	171,405	145,510	149,627
Other local sources	2,265,825	2,034,815	2,139,629	2,441,347	2,371,106	634,572	454,117	-	-	-
Miscellaneous revenues	492,016	909,020	548,540	1,889,376	3,465,856	664,028	1,002,980	2,256,331	1,637,625	1,348,789
Gain on sale of assets	2,045	49,277	4,529	1,484	24,104	373,707	77,984	-	-	-
Transfers, net	500,000	-	500,000	306,908	(56,908)	-	-	-	-	-
Transfers, component unit	111,426	498,201	127,849	24,733	885,597	-	-	-	-	-
Total governmental activities	<u>58,052,613</u>	<u>55,402,852</u>	<u>52,905,369</u>	<u>52,442,579</u>	<u>52,718,418</u>	<u>46,789,014</u>	<u>45,908,273</u>	<u>46,377,283</u>	<u>43,283,068</u>	<u>43,282,499</u>
<b>Business-type Activities:</b>										
Unrestricted investment earnings	384,563	413,039	300,545	99,295	44,846	13,769	10,144	7,949	11,101	21,264
Miscellaneous revenues	-	-	98,280	200,116	80,270	32,972	207,496	(494,189)	157,001	78,777
Gain on sale of assets	103,917	120,506	-	-	11,822	-	-	-	-	-
Transfers, net	(500,000)	-	(500,000)	(306,908)	56,908	-	-	-	-	-
Total business-type activities	<u>(11,520)</u>	<u>533,545</u>	<u>(101,175)</u>	<u>(7,497)</u>	<u>193,846</u>	<u>46,741</u>	<u>217,640</u>	<u>(486,240)</u>	<u>168,102</u>	<u>100,041</u>
Total primary government general revenues and other changes	<u>58,041,093</u>	<u>55,936,397</u>	<u>52,804,194</u>	<u>52,435,082</u>	<u>52,912,264</u>	<u>46,835,755</u>	<u>46,125,913</u>	<u>45,891,043</u>	<u>43,451,170</u>	<u>43,382,540</u>
<b>CHANGE IN NET POSITION</b>										
Governmental activities	(2,747,019)	(5,238,357)	(852,602)	(2,058,801)	(4,874,306)	22,789,367	6,306,565	3,608,327	70,585	1,271,718
Business-type activities	4,893,586	2,468,343	2,933,246	1,977,756	155,931	(15,794,728)	1,601,714	5,606,777	9,273,257	5,275,276
<b>Total primary government</b>	<u>\$ 2,146,567</u>	<u>\$ (2,770,014)</u>	<u>\$ 2,080,644</u>	<u>\$ (81,045)</u>	<u>\$ (4,718,375)</u>	<u>\$ 6,994,639</u>	<u>\$ 7,908,279</u>	<u>\$ 9,215,104</u>	<u>\$ 9,343,842</u>	<u>\$ 6,546,994</u>

The accompanying notes are an integral part of this table.

