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CITY OF HAZLEHURST, MISSISSIPPI

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

SEPTEMBER 30, 2020

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CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditor's Responsibility - continued:

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of September 30, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-12, budgetary comparison information on pages 55-58, schedule of changes in net pension liability and related ratios on page 59, and the schedule of employer contributions on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazlehurst, Mississippi's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules included in the supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Haddox Reid Eubank & Co. PLLC

Jackson, Mississippi
September 29, 2021

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Our discussion and analysis of the City of Hazlehurst's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 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 basic financial statements which begin on page 13 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

The net position of the City increased by \$646,240 as a result of this year's operations. The Governmental Activities increased by \$501,813 during the current fiscal year compared to an increase of \$254,192 for the fiscal year ended September 30, 2019. The current year increase in net position of the Water and Sewer Fund in the amount of \$144,427 is compared to a decrease of \$111,458 for the fiscal year ended September 30, 2019.

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

- A net pension liability in the amount of \$4,435,109 at September 30, 2020 (\$4,610,855 at September 30, 2019.)

The City's General Fund reflected a slight increase in total revenue compared to the prior year (\$3,677,957 in 2020 compared to \$3,493,717 in 2019). The increase in total revenue is primarily attributed to an increase in current year intergovernmental revenue and current year ad valorem tax revenue. Total expenditures reflected a 2.5% increase when compared with the prior year (\$3,359,429 in 2020 compared to \$3,276,959 in 2019).

Basic Financial Statements

The Management Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Statement of Net Position and the Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole is presented in the Statement of Net Position and the Statement of Activities.

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net position for the 2020 fiscal year and changes in them. The City's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including police, fire, court, public works, instruction and recreation and general administration. Property taxes, sales taxes, police fines/fees and franchise fees finance most of these activities.
- **Business-Type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the individual funds

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Reporting the City's Most Significant Funds - continued:

Fund Financial Statements - continued:

and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of Hazlehurst considers the General Fund and the 2018 Street Paving Project Fund to be major funds and, therefore, presents information on them separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from all other governmental funds are combined into a single, aggregated nonmajor fund presentation.

Proprietary fund - The City charges customers for certain services it provides. These services are reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is identical to the business-type activity that is reported in the government-wide statements but provides more detail and additional information such as cash flows.

The City of Hazlehurst maintains one individual enterprise fund. The City uses this enterprise fund to account for its water and sewer services. The fund financial statements provide the same type of information as the government-wide financial statements. The Water and Sewer Enterprise Fund is considered to be a major fund of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

The City as Trustee - continued:

Reporting the City's Fiduciary Responsibilities - continued:

Changes in Fiduciary Net Position. The activity of this fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements

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

FINANCIAL ANALYSIS OF THE CITY

The Statement of Net Position looks at the City as a whole. The City's combined net position was \$5,993,665 as of September 30, 2020. **Table 1** provides a summary of the City's net position.

(Table 1)
Condensed Statement of Net Position
at September 30, 2020 and 2019

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--------------------------------------|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|-------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Current and other assets | \$ 4,016,114 | 3,451,920 | 1,684,503 | 1,292,005 | 5,700,617 | 4,743,925 |
| Capital assets, net | <u>4,129,167</u> | <u>4,056,820</u> | <u>5,011,742</u> | <u>5,395,296</u> | <u>9,140,909</u> | <u>9,452,116</u> |
| Total assets | <u>8,145,281</u> | <u>7,508,740</u> | <u>6,696,245</u> | <u>6,687,301</u> | <u>14,841,526</u> | <u>14,196,041</u> |
| Deferred outflows of resources: | | | | | | |
| Deferred outflows related to pension | <u>410,442</u> | <u>217,009</u> | <u>83,119</u> | <u>52,852</u> | <u>493,561</u> | <u>269,861</u> |
| Total deferred outflows of resources | <u>410,442</u> | <u>217,009</u> | <u>83,119</u> | <u>52,852</u> | <u>493,561</u> | <u>269,861</u> |
| Liabilities: | | | | | | |
| Current liabilities | 352,322 | 300,875 | 450,954 | 391,126 | 803,276 | 692,001 |
| Noncurrent liabilities | <u>5,454,323</u> | <u>5,514,113</u> | <u>1,252,710</u> | <u>1,476,654</u> | <u>6,707,033</u> | <u>6,990,767</u> |
| Total liabilities | <u>5,806,645</u> | <u>5,814,988</u> | <u>1,703,664</u> | <u>1,867,780</u> | <u>7,510,309</u> | <u>7,682,768</u> |

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 1)
Condensed Statement of Net Position - continued:
at September 30, 2020 and 2019

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|-------------------------------------|--------------------------------|--------------------|---------------------------------|------------------|---------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows related to pension | \$ 580,559 | 240,900 | 117,570 | 58,670 | 698,129 | 299,570 |
| Deferred property tax revenue | <u>1,132,984</u> | <u>1,136,139</u> | <u>-</u> | <u>-</u> | <u>1,132,984</u> | <u>1,136,139</u> |
| Total deferred inflows of resources | <u>1,713,543</u> | <u>1,377,039</u> | <u>117,570</u> | <u>58,670</u> | <u>1,831,113</u> | <u>1,435,709</u> |
| Net assets: | | | | | | |
| Net investment in capital assets | 2,374,941 | 2,317,768 | 4,462,796 | 4,792,091 | 6,837,737 | 7,109,859 |
| Restricted: | | | | | | |
| Fire protection | 11,134 | 8,815 | - | - | 11,134 | 8,815 |
| Parks | 202,118 | 75,031 | - | - | 202,118 | 75,031 |
| Library | 36,789 | 30,763 | - | - | 36,789 | 30,763 |
| Debt service | 23,685 | 19,854 | - | - | 23,685 | 19,854 |
| Capital projects | 522,862 | 558,256 | - | - | 522,862 | 558,256 |
| Unrestricted | <u>(2,135,994)</u> | <u>(2,476,765)</u> | <u>495,334</u> | <u>21,612</u> | <u>(1,640,660)</u> | <u>(2,455,153)</u> |
| Total net position | \$ <u>1,035,535</u> | <u>533,722</u> | <u>4,958,130</u> | <u>4,813,703</u> | <u>5,993,665</u> | <u>5,347,425</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|------------------|
| Total unrestricted net position (deficit) | \$ (1,640,660) | (2,455,153) |
| Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71 | <u>4,639,677</u> | <u>4,640,564</u> |
| Unrestricted net position, exclusive of the net pension liability effect | \$ <u>2,999,017</u> | <u>2,185,411</u> |

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

The largest portion of the City's total assets (61.6%) is in net capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 shows the Changes in Net Position for the years ended September 30, 2020 and 2019.

(Table 2)
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2020 and 2019

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|---|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| REVENUES: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 585,694 | 597,996 | 1,585,352 | 1,368,384 | 2,171,046 | 1,966,380 |
| Capital grants and contributions | 104,229 | 284,500 | - | - | 104,229 | 284,500 |
| General revenues: | | | | | | |
| Property taxes | 1,181,579 | 1,087,456 | - | - | 1,181,579 | 1,087,456 |
| Sales taxes | 1,507,402 | 1,406,226 | - | - | 1,507,402 | 1,406,226 |
| Other | 604,300 | 601,526 | 20,783 | 10,845 | 625,083 | 612,371 |
| Total revenues | <u>3,983,204</u> | <u>3,977,704</u> | <u>1,606,135</u> | <u>1,379,229</u> | <u>5,589,339</u> | <u>5,356,933</u> |
| EXPENSES: | | | | | | |
| General government | 503,316 | 563,242 | - | - | 503,316 | 563,242 |
| Public safety | 1,461,363 | 1,655,038 | - | - | 1,461,363 | 1,655,038 |
| Court | 308,875 | 285,782 | - | - | 308,875 | 285,782 |
| Public works | 1,076,264 | 1,028,217 | - | - | 1,076,264 | 1,028,217 |
| Instruction and recreation | 124,786 | 139,753 | - | - | 124,786 | 139,753 |
| Interest and fiscal charges on long-term debt | 66,787 | 111,480 | - | - | 66,787 | 111,480 |
| Water and sewer | - | - | 1,401,708 | 1,430,687 | 1,401,708 | 1,430,687 |
| Total expenses | <u>3,541,391</u> | <u>3,783,512</u> | <u>1,401,708</u> | <u>1,430,687</u> | <u>4,943,099</u> | <u>5,214,199</u> |

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 2) - continued:
Condensed Statement of Changes in Net Position
for the Years Ended September 30, 2020 and 2019

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|----------------|---------------------------------|------------------|---------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| CHANGE IN NET POSITION BEFORE TRANSFERS | \$ 441,813 | 194,192 | 204,427 | (51,458) | 646,240 | 142,734 |
| TRANSFERS | <u>60,000</u> | <u>60,000</u> | <u>(60,000)</u> | <u>(60,000)</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | 501,813 | 254,192 | 144,427 | (111,458) | 646,240 | 142,734 |
| NET POSITION, BEGINNING OF YEAR | <u>533,722</u> | <u>279,530</u> | <u>4,813,703</u> | <u>4,925,161</u> | <u>5,347,425</u> | <u>5,204,691</u> |
| NET POSITION, END OF YEAR | \$ <u>1,035,535</u> | <u>533,722</u> | <u>4,958,130</u> | <u>4,813,703</u> | <u>5,993,665</u> | <u>5,347,425</u> |

Governmental Activities

Several revenue sources fund our Governmental Activities. The City's sales tax accounted for \$1,507,402 or 37.8% of gross revenue; revenues from property taxes accounted for \$1,181,579 or 29.7% of revenues; and revenues from charges for services accounted for \$585,694 or 14.7% of gross revenues.

Major expense activities included public safety expenses accounting for 41.3% of the total program expenses and public works accounting for 30.4%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

Business-Type Activity

Total revenues of the City's business-type activities were \$1,606,135 for the fiscal year ended September 30, 2020. Operating expenses for the City's business-type activities were \$1,401,708 resulting in an operating gain of \$204,427. The net transfers out in the amount of \$60,000 resulted in an increase in net position of \$144,427.

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

BUDGETARY HIGHLIGHTS

The City's budgets are prepared according to Mississippi law and are based on accounting for transactions on a modified-cash basis. The most significant budgeted fund is the General Fund. During 2020, the City of Hazlehurst amended its General Fund budget one time. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Alderpersons for review before being amended by the Board of Alderpersons at a regular monthly board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the General Fund supporting many of our major activities, such as our police and fire departments, as well as general government activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, original budgeted revenues for fiscal year 2020 were \$3,390,839; final budget amounts were \$3,475,839; and actual revenue collections were \$3,590,947. General Fund operating expenditures were \$3,353,013 compared to final budgeted amounts of \$3,795,952.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the City had over \$9.1 million invested in a broad range of capital assets, including police and fire equipment, motor vehicles, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.)

(Table 3)
Capital Assets at September 30, 2020 and 2019
(Net of Depreciation)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|-----------------------------------|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Land | \$ 133,327 | 133,327 | 38,400 | 38,400 | 171,727 | 171,727 |
| Improvements other than buildings | 579,848 | 608,363 | - | - | 579,848 | 608,363 |
| Buildings | 1,219,954 | 1,252,989 | - | - | 1,219,954 | 1,252,989 |
| Machinery and equipment | 677,897 | 574,740 | 49,676 | 64,322 | 727,573 | 639,062 |
| Motor vehicles | 105,978 | 105,068 | 10,149 | 10,149 | 116,127 | 115,217 |
| Infrastructure | 1,412,163 | 426,241 | - | - | 1,412,163 | 426,241 |
| Construction in progress | - | 956,092 | - | - | - | 956,092 |
| Water system | - | - | 2,281,040 | 2,407,698 | 2,281,040 | 2,407,698 |
| Sewer system | - | - | 2,632,477 | 2,874,727 | 2,632,477 | 2,874,727 |
| Total | \$ <u>4,129,167</u> | <u>4,056,820</u> | <u>5,011,742</u> | <u>5,395,296</u> | <u>9,140,909</u> | <u>9,452,116</u> |

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Capital Assets - continued:

This year's major additions included:

| | |
|---------------------|------------|
| Caterpillar Tractor | \$ 111,544 |
| Desktops | 40,848 |
| Police Interceptor | 23,500 |

Debt

At September 30, 2020 and 2019, the City of Hazlehurst had \$2,443,648 and \$2,526,387 respectively, in outstanding debt from Notes Payable, Capital Leases Payable and Compensated Absences. Table 4 summarizes the total outstanding long-term obligations of the City.