TABLE 3

**CITY OF HATTIESBURG, MISSISSIPPI**

**FUND BALANCES - GOVERNMENTAL FUNDS<sup>(1) (2)</sup>**  
**LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General Fund:</b>										
Nonspendable	\$ 491,865	\$ 488,309	\$ 440,194	\$ 454,574	\$ 569,541	\$ 435,392	\$ 386,595	\$ 330,950	\$ 332,300	\$ 30,750
Restricted	-	-	-	-	-	-	10,593	-	-	-
Committed	-	-	-	-	-	1,913,562	-	-	-	-
Assigned	1,009,152	433,854	1,180,819	647,722	636,600	1,051,324	2,587,414	720,979	452,842	386,144
Unassigned	10,459,184	11,325,345	8,842,361	9,723,508	9,246,396	4,312,475	4,797,067	6,624,690	6,963,113	7,661,673
Total general fund	11,960,201	12,247,508	10,463,374	10,825,804	10,452,537	7,712,753	7,781,669	7,676,619	7,748,255	8,078,567
% Change from Prior Year	-2.3%	17.1%	-3.3%	3.6%	35.5%	-0.9%	1.4%	-0.9%	-4.1%	14.2%
<b>Other Governmental Funds:</b>										
Debt service funds										
Restricted	9,766,038	8,817,108	7,169,815	6,162,469	4,100,910	4,067,078	3,764,608	3,403,781	3,814,777	4,202,271
Special revenue funds										
Restricted	3,492,840	2,997,574	3,627,303	3,719,558	8,272,804	2,298,861	1,842,847	1,638,380	1,596,461	2,616,964
Committed	1,424,596	1,439,137	1,573,334	1,309,663	1,003,527	1,402,252	1,566,729	1,466,250	1,132,055	1,019,456
Unassigned	(409,860)	94,721	(153,611)	(269,240)	(53,901)	(1,913,562)	(10,593)	-	-	-
Capital projects funds										
Restricted	33,543,725	26,544,491	-	104,862	426,237	2,414	2,400	-	382,454	915,715
Total other governmental funds	47,817,339	39,893,031	12,216,841	11,027,312	13,749,577	5,857,043	7,165,991	6,508,411	6,925,747	8,754,406
<b>Total governmental funds</b>	<b>\$ 59,777,540</b>	<b>\$ 52,140,539</b>	<b>\$ 22,680,215</b>	<b>\$ 21,853,116</b>	<b>\$ 24,202,114</b>	<b>\$ 13,569,796</b>	<b>\$ 14,947,660</b>	<b>\$ 14,185,030</b>	<b>\$ 14,674,002</b>	<b>\$ 16,832,973</b>
% Change from Prior Year	14.6%	129.9%	3.8%	-9.7%	78.4%	-9.2%	5.4%	-3.3%	-12.8%	-4.7%

(1) This schedule reports using the modified accrual basis of accounting. See Table 4 for changes in fund balances from year to year.

(2) Under GASB Statement No. 54 the balance sheet reporting categories are based upon a hierarchy of classifications based upon the constraints on resources reported in the funds.

The City's debt service and capital project fund balances are presented as restricted due to the underlying statutory spending requirements in Mississippi applicable to debt repayment resources and debt proceeds.

TABLE 4

**CITY OF HATTIESBURG, MISSISSIPPI**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>REVENUE:</b>										
Property taxes	\$ 23,894,700	\$ 22,681,906	\$ 21,960,274	\$ 20,359,735	\$ 19,431,748	\$ 17,786,031	\$ 17,761,953	\$ 17,166,167	\$ 16,455,997	\$ 16,892,639
Sales taxes	25,616,472	23,466,400	22,685,867	22,443,414	21,893,993	22,326,946	21,654,593	21,502,243	20,612,267	19,925,608
Licenses and permits	3,977,940	4,199,022	4,128,281	4,035,805	4,098,361	4,436,024	4,458,451	4,526,547	3,690,104	4,114,371
Fines and forfeitures	887,901	842,406	1,228,565	1,301,651	1,682,040	2,233,379	1,895,137	1,786,960	1,770,972	1,846,516
Interest, rents, concessions	580,153	301,539	236,519	267,967	102,171	107,701	119,886	158,110	153,158	170,965
Intergovernmental	7,527,343	7,031,206	7,348,343	10,190,234	10,390,045	4,751,144	8,484,671	8,480,909	8,250,033	9,281,209
Charges for services	2,827,886	3,480,832	2,984,753	2,585,219	2,661,173	2,494,796	2,570,846	2,586,517	2,603,390	2,572,647
Other revenues	2,150,765	1,054,970	694,686	1,060,847	1,069,997	2,845,545	1,160,908	1,408,970	794,243	512,591
Total revenues	67,463,160	63,058,281	61,267,288	62,244,872	61,329,528	56,981,566	58,106,445	57,616,423	54,330,164	55,316,546
% Change from prior year	7.0%	2.9%	-1.6%	1.5%	7.6%	-1.9%	0.9%	6.0%	-1.8%	-0.3%
<b>EXPENDITURES:</b>										
General government	8,632,566	8,962,684	9,153,798	10,993,323	14,721,956	8,318,077	7,045,870	6,227,218	6,930,283	6,271,409
Public safety	36,428,826	28,464,357	22,658,017	23,163,301	23,608,888	20,149,021	20,861,852	21,433,140	20,322,888	18,632,140
Public services	17,313,230	14,960,568	15,364,390	17,980,097	14,762,421	14,389,762	14,639,074	15,680,396	14,345,604	11,454,151
Other services	4,027,278	2,506,484	2,450,199	2,286,430	2,398,528	3,905,401	2,545,714	2,143,005	7,681,825	5,175,661
Mass transit	1,812,822	2,879,909	1,705,775	1,487,305	1,209,658	977,307	1,375,538	1,110,275	1,408,435	858,601
Cultural and recreation	5,738,746	4,499,734	3,987,521	4,113,007	4,292,584	4,015,886	4,105,118	4,512,676	4,796,921	3,840,540
Human/Social assistance	592,384	719,143	537,870	924,065	961,856	954,584	1,116,530	870,323	1,291,384	740,165
Economic development	4,303,846	1,463,626	305,000	255,000	5,319,409	208,115	2,464,222	160,000	2,160,000	150,000
Capital outlays	-	-	-	-	-	-	-	-	-	8,364,094
Debt service:										
Principal	4,487,087	3,173,778	4,142,355	3,858,694	10,325,679	5,198,449	5,356,375	5,753,744	5,257,186	5,044,999
Interest and fiscal charges	2,407,749	1,582,433	3,214,294	1,446,252	818,052	1,018,199	987,934	1,153,639	1,281,791	1,447,781
Total expenditures	85,744,534	69,212,716	63,519,219	66,507,474	78,419,031	59,134,801	60,498,227	59,044,416	65,476,317	61,979,541
% Change from prior year	23.9%	9.0%	-4.5%	-15.2%	32.6%	-2.3%	2.5%	-9.8%	5.6%	-21.6%
<b>EXCESS OF REVENUE (UNDER)</b>										
<b>EXPENDITURES</b>	(18,281,374)	(6,154,435)	(2,251,931)	(4,262,602)	(17,089,503)	(2,153,235)	(2,391,782)	(1,427,993)	(11,146,153)	(6,662,995)
<b>OTHER FINANCING SOURCES (USES):</b>										
Proceeds from long-term debt	25,863,151	34,191,292	444,291	-	24,817,411	-	-	-	3,588,096	1,718,710
Bond issuance professional fees	(622,825)	(597,054)	-	-	-	-	-	-	-	-
Proceeds from sale of capital asset	2,045	49,277	-	-	-	-	-	-	-	-
Compensation for loss of capital assets	-	275,365	-	-	-	-	-	-	-	-
Transfers from other funds	5,375,526	5,192,145	5,093,226	4,072,890	3,699,759	3,540,140	4,112,759	4,326,191	5,075,412	3,854,721
Transfers to other funds	(4,875,526)	(5,192,145)	(4,593,226)	(3,765,982)	(3,631,543)	(3,215,016)	(3,713,424)	(3,307,283)	(3,966,924)	(2,914,020)
Other sources	176,004	71,626	2,364,217	1,606,696	2,836,194	450,247	2,755,077	119,492	4,292,047	3,940,413
Net other financing sources	25,918,375	33,990,506	3,308,508	1,913,604	27,721,821	775,371	3,154,412	1,138,400	8,988,631	6,599,824
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 7,637,001</u>	<u>\$ 27,836,071</u>	<u>\$ 1,056,577</u>	<u>\$ (2,348,998)</u>	<u>\$ 10,632,318</u>	<u>\$ (1,377,864)</u>	<u>\$ 762,630</u>	<u>\$ (289,593)</u>	<u>\$ (2,157,522)</u>	<u>\$ (63,171)</u>
Debt service as % of non-capital expenditures	8.7%	7.4%	13.1%	8.7%	16.6%	11.7%	11.7%	13.2%	11.1%	13.8%

The accompanying notes are an integral part of this table.