(Table 4)
Outstanding Debt at September 30, 2020 and 2019

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|------------------------|--------------------------------|------------------|---------------------------------|----------------|---------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Capital leases payable | \$ 314,226 | 244,052 | - | - | 314,226 | 244,052 |
| Bonds payable | 1,440,000 | 1,495,000 | - | - | 1,440,000 | 1,495,000 |
| Notes payable | - | - | 548,946 | 603,205 | 548,946 | 603,205 |
| Compensated absences | 128,662 | 160,069 | 11,814 | 24,061 | 140,476 | 184,130 |
| Total | <u>\$ 1,882,888</u> | <u>1,899,121</u> | <u>560,760</u> | <u>627,266</u> | <u>2,443,648</u> | <u>2,526,387</u> |

The City paid \$150,629 (\$96,370 Governmental Activities and \$54,259 for Water and Sewer) in principal on outstanding debt during the year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The General Fund's largest single revenue source is sales tax. The City believes sales tax revenue will increase in 2021 based on new developments within the City.

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,415,289 for the next fiscal year.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Pamela Wilbert at 209 S. Extension Street, Hazlehurst, Mississippi 39083.

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2020**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 2,408,128 | 1,180,557 | 3,588,685 |
| Receivables (net, where applicable, of allowances for uncollectibles): | | | |
| Accounts | 154,929 | 163,054 | 317,983 |
| Taxes | 1,154,725 | - | 1,154,725 |
| Other | 11,846 | - | 11,846 |
| Internal balances | (29,437) | 29,437 | - |
| Due from other governments | 298,717 | - | 298,717 |
| Prepaid expenses | 17,206 | 3,124 | 20,330 |
| Inventories at cost | - | 41,256 | 41,256 |
| Restricted assets: | | | |
| Restricted cash and cash equivalents | - | 267,075 | 267,075 |
| Capital assets: | | | |
| Non-depreciable capital assets | 133,327 | 38,400 | 171,727 |
| Depreciable capital assets, net | <u>3,995,840</u> | <u>4,973,342</u> | <u>8,969,182</u> |
| Total assets | <u>8,145,281</u> | <u>6,696,245</u> | <u>14,841,526</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows related to pension | <u>410,442</u> | <u>83,119</u> | <u>493,561</u> |
| Total deferred outflows of resources | <u>410,442</u> | <u>83,119</u> | <u>493,561</u> |

The accompanying notes are an integral part of this statement.

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 167,385 | 118,522 | 285,907 |
| Accrued liabilities | 18,239 | 7,598 | 25,837 |
| Accrued interest payable | 10,406 | - | 10,406 |
| Customer deposits | - | 267,075 | 267,075 |
| Due to other governments | 23,800 | 2,804 | 26,604 |
| Unearned revenue | 15,723 | - | 15,723 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Compensated absences | 6,433 | - | 6,433 |
| Loans and leases payable | 50,336 | 55,143 | 105,479 |
| Bonds payable | 60,000 | - | 60,000 |
| Due in more than one year: | | | |
| Compensated absences | 122,229 | 11,814 | 134,043 |
| Loans and leases payable | 263,890 | 493,803 | 757,693 |
| Bonds payable | 1,380,000 | - | 1,380,000 |
| Net pension liability | 3,688,204 | 746,905 | 4,435,109 |
| Total liabilities | <u>5,806,645</u> | <u>1,703,664</u> | <u>7,510,309</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred inflows related to pension | 580,559 | 117,570 | 698,129 |
| Deferred property tax revenue | <u>1,132,984</u> | <u>-</u> | <u>1,132,984</u> |
| Total deferred inflows of resources | <u>1,713,543</u> | <u>117,570</u> | <u>1,831,113</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 2,374,941 | 4,462,796 | 6,837,737 |
| Restricted for: | | | |
| Fire prevention | 11,134 | - | 11,134 |
| Parks | 202,118 | - | 202,118 |
| Library | 36,789 | - | 36,789 |
| Debt service | 23,685 | - | 23,685 |
| Capital projects | 522,862 | - | 522,862 |
| Unrestricted | <u>(2,135,994)</u> | <u>495,334</u> | <u>(1,640,660)</u> |
| | \$ <u>1,035,535</u> | <u>4,958,130</u> | <u>5,993,665</u> |

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--|---------------------|-------------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 503,316 | 26,613 | - | - |
| Public safety | 1,461,363 | 154,553 | - | - |
| Court | 308,875 | - | - | - |
| Public works | 1,076,264 | 401,986 | - | 5,480 |
| Instruction and recreation | 124,786 | 2,542 | - | 98,749 |
| Interest and fiscal charges on long-term debt | <u>66,787</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>3,541,391</u> | <u>585,694</u> | <u>-</u> | <u>104,229</u> |
| Business-type activities: | | | | |
| Water and sewer | <u>1,401,708</u> | <u>1,585,352</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>1,401,708</u> | <u>1,585,352</u> | <u>-</u> | <u>-</u> |
| Total government | \$ <u>4,943,099</u> | <u>2,171,046</u> | <u>-</u> | <u>104,229</u> |

General revenues:

Taxes:

 Ad valorem taxes

 Sales tax

 Utility in lieu of tax

 Franchise fees

 County road tax

General intergovernmental revenue

Investment earnings

Other

Transfers

 Total general revenues and transfers

 Change in net position

Net position at beginning of year

Net position at end of year

The accompanying notes are an integral part of this statement.