TABLE 5

**CITY OF HATTIESBURG, MISSISSIPPI**

**GOVERNMENTAL FUNDS - TAX REVENUES BY SOURCE <sup>(1)</sup>  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Sales Taxes (City's Share)</b>	<b>Total - Property and Sales Taxes</b>	<b>Gross Sales Subject to Sales Taxes (Per State Sales Tax Bureau)</b>
2020	\$ 23,894,700	\$ 25,616,472	\$ 49,511,172	\$ 3,324,887,711
2019	22,681,906	23,466,400	46,148,306	4,489,602,379
2018	21,960,274	22,685,867	44,646,141	4,355,905,873
2017	20,359,735	22,408,645	42,768,380	4,150,726,114
2016	19,431,748	21,862,011	41,293,759	4,071,245,759
2015	17,786,031	22,301,782	40,087,813	3,675,561,903
2014	17,761,953	21,630,769	39,392,722	3,650,169,764
2013	17,166,167	21,474,084	38,640,251	1,777,513,216
2012	16,455,997	20,612,267	37,068,264	1,725,142,031
2011	16,892,639	19,902,590	36,795,229	1,662,704,275
% Change in dollars over the 10 year period	-5.1%	-8.4%	-6.8%	35.0%

(1) This schedule reports using the modified accrual basis of accounting.  
State Sales Tax Bureau totals are based upon the State's June 30th fiscal  
year.

<b>Gross Sales Subject to Sales Taxes By County - Forrest</b>		<b>Gross Sales Subject to Sales Taxes By County - Lamar</b>		<b>Component Unit - 2% Food &amp; Beverage Tax</b>
	<b>(%)</b>		<b>(%)</b>	
\$ 2,013,594,249	61%	\$ 1,311,293,462	39%	\$ 5,919,339
2,676,657,067	60%	1,812,945,312	40%	6,381,526
2,591,355,312	59%	1,764,550,561	41%	5,387,604
2,418,705,512	58%	1,732,020,602	42%	5,224,823
2,321,862,820	57%	1,749,382,939	43%	4,849,927
2,103,530,476	57%	1,572,031,427	43%	4,825,364
2,128,804,157	58%	1,521,365,607	42%	4,636,322
907,039,107	51%	870,474,109	49%	4,619,521
889,634,286	52%	835,507,745	48%	4,887,222
877,852,622	53%	784,851,653	47%	4,655,680
	32.9%		38.3%	7.8%

The accompanying notes are an integral part of this table.

TABLE 6

**CITY OF HATTIESBURG, MISSISSIPPI**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES - FORREST AND LAMAR COUNTIES  
LAST TEN FISCAL YEARS**

<b>FORREST COUNTY:</b>		<b>City of Hattiesburg</b>				<b>Hattiesburg School District</b>			<b>Forrest County Taxes</b>	<b>Total</b>
<b>Year Ended Sept. 30,</b>	<b>Tax Roll Year</b>	<b>Operations</b>	<b>City Bond &amp; Interest</b>	<b>Other (Library &amp; Pension Fund)</b>	<b>City- Total</b>	<b>Hattiesburg School District Operations</b>	<b>School Bond &amp; Interest Taxes</b>	<b>Schools- Total</b>		
2011	2010	33.50	7.15	6.27	46.92	54.13	7.52	61.65	55.09	163.66
2012	2011	33.50	7.15	6.77	47.42	57.23	6.08	63.31	55.09	165.82
2013	2012	34.65	7.00	5.77	47.42	58.50	7.73	66.23	57.08	170.73
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	63.17	177.58
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	65.19	180.51
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	66.19	181.67
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	65.70	182.93
2020	2019	44.33	4.00	4.80	53.13	56.60	7.50	64.10	65.06	182.29

<b>LAMAR COUNTY:</b>		<b>City of Hattiesburg</b>				<b>Hattiesburg School District</b>			<b>Lamar County Taxes</b>	<b>Total</b>
<b>Year Ended Sept. 30,</b>	<b>Tax Roll Year</b>	<b>Operations</b>	<b>City Bond &amp; Interest</b>	<b>Other (Library &amp; Pension Fund)</b>	<b>City - Total</b>	<b>Hattiesburg School District Operations</b>	<b>School Bond &amp; Interest Taxes</b>	<b>Schools- Total</b>		
2011	2010	33.50	7.15	6.27	46.92	54.13	7.52	61.65	50.86	159.43
2012	2011	33.50	7.15	6.77	47.42	57.23	6.08	63.31	50.85	161.58
2013	2012	34.65	7.00	5.77	47.42	58.50	7.73	66.23	50.83	164.48
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.83	163.14
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.65	162.96
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	50.65	165.06
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	54.17	169.49
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	53.38	168.86
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	53.00	170.23
2020	2019	44.33	4.00	4.80	53.13	56.60	7.50	64.10	51.00	168.23

The accompanying notes are an integral part of this table.

TABLE 7

**CITY OF HATTIESBURG, MISSISSIPPI**

**TOP TEN PROPERTY TAXPAYERS  
PROPERTY TAXES ASSESSED IN FISCAL YEAR 2019, COLLECTED FISCAL YEAR 2020**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Assessment</b>	<b>Percentage of Total Assessed Valuation</b>	<b>Taxes</b>
Mississippi Power	Public Utility	\$ 10,715,500	2.4%	\$ 571,993
Kohler Company	Industrial	7,886,016	1.7%	281,392
Merit Health - Wesley	Health Care	3,854,971	0.8%	205,778
Western Container	Industrial	7,007,860	1.5%	196,526
Bell South Communications	Public Utility	10,752,493	2.4%	172,190
Hattiesburg Clinic	Health Care	18,224,780	4.0%	145,926
Hattiesburg Breckenridge	Commercial	2,640,971	0.6%	140,975
SPG Holdings	Commercial	25,008,721	5.5%	131,556
TNHYIF Reiv Golf LLC	Commercial	1,845,500	0.4%	98,513
Pointe Properties LLC	Commercial	<u>1,824,370</u>	0.4%	97,385
Total of top ten taxpayers		89,761,182	19.8%	
Tax roll total - all other taxpayers		<u>364,074,956</u>	80.2%	
<b>Total taxable assessed values for FY 2020</b>		<u><u>\$ 453,836,138</u></u>	100.0%	

The accompanying notes are an integral part of this table.

TABLE 8

**CITY OF HATTIESBURG, MISSISSIPPI**

**COMPUTATION OF LEGAL DEBT MARGIN USING MOST CURRENT TAX ROLLS  
SEPTEMBER 30, 2020**

	<b>15% Test</b>	<b>20% Test</b>
Property tax base valuation as prepared by Tax Assessors during the summer months of 2019 for Property Taxes to be Collected in FY 2020	\$ 470,364,425	\$ 470,364,425
Times Applicable %	X 15%	X 20%
Product of Tax Base Times Applicable Percentage (a)	70,554,664	94,072,885
Present General Obligation Debt Subject to Statutory Debt Limits:		
General obligation bonds outstanding at September 30, 2020	64,068,927	64,068,927
Less: exempt bonds	(12,665,052)	(12,665,052)
Add: water and sewer general obligation bonds	n/a	5,935,000
Total general obligation debt outstanding (b)	51,403,875	57,338,875
Margin for Additional General Obligation Debt - (a) minus (b)	\$ 19,150,789	\$ 36,734,010

The City is subject to the limitations of indebtedness prescribed by MS Code Section 21-33-303. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bonded indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in that Code Section. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of municipal debt excluded from the authorized debt limit tests. Excluded from this test would be tax increment financing bonds, water and sewer revenue bonds, debt secured by tax intercept agreements (sales tax collections, as opposed to the property tax base) and leases subject to annual appropriations.