| Net (Expenses) Revenues and Changes in Net Position | | |
|--|---------------------------------|--------------------|
| Governmental Activities | Business- Type Activities | Total |
| (476,703) | - | (476,703) |
| (1,306,810) | - | (1,306,810) |
| (308,875) | - | (308,875) |
| (668,798) | - | (668,798) |
| (23,495) | - | (23,495) |
| <u>(66,787)</u> | <u>-</u> | <u>(66,787)</u> |
| <u>(2,851,468)</u> | <u>-</u> | <u>(2,851,468)</u> |
| <u>-</u> | <u>183,644</u> | <u>183,644</u> |
| <u>-</u> | <u>183,644</u> | <u>183,644</u> |
| <u>(2,851,468)</u> | <u>183,644</u> | <u>(2,667,824)</u> |
| 1,181,579 | - | - |
| 1,507,402 | - | - |
| 55,390 | - | - |
| 118,161 | - | - |
| 117,265 | - | - |
| 75,465 | - | - |
| 50,980 | 20,783 | - |
| 187,039 | - | - |
| 60,000 | (60,000) | - |
| <u>3,353,281</u> | <u>(39,217)</u> | <u>3,314,064</u> |
| 501,813 | 144,427 | 646,240 |
| <u>533,722</u> | <u>4,813,703</u> | <u>5,347,425</u> |
| <u>1,035,535</u> | <u>4,958,130</u> | <u>5,993,665</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

| | <u>General Fund</u> | <u>2018 Street Paving Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|--|---|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 1,599,133 | 534,830 | 274,165 | 2,408,128 |
| Receivables (net of allowance for uncollectibles, where applicable): | | | | |
| Accounts | 131,129 | - | - | 131,129 |
| Taxes | 940,575 | - | 214,150 | 1,154,725 |
| Other | 11,846 | - | - | 11,846 |
| Due from other funds | 10,692 | 8,857 | 15,957 | 35,506 |
| Due from other governments | 290,073 | - | 8,644 | 298,717 |
| Prepaid expenses | 13,735 | - | 3,471 | 17,206 |
| Total assets | \$ <u>2,997,183</u> | <u>543,687</u> | <u>516,387</u> | <u>4,057,257</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 141,310 | 21,136 | 4,939 | 167,385 |
| Accrued liabilities | 18,239 | - | - | 18,239 |
| Due to other funds | 37,933 | - | 27,010 | 64,943 |
| Unearned revenue | 15,723 | - | - | 15,723 |
| Total liabilities | <u>213,205</u> | <u>21,136</u> | <u>31,949</u> | <u>266,290</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue - property taxes | 920,779 | - | 212,205 | 1,132,984 |
| Unavailable revenue - fine revenue | 47,607 | - | - | 47,607 |
| Total deferred inflows of resources | <u>968,386</u> | <u>-</u> | <u>212,205</u> | <u>1,180,591</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepays | 13,735 | - | 3,471 | 17,206 |
| Restricted for: | | | | |
| Fire prevention | - | - | 11,134 | 11,134 |
| Parks | - | - | 202,118 | 202,118 |
| Library | - | - | 36,789 | 36,789 |
| Debt service | - | - | 23,685 | 23,685 |
| Capital projects | - | 522,551 | 311 | 522,862 |
| Assigned to: | | | | |
| Fiscal year 2021 budget appropriations | 306,329 | - | - | 306,329 |
| Unassigned | 1,495,528 | - | (5,275) | 1,490,253 |
| Total fund balances | <u>1,815,592</u> | <u>522,551</u> | <u>272,233</u> | <u>2,610,376</u> |
| Total liabilities, deferred inflow of resources, and fund balances \$ | <u>2,997,183</u> | <u>543,687</u> | <u>516,387</u> | <u>4,057,257</u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

| | | |
|---|--------------------|----------------------------|
| Total fund balances - governmental funds | | \$ 2,610,376 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental capital assets | 8,247,656 | |
| Less accumulated depreciation | <u>(4,118,489)</u> | 4,129,167 |
| Fines and forfeits that were earned in the current period but not received within 60 days are not recognized in the fund statement but recognized under full accrual | | |
| | | 47,607 |
| Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds: | | |
| Net pension liability | | (3,688,204) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | | |
| Deferred outflows of resources related to pension | 410,442 | |
| Deferred inflows of resources related to pension | <u>(580,559)</u> | (170,117) |
| Long-term liabilities of governmental funds are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| These long-term liabilities consist of: | | |
| Capital leases payable | (314,226) | |
| Bonds payable | (1,440,000) | |
| Accrued interest payable | (10,406) | |
| Compensated absences | <u>(128,662)</u> | <u>(1,893,294)</u> |
| Net position of governmental activities | | \$ <u>1,035,535</u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>General Fund</u> | <u>2018 Street Paving Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|--|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Current year ad valorem | \$ 942,521 | - | 211,411 | 1,153,932 |
| Prior years ad valorem | 23,859 | - | 3,788 | 27,647 |
| In lieu of taxes - utility | 55,390 | - | - | 55,390 |
| Franchise fees | 118,161 | - | - | 118,161 |
| Licenses and permits | 26,613 | - | - | 26,613 |
| Intergovernmental | 1,687,964 | - | 17,754 | 1,705,718 |
| Charges for services | 401,986 | - | - | 401,986 |
| Fines and forfeits | 156,755 | - | - | 156,755 |
| Interest earned | 44,397 | - | 6,583 | 50,980 |
| Interfund charges | 60,000 | - | - | 60,000 |
| Other | <u>160,311</u> | <u>-</u> | <u>125,477</u> | <u>285,788</u> |
| Total revenues | <u>3,677,957</u> | <u>-</u> | <u>365,013</u> | <u>4,042,970</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 473,724 | - | - | 473,724 |
| Public safety | 1,486,381 | - | - | 1,486,381 |
| Court | 265,133 | - | - | 265,133 |
| Public works | 1,078,336 | - | 4,350 | 1,082,686 |
| Instruction and recreation | - | - | 31,912 | 31,912 |
| Grants, subsidies, and other expenditures | 25,029 | - | - | 25,029 |
| Capital outlay | - | 35,291 | 110 | 35,401 |
| Pay to other agencies | - | - | 51,492 | 51,492 |
| Debt service: | | | | |
| Principal | 22,640 | - | 73,730 | 96,370 |
| Interest | <u>8,186</u> | <u>-</u> | <u>61,158</u> | <u>69,344</u> |
| Total expenditures | <u>3,359,429</u> | <u>35,291</u> | <u>222,752</u> | <u>3,617,472</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>General Fund</u> | <u>2018 Street Paving Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|--|--|---|
| Excess (deficiency) of revenues over (under) expenditures | \$ <u>318,528</u> | <u>(35,291)</u> | <u>142,261</u> | <u>425,498</u> |
| Other financing sources (uses): | | | | |
| Proceeds from issuance of capital lease | <u>111,544</u> | <u>-</u> | <u>-</u> | <u>111,544</u> |
| Total financing sources (uses) | <u>111,544</u> | <u>-</u> | <u>-</u> | <u>111,544</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | 430,072 | (35,291) | 142,261 | 537,042 |
| Fund balances at beginning of year | <u>1,385,520</u> | <u>557,842</u> | <u>129,972</u> | <u>2,073,334</u> |
| Fund balances at end of year | \$ <u><u>1,815,592</u></u> | <u><u>522,551</u></u> | <u><u>272,233</u></u> | <u><u>2,610,376</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | | |
|---|------------------|-----------------------|
| Net changes in fund balances - total governmental funds | \$ | 537,042 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives: | | |
| Expenditures for capital assets | 248,559 | |
| Less current year depreciation expense | <u>(176,212)</u> | 72,347 |
| Revenues in the Statement of Activities that do not provide current resources are not reported as fund revenues | | (2,201) |
| Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year proceeds were received from: | | |
| Capital lease for equipment | | (111,544) |
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position | | 96,370 |
| The Statement of Activities reports pension expense and other activity related to the net pension liability: | | |
| Contributions made after the measurement date | 50,358 | |
| Pension expense | <u>(176,958)</u> | (126,600) |
| Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | | |
| Change in accrued interest payable | 4,992 | |
| Change in long-term compensated absences | <u>31,407</u> | <u>36,399</u> |
| Change in net position of governmental activities | \$ | <u>501,813</u> |