TABLE 9

**CITY OF HATTIESBURG, MISSISSIPPI**

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Year Ended Sept. 30,</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Bonded General Obligation Debt</b>	<b>Less: Bonded Debt Service Funds Available</b>	<b>Net Bonded General Obligation Debt</b>	<b>Ratio of G.O. Bonded Debt to Assessed Values</b>	<b>Net General Obligation Debt Per Capita</b>
2011	45,989	\$ 404,544,340	\$ 31,591,157	\$ 4,202,271	\$ 27,388,886	6.77%	\$ 596
2012	46,626	416,993,266	30,307,943	3,817,444	26,490,499	6.35%	568
2013	47,169	416,993,266	26,217,567	3,403,781	22,813,786	5.47%	484
2014	46,379	425,665,993	25,100,170	3,764,608	21,335,562	5.01%	460
2015	46,396	417,449,613	21,463,521	4,067,078	17,396,443	4.17%	375
2016	46,481	426,507,409	23,295,987	4,100,910	19,195,077	4.50%	413
2017	46,377	457,006,290	25,777,493	6,162,469	19,615,024	4.29%	423
2018	46,377	453,836,138	20,896,272	5,973,993	14,922,279	3.29%	322
2019	45,951	461,766,340	52,652,897	8,817,108	43,835,789	9.49%	954
2020	45,863	470,634,425	74,400,767	9,766,038	64,634,729	13.73%	1,409

The accompanying notes are an integral part of this table.

TABLE 10

**CITY OF HATTIESBURG, MISSISSIPPI**

**WATER AND SEWER REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

<b>Year Ended Sept. 30,</b>	<b>Gross Revenues</b>	<b>Expenses</b>	<b>Net Revenues Available for Debt Service</b>	<b>Required Ratio Based Upon Applicable % Times Prescribed Annual P &amp; I</b>	<b>Debit Service Requirement Calculated with Applicable %</b>	<b>Coverage Ratio</b>
2011	\$11,734,715	\$ 8,937,208	\$ 2,797,507	105% of P & I	(1) \$ 1,650,640	1.69
2012	13,218,896	9,700,671	3,518,225	105% of P & I	(2) 2,555,155	1.38
2013	14,890,384	12,178,164	2,712,220	105% of P & I	(2) 2,585,546	1.05
2014	16,578,810	11,838,903	4,739,907	105% of P & I	(3) 3,116,786	1.52
2015	17,133,327	10,623,572	6,509,755	105% of P & I	(3) 3,864,394	1.68
2016	20,803,264	15,625,973	5,177,291	105% of P & I	(3) 3,854,944	1.34
2017	21,505,356	14,641,407	6,863,949	105% of P & I	(4) 5,042,769	1.36
2018	21,921,474	15,596,114	6,325,360	105% of P & I	(4) 5,041,892	1.25
2019	22,481,037	16,146,149	6,334,888	105% of P & I	(4) 5,134,594	1.23
2020	23,610,348	14,287,617	9,322,731	105% of P & I	(4) 5,187,550	1.80

(1) Calculations based upon debt service for the 2006 Revenue Bonds.

(2) Calculations based upon debt service for the 2006 and 2012 Revenue Bonds.

(3) Calculations based upon debt service for the 2006, 2012, and 2013 Revenue Bonds.

(4) Calculations based upon debt service for the 2006, 2012 and 2013 Revenue Bonds.

"Expenses" includes all operating expenses, including principal and interest on indebtedness, exclusive of depreciation and principal and interest on the 2006 and 2012 bond issues.

TABLE 11

**CITY OF HATTIESBURG, MISSISSIPPI**

**DEMOGRAPHIC STATISTICS**

<b>Year</b>	<b>Hattiesburg</b>	<b>Forrest County</b>	<b>Hattiesburg MSA</b>
2000	44,779	72,727	111,674
2001	45,088	73,184	113,179
2002	45,538	73,916	114,438
2003	45,779	73,465	115,849
2004	45,988	74,565	117,599
2005	47,598	76,056	119,135
2006	48,012	76,372	123,102
2007	48,012	78,241	126,259
2008	48,012	79,425	128,546
2009	48,012	81,078	143,093
2010	53,582	75,007	143,093
2011	45,989	75,798	144,666
2012	46,626	75,842	142,842
2013	17,169	76,894	148,675
2014	14,016	76,330	147,835
2015	46,396	75,643	148,655
2016	46,481	75,637	149,016
2017	46,377	75,471	148,719
2018	46,377	75,036	149,414
2019	45,951	75,263	150,191
2020	45,863	74,897	168,849

***Demographic Age Groupings Projected Based On Census 2010 Totals:***

<b>Age</b>	<b>Hattiesburg 2010</b>	<b>Forrest County 2010</b>
0 - 17 Years	9,696	17,703
18 - 34 Years	18,360	23,285
35 - 64 Years	12,983	25,282
Over 65 Years	4,950	8,664
Median Age	27.1 Years	29.7 Years
% Population 18 - 64 Years	68.10%	64.82%
% Population over 65 Years	10.80%	11.56%

*Source: U.S. Bureau of Census - July 1, 2010 information is provided as the most recent year for which data is available.*



TABLE 12

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees
<b>Governmental Activities:</b>										
<i>General Fund:</i>										
City Council	7	7	7	8	7	7	7	8	7	6
Department of Administration	30	34	30	35	34	37	36	33	35	37
Urban Planning:										
Planning	9	12	13	11	10	10	9	9	8	10
Intermodal Facility	-	-	-	-	-	-	-	-	-	-
Metropolitan Planning	2	5	5	5	6	6	4	4	5	4
Federal Programs Administration	-	-	1	2	4	3	2	1	1	2
Code Enforcement	11	13	13	10	13	11	13	13	14	12
Public Safety:										
City Courts	20	20	20	16	12	16	19	19	25	27
Police - Officers	111	105	107	96	100	99	113	111	120	120
Police Department - Non-Sworn	52	62	67	63	64	63	62	61	62	64
Fire Department - Firefighters	124	125	112	107	99	99	104	112	114	119
Fire Department - Other than Firefighters	4	5	5	5	5	5	6	6	4	5
Other Public Safety	1	1	1	1	1	1	1	1	1	1
Public Services:										
Traffic Maintenance	5	8	8	9	7	9	10	7	8	8
Streets	17	21	28	42	41	38	41	42	42	46
Engineering	8	7	6	5	6	6	7	7	7	7
Shop	7	8	8	11	11	12	12	11	12	11
Construction	10	17	16	16	16	16	15	16	13	15
Sanitation	31	27	36	30	34	33	32	34	33	34
Other Public Services	24	28	18	26	23	26	23	26	29	31
Animal Control	3	4	4	4	4	4	4	4	2	4
Cemetery and Forestry	13	16	15	14	18	18	18	18	18	18
Parking Operations	5	4	9	10	10	8	8	8	8	8
<b>Total General Fund</b>	<b>494</b>	<b>529</b>	<b>529</b>	<b>526</b>	<b>525</b>	<b>527</b>	<b>546</b>	<b>551</b>	<b>568</b>	<b>589</b>
<i>Other Governmental Funds:</i>										
Parks and Recreation	37	42	36	32	39	37	37	34	37	32
Community Centers	13	13	13	13	14	13	14	14	14	13
Mass Transit	22	22	18	16	15	17	16	15	14	15
CDBG	4	3	4	4	4	5	4	5	5	6
<b>Total Governmental Activities</b>	<b>570</b>	<b>609</b>	<b>600</b>	<b>591</b>	<b>597</b>	<b>599</b>	<b>617</b>	<b>619</b>	<b>638</b>	<b>655</b>

The accompanying notes are an integral part of this table.