The accompanying notes are an integral part of this statement.

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

ASSETS

Current assets:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 1,180,557 |
| Receivables (net of allowance for uncollectibles, where applicable): | |
| Accounts | 163,054 |
| Due from other funds | 29,437 |
| Inventories at cost | 41,256 |
| Prepaid expenses | 3,124 |
| Total current assets | <u>1,417,428</u> |

Restricted assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | <u>267,075</u> |
|---------------------------|----------------|

Property, plant and equipment:

| | |
|-------------------------|-------------------|
| Land | 38,400 |
| Buildings | 56,107 |
| Water system | 6,788,235 |
| Sewer system | 9,366,758 |
| Machinery and equipment | 561,832 |
| Motor vehicles | 205,203 |
| | <u>17,016,535</u> |

Less accumulated depreciation (12,004,793)

Net property, plant and equipment 5,011,742

Total assets 6,696,245

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|---------------|
| Deferred outflows related to pension | <u>83,119</u> |
| Total deferred outflows of resources | <u>83,119</u> |

The accompanying notes are an integral part of this statement.

LIABILITIES

| | |
|---|------------------|
| Current liabilities: | |
| Accounts payable | \$ 118,522 |
| Accrued liabilities | 7,598 |
| Current portion of long-term liabilities | 55,143 |
| Due to other governments | <u>2,804</u> |
| Total current liabilities | <u>184,067</u> |
| Current liabilities payable from restricted assets: | |
| Customer deposits | <u>267,075</u> |
| Long-term liabilities: | |
| Notes payable | 493,803 |
| Compensated absences | 11,814 |
| Net pension liability | <u>746,905</u> |
| Total long-term liabilities | <u>1,252,522</u> |
| Total liabilities | <u>1,703,664</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|----------------|
| Deferred inflows related to pension | <u>117,570</u> |
| Total deferred inflows of resources | <u>117,570</u> |

NET POSITION

| | |
|----------------------------------|----------------------------|
| Net investment in capital assets | 4,462,796 |
| Unrestricted | <u>495,334</u> |
| Total net position | \$ <u><u>4,958,130</u></u> |

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

OPERATING REVENUES:

| | |
|------------------------------|------------------|
| Water sales | \$ 1,081,442 |
| Sewer rentals | 435,263 |
| Tap fees and connection fees | 25,607 |
| Miscellaneous receipts | <u>43,040</u> |
| Total operating revenues | <u>1,585,352</u> |

OPERATING EXPENSES:

| | |
|----------------------------|------------------|
| Personal services | 238,326 |
| Supplies | 176,788 |
| Other services and charges | 624,308 |
| Depreciation | <u>407,554</u> |
| Total operating expenses | <u>1,446,976</u> |

| | |
|-------------------------|----------------|
| OPERATING INCOME | <u>138,376</u> |
|-------------------------|----------------|

NON-OPERATING REVENUES (EXPENSES):

| | |
|---|-----------------|
| Interest on investments | 20,783 |
| Interest and fiscal charges | <u>(14,732)</u> |
| Total non-operating revenues (expenses) | <u>6,051</u> |

| | |
|-------------------------------|---------|
| CHANGE IN NET POSITION | 144,427 |
|-------------------------------|---------|

| | |
|--|------------------|
| NET POSITION AT BEGINNING OF YEAR | <u>4,813,703</u> |
|--|------------------|

| | |
|------------------------------------|----------------------------|
| NET POSITION AT END OF YEAR | \$ <u><u>4,958,130</u></u> |
|------------------------------------|----------------------------|

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|--------------------|
| Cash received from customers | \$ 1,578,795 |
| Cash paid to suppliers and employees | <u>(1,118,003)</u> |
| Net cash provided by operating activities | <u>460,792</u> |

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

| | |
|---|-----------------|
| Principal paid on notes | (54,259) |
| Acquisition of capital assets | (24,000) |
| Interest paid on notes | (14,732) |
| Increase in amount due from other funds | <u>(3,241)</u> |
| Net cash used in capital and related financing activities | <u>(96,232)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|---------------|
| Earnings on invested proceeds | <u>20,783</u> |
| Net cash provided by investing activities | <u>20,783</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS 385,343

CASH AND CASH EQUIVALENTS - beginning of year
(including \$258,760 in restricted accounts) 1,062,289

CASH AND CASH EQUIVALENTS - end of year
(including \$267,075 in restricted accounts) \$ 1,447,632

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

| | |
|--|------------------------------|
| Operating income | \$ <u>138,376</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 407,554 |
| (Increase) decrease in: | |
| Accounts receivable | (14,872) |
| Prepaid expenses | 4,241 |
| Deferred outflows related to pension | (30,267) |
| Inventory | 6,717 |
| Increase (decrease) in: | |
| Accounts payable | 48,673 |
| Accrued liabilities | 1,522 |
| Compensated absences | (12,247) |
| Customer deposits | 8,315 |
| Net pension liability | (156,120) |
| Deferred inflows related to pension | <u>58,900</u> |
| Total adjustments | <u>322,416</u> |
| Net cash provided by operating activities | \$ <u><u>460,792</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET POSITION
UNEMPLOYMENT COMPENSATION PRIVATE - PURPOSE TRUST FUND
SEPTEMBER 30, 2020**

ASSETS

| | |
|---------------------------|-------------------------|
| Cash and cash equivalents | \$ <u>11,036</u> |
| Total assets | \$ <u><u>11,036</u></u> |

NET POSITION

| | |
|---|-------------------------|
| Held in trust for unemployment benefits | \$ <u>11,036</u> |
| Total net position | \$ <u><u>11,036</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
UNEMPLOYMENT COMPENSATION PRIVATE - PURPOSE TRUST FUND
SEPTEMBER 30, 2020**

ADDITIONS:

| | |
|-------------------|---------------|
| Interest earnings | \$ <u>202</u> |
| Total additions | 202 |

DEDUCTIONS

-

CHANGES IN NET POSITION HELD IN TRUST

202

NET POSITION, BEGINNING OF YEAR

10,834

NET POSITION, END OF YEAR

\$ 11,036

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hazlehurst, Mississippi (the City) was incorporated in 1865 and operates under a Mayor-Board of Alderpersons form of government. The City is organized into the following divisions: general government, public safety (police, fire and communications), court, public works and instruction and recreation.

The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. These other organizations for which the City's Board of Alderpersons appoints the board members include the Hazlehurst Municipal Separate School District and the Hazlehurst Housing Authority. The City is statutorily required to levy property taxes for the School District. These taxes are collected by the City and remitted to the School District.

The financial statements of the City of Hazlehurst have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. GOVERNMENT - WIDE AND FUND FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

the City include general government, public safety (police, fire and communications), court, public works, and instruction and recreation. The business-type activity of the City includes the water and sewer system.

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

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

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

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City, in general, considers revenues available if they are collected within 60 days after year-end except for property taxes, which the City considers available if they are collected within 30 days of year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

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

The **2018 Street Paving Project Fund** accounts for funds received through the issuance of a general obligation bond. The bond proceeds were received by the City in September, 2018 and were used in fiscal year 2019 and 2020 to repave selected streets in the City. The remaining funds will be used in fiscal year 2021.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to the citizens of the City.

Additionally, the City reports the following governmental fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or infrastructure (other than those financed by business-type/proprietary funds).

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund of the City are charges to customers for sales and services. Operating expenses for the proprietary fund 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 non-operating revenues and expenses.

C. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include demand deposit accounts, petty cash, certificates of deposit, and U.S. Treasury Bills with a maturity date generally within 90 days of the date acquired by the City. The City did not hold any investments at September 30, 2020. Collateral, as further discussed in Note 3, is pledged by the various banks to collateralize City funds.

D. RECEIVABLES

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

E. INVENTORIES

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

F. PREPAID ITEMS

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

H. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to September 1, the City Clerk submits to the Mayor and Board of Alderpersons a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to or on September 15th the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for all City funds.

The governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year-end. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED:

accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

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

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

I. CAPITAL ASSETS

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

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

Such assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Donated or annexed capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. CAPITAL ASSETS - CONTINUED:

improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets. The useful lives and salvage values are as follows:

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

J. CAPITALIZATION OF INTEREST

In conformity with authoritative guidance, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During fiscal year 2020, no interest costs were capitalized.

K. RESTRICTED ASSETS

The Water and Sewer Enterprise Fund is required to set aside customer water deposits for repayment. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

L. COMPENSATED ABSENCES

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

L. COMPENSATED ABSENCES - CONTINUED:

statements all of the compensated absences are considered to be long-term and therefore, are not a fund liability. An accrual of \$140,776 has been made in the Statement of Net Position for vacation time available at September 30, 2020. No liability is recorded for nonvesting accumulating rights to receive sick pay.

M. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

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

N. LONG-TERM LIABILITIES

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

O. NET POSITION AND FUND BALANCES

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

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

O. NET POSITION AND FUND BALANCES - CONTINUED:

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

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

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are composed of two major types which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

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

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

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

P. PENSIONS

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

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY TAX

Property taxes for fiscal year 2020 were levied in September 2019 on the assessed valuation of property located in the City of Hazlehurst as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2021 property taxes levied in September 2020. The City has recorded deferred inflows of resources for the estimated fiscal year 2021 property taxes as of September 30, 2020.

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own real, public utility and personal property taxes. Automobile ad valorem taxes and certain road taxes are collected by the tax collector of Copiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of automobiles, is January 1 for the preceding year. The tax rate levied by the City for the year ended September 30, 2020 was set at 98.99 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 2 - PROPERTY TAX - CONTINUED:

| | |
|---|-----------------|
| General fund | \$ 4.339 |
| General bonds and interest | 0.500 |
| Parks and playground fund | 0.250 |
| Public library fund | 0.250 |
| Schools (Hazlehurst Municipal Separate School District) | <u>4.560</u> |
| | \$ <u>9.899</u> |

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2020:

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> | <u>Restricted Cash and Cash Equivalents</u> | <u>Restricted Investments</u> | <u>Total</u> |
|------------------------------------|--|--------------------|---|-----------------------------------|------------------|
| Governmental activities: | | | | | |
| General fund | \$ 1,599,133 | - | - | - | 1,599,133 |
| 2018 Street paving project fund | 534,830 | - | - | - | 534,830 |
| Nonmajor governmental funds | <u>274,165</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>274,165</u> |
| Total governmental activities | <u>2,408,128</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,408,128</u> |
| Business-type activities: | | | | | |
| Water and sewer enterprise fund | <u>1,180,557</u> | <u>-</u> | <u>267,075</u> | <u>-</u> | <u>1,447,632</u> |
| Total business-type activities | <u>1,180,557</u> | <u>-</u> | <u>267,075</u> | <u>-</u> | <u>1,447,632</u> |
| Government-wide total | 3,588,685 | - | 267,075 | - | 3,855,760 |
| Fiduciary fund | <u>-</u> | <u>-</u> | <u>11,036</u> | <u>-</u> | <u>11,036</u> |
| Total cash and investments | \$ <u>3,588,685</u> | <u>-</u> | <u>278,111</u> | <u>-</u> | <u>3,866,796</u> |