TABLE 12  
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

	<u>2020</u> <u>Employees</u>	<u>2019</u> <u>Employees</u>	<u>2018</u> <u>Employees</u>	<u>2017</u> <u>Employees</u>	<u>2016</u> <u>Employees</u>	<u>2015</u> <u>Employees</u>	<u>2014</u> <u>Employees</u>	<u>2013</u> <u>Employees</u>	<u>2012</u> <u>Employees</u>	<u>2011</u> <u>Employees</u>
<b>Business-type Activities:</b>										
Water and Sewer System:										
Customer Accounts	15	14	13	13	13	13	12	10	7	7
Water - Plant and Transmission	27	30	29	30	34	33	34	31	31	32
Sewers and Lagoons	11	15	17	17	22	22	20	21	20	24
<b><i>Total Business-type Activities</i></b>	<u>53</u>	<u>59</u>	<u>59</u>	<u>60</u>	<u>69</u>	<u>68</u>	<u>66</u>	<u>62</u>	<u>58</u>	<u>63</u>
<b><i>Total Primary Government</i></b>	<u>623</u>	<u>668</u>	<u>659</u>	<u>651</u>	<u>666</u>	<u>667</u>	<u>683</u>	<u>681</u>	<u>696</u>	<u>718</u>

The accompanying notes are an integral part of this table.

TABLE 13

**CITY OF HATTIESBURG, MISSISSIPPI**

**CONSTRUCTION, BANK DEPOSITS, AND ASSESSED PROPERTY VALUES  
LAST TEN FISCAL YEARS**

<b>Year Ended Sept. 30,</b>	<b>Commercial Construction</b>		<b>Residential Construction</b>		<b>Hattiesburg MSA Bank Deposits (000's omitted)</b>	<b>Total assessed Valuation</b>
	<b>Permits Issued</b>	<b>Value</b>	<b>Permits Issued</b>	<b>Value</b>		
2011	247	\$ 53,929,531	493	\$ 17,926,574	\$ 2,495,371	\$ 404,544,340
2012	215	85,713,105	430	11,346,201	2,510,860	416,993,266
2013	272	62,005,982	643	13,806,903	2,516,268	416,993,266
2014	493	50,008,704	1062	45,109,175	2,597,524	425,665,993
2015	612	52,733,055	964	16,202,669	2,727,971	417,449,613
2016	622	92,385,429	847	17,623,035	2,727,360	426,507,409
2017	576	219,926,473	899	21,656,544	2,897,772	457,006,290
2018	760	325,811,798	1392	21,176,351	2,955,425	453,836,138
2019	1216	89,338,477	315	11,632,463	3,040,214	461,766,340
2020	335	70,736,655	495	16,522,887	3,788,921	470,364,425

The accompanying notes are an integral part of this table.

TABLE 14

CITY OF HATTIESBURG, MISSISSIPPI

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	4	4	4	4
<b>Fire:</b>										
Stations	8	8	8	8	8	8	8	8	8	8
Hydrants	2159	2159	2159	2159	2159	2159	2159	1950	1950	1950
<b>Solid Waste Management:</b>										
Trucks	24	24	24	24	24	24	24	24	24	24
<i>(The City is a member of a regional landfill authority)</i>										
<b>Parks and Recreation:</b>										
Zoo	1	1	1	1	1	1	1	1	1	1
Soccer/tennis/softball complex	1	1	1	1	1	1	1	1	1	1
Baseball/softball facilities	4	4	4	4	4	4	4	4	4	4
<b>Water:</b>										
Pumping capacity (gallons per minute)	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM
Average daily water pumping capacity (gallons)	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD
Average daily water pumped (gallons)	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD
Miles of water mains - 6" through 20"	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	292 miles
Miles of water mains - 4" or less	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	50 miles	50 miles	48 miles
Number of wells	13	13	13	13	13	13	13	13	13	13
Water storage tanks	9	9	9	9	9	9	9	9	9	9
<b>Sewer:</b>										
Miles of sewer collection mains	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	350 miles
Average daily treatment (million gallons per day):										
South lagoon	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	11.1 MGD	11.1 MGD	11.1 MGD
North lagoon	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.6 MGD	1.6 MGD	1.6 MGD
Total average daily treatment	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	12.7 MGD	12.7 MGD	12.7 MGD
Permitted treatment capacity	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD
<b>Streets:</b>										
Miles of paved streets	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	351 miles	351 miles	350 miles
Miles of unpaved streets	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	1 mile	1 mile	1 mile
Area of City - square miles	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4

The accompanying notes are an integral part of this table.