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). Deposits at September 30, 2020 are summarized as follows:

| | <u>Reported Amount</u> | <u>Bank Balance</u> |
|----------------|----------------------------|-------------------------|
| Cash | \$ <u>3,866,796</u> | <u>4,151,768</u> |
| Total deposits | \$ <u>3,866,796</u> | <u>4,151,768</u> |

The difference of \$284,972 was principally due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

As of September 30, 2020, \$3,651,768 of the City's bank balance of \$4,151,768 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds:

| | |
|---------------|---------------------|
| Guaranty Pool | \$ <u>3,651,768</u> |
| Total | \$ <u>3,651,768</u> |

Custodial Credit Risk - Deposits - Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2020, the entire bank balance was covered by Federal Depository Insurance or collateralized in accordance with state law.

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

Deposits - continued:

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

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

Custodial Credit Risk - Investments - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. The City held no investments as of September 30, 2020.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2020, the City had no investments.

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

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

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

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 4 - RECEIVABLES

Receivables at September 30, 2020 were as follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--|--------------------------------|------------------------------------|---------------------------------|------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Water and Sewer Fund</u> | <u>Total</u> |
| Receivables: | | | | |
| Accounts | \$ 2,671,074 | - | 215,500 | 2,886,574 |
| Taxes | 940,575 | 214,150 | - | 1,154,725 |
| Other | 11,846 | - | - | 11,846 |
| Due from other governments | 290,073 | 8,644 | - | 298,717 |
| Gross receivables | 3,913,568 | 222,794 | 215,500 | 4,351,862 |
| Less: allowance for uncollectible accounts | (2,516,145) | - | (52,446) | (2,568,591) |
| Net total receivables | \$ <u>1,397,423</u> | <u>222,794</u> | <u>163,054</u> | <u>1,783,271</u> |

NOTE 5 - CAPITAL ASSETS

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

| | <u>Balance at October 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at September 30, 2020</u> |
|-----------------------------------|-----------------------------------|------------------|------------------|--------------------------------------|
| Governmental activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 133,327 | - | - | 133,327 |
| Construction in progress | 956,092 | 35,292 | 991,384 | - |
| Total | <u>1,089,419</u> | <u>35,292</u> | <u>991,384</u> | <u>133,327</u> |
| Depreciable assets: | | | | |
| Buildings | 2,321,611 | - | - | 2,321,611 |
| Improvements other than buildings | 902,163 | - | - | 902,163 |
| Machinery and equipment | 1,617,960 | 189,767 | - | 1,807,727 |
| Motor vehicles | 655,711 | 23,500 | - | 679,211 |
| Infrastructure | 1,412,233 | 991,384 | - | 2,403,617 |
| Total | <u>6,909,678</u> | <u>1,204,651</u> | <u>-</u> | <u>8,114,329</u> |
| Total capital assets | <u>7,999,097</u> | <u>1,239,943</u> | <u>991,384</u> | <u>8,247,656</u> |

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 5 - CAPITAL ASSETS - CONTINUED:

| | Balance at October 1, 2019 | Additions | Deletions | Balance at September 30, 2020 |
|---|----------------------------------|------------------|----------------|-------------------------------------|
| Less accumulated depreciation: | | | | |
| Buildings | \$ (1,068,622) | (33,035) | - | (1,101,657) |
| Improvements rather than buildings | (293,800) | (28,515) | - | (322,315) |
| Machinery and equipment | (1,043,220) | (86,610) | - | (1,129,830) |
| Motor vehicles | (550,643) | (22,590) | - | (573,233) |
| Infrastructure | (985,992) | (5,462) | - | (991,454) |
| Total accumulated depreciation | <u>(3,942,277)</u> | <u>(176,212)</u> | <u>-</u> | <u>(4,118,489)</u> |
| Total governmental activities capital assets, net | \$ <u>4,056,820</u> | <u>1,063,731</u> | <u>991,384</u> | <u>4,129,167</u> |

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

| | |
|--|-------------------|
| General government | \$ 17,802 |
| Public safety | 86,849 |
| Public works | 41,330 |
| Instruction and recreation | <u>30,231</u> |
| Total depreciation expense - governmental activities | \$ <u>176,212</u> |

| | Balance at October 1, 2019 | Additions | Deletions | Balance at September 30, 2020 |
|---------------------------|----------------------------------|---------------|-----------|-------------------------------------|
| Business-type activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ <u>38,400</u> | <u>-</u> | <u>-</u> | <u>38,400</u> |
| Depreciable assets: | | | | |
| Buildings | 56,107 | - | - | 56,107 |
| Machinery and equipment | 561,832 | - | - | 561,832 |
| Motor vehicles | 205,203 | - | - | 205,203 |
| Water system | 6,764,235 | 24,000 | - | 6,788,235 |
| Sewer system | <u>9,366,758</u> | <u>-</u> | <u>-</u> | <u>9,366,758</u> |
| Total | <u>16,954,135</u> | <u>24,000</u> | <u>-</u> | <u>16,978,135</u> |
| Total capital assets | <u>16,992,535</u> | <u>24,000</u> | <u>-</u> | <u>17,016,535</u> |

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 5 - CAPITAL ASSETS - CONTINUED:

| | Balance at October 1, 2019 | Additions | Deletions | Balance at September 30, 2020 |
|--|----------------------------------|------------------|-----------|-------------------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | \$ (56,107) | - | - | (56,107) |
| Machinery and equipment | (497,510) | (14,646) | - | (512,156) |
| Motor vehicles | (195,054) | - | - | (195,054) |
| Water system | (4,356,537) | (150,658) | - | (4,507,195) |
| Sewer system | (6,492,031) | (242,250) | - | (6,734,281) |
| Total accumulated depreciation | (11,597,239) | (407,554) | - | (12,004,793) |
| Total business-type activities capital assets, net | \$ <u>5,395,296</u> | <u>(383,554)</u> | <u>-</u> | <u>5,011,742</u> |

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

| | |
|---|-------------------|
| Water and sewer | \$ <u>407,554</u> |
| Total depreciation expense - business-type activities | \$ <u>407,554</u> |

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2020:

| | Beginning Balance October 1, 2019 | Additions/ Proceeds | Reductions/ Payments | Ending Balance September 30, 2020 | Due Within One Year |
|--------------------------------|--|------------------------|-------------------------|--|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 1,495,000 | - | (55,000) | 1,440,000 | 60,000 |
| Capital lease obligations | 244,052 | 111,544 | (41,370) | 314,226 | 50,336 |
| Compensated absences | <u>160,069</u> | <u>-</u> | <u>(31,407)</u> | <u>128,662</u> | <u>-</u> |
| Governmental activities total | <u>1,899,121</u> | <u>111,544</u> | <u>(127,777)</u> | <u>1,882,888</u> | <u>110,336</u> |
| Business-type activities: | | | | | |
| Notes payable | 603,205 | - | (54,259) | 548,946 | 55,143 |
| Compensated absences | <u>24,061</u> | <u>-</u> | <u>(12,247)</u> | <u>11,814</u> | <u>-</u> |
| Business-type activities total | <u>627,266</u> | <u>-</u> | <u>(66,506)</u> | <u>560,760</u> | <u>55,143</u> |
| Government-wide total | \$ <u>2,526,387</u> | <u>111,544</u> | <u>(194,283)</u> | <u>2,443,648</u> | <u>165,479</u> |

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

Debt service requirements at September 30, 2020 were as follows:

| Fiscal Year Ended September 30, | <u>Governmental Activities</u> | | | | | |
|------------------------------------|---------------------------------------|---------------|------------------|----------------|------------------|----------------|
| | Capital | | General | | Total | |
| | Lease Obligations | | Obligation Bonds | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 50,336 | 10,958 | 60,000 | 55,038 | 110,336 | 65,996 |
| 2022 | 51,388 | 8,934 | 60,000 | 52,637 | 111,388 | 61,571 |
| 2023 | 47,591 | 7,142 | 60,000 | 50,237 | 107,591 | 57,379 |
| 2024 | 79,262 | 4,674 | 65,000 | 47,838 | 144,262 | 52,512 |
| 2025 | 82,228 | 2,523 | 65,000 | 45,238 | 147,228 | 47,761 |
| 2026-2030 | 3,421 | 624 | 380,000 | 184,187 | 383,421 | 184,811 |
| 2031-2035 | - | - | 445,000 | 110,687 | 445,000 | 110,687 |
| 2036-2040 | - | - | 305,000 | 24,600 | 305,000 | 24,600 |
| | <u>\$ 314,226</u> | <u>34,855</u> | <u>1,440,000</u> | <u>570,462</u> | <u>1,754,226</u> | <u>605,317</u> |

| Fiscal Year Ended September 30, | <u>Business-Type Activities</u> | | | |
|------------------------------------|--|----------------|----------------|----------------|
| | Notes Payable | | Total | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 55,143 | 14,161 | 55,143 | 14,161 |
| 2022 | 56,693 | 12,615 | 56,693 | 12,615 |
| 2023 | 58,288 | 11,023 | 58,288 | 11,023 |
| 2024 | 43,582 | 9,482 | 43,582 | 9,482 |
| 2025 | 27,380 | 8,844 | 27,380 | 8,844 |
| 2026-2030 | 159,570 | 34,611 | 159,570 | 34,611 |
| 2031-2035 | 118,740 | 12,522 | 118,740 | 12,522 |
| 2036-2040 | 29,550 | 652 | 29,550 | 652 |
| | <u>\$ 548,946</u> | <u>103,910</u> | <u>548,946</u> | <u>103,910</u> |

General obligation bonds payable, notes payable and obligations under capital leases at September 30, 2020 are comprised of the following:

General Obligation Bonds

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

\$ 1,440,000

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED:

Notes

| | |
|--|-------------------|
| \$517,534 note payable to the Mississippi Department of Economic and Community Development (MDECD) under MDECD's Capital Improvements Revolving Loan Program for the construction of a water tank. Payments including interest at 3.00% are due monthly through September 30, 2024. | \$ 110,858 |
| \$221,556 note payable to the Mississippi Department of Environmental Quality used for the construction of pollution control projects. The note will be paid by \$1,324 being withheld from the City's monthly sales tax reimbursement for 237 months beginning June 2013. The payment includes interest at 1.75%. | 148,528 |
| \$337,625 note payable to the Mississippi Development Authority used for the construction of sewer system improvements. Payments in the amount of \$1,856, including interest at 3.00%, are due monthly starting February, 2017 and continue through January 1, 2037. | <u>289,560</u> |
| | <u>\$ 548,946</u> |

Capital Lease Obligations

The City has entered into lease agreements for financing the acquisition of equipment utilized in the police, fire and public works departments. The leases qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of the future minimum lease payments as of the inception date. The equipment purchased under the capital leases total \$808,786 and are included in the capital assets of the City. The amortization of the equipment has been included in the City's depreciation expense. The outstanding balance due on lease agreements was \$314,226 at September 30, 2020.

NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS

The following interfund receivables and payables are included in the fund financial statements at September 30, 2020:

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 7 - INTERFUND RECEIVABLES AND TRANSFERS - CONTINUED:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|------------------|
| General | Other Non Major | \$ 10,692 |
| Street Paving | Other Non Major | 8,857 |
| Water and Sewer | Other Non Major | 7,461 |
| Water and Sewer | General | 21,976 |
| Other Non Major | General | <u>15,957</u> |
| | | \$ <u>64,943</u> |

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

There were no interfund transfers in/out from other funds during the year ended September 30, 2020.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended September 30, 2020, the City's total payroll for all employees was \$1,514,675. Total covered payroll was \$1,491,649. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The City's required contribution is 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

Mississippi Legislature. The City's contributions to PERS for the fiscal years ended September 30, 2020, 2019 and 2018 were \$259,547, \$263,613, and \$285,462, respectively, which equaled the required contributions for each year.

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

At September 30, 2020, the City reported a liability of \$4,435,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was 0.002291 percent, which was a decrease of 0.0033 percent from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$258,710. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual results | \$ 38,755 | |
| Changes in assumptions | 28,384 | - |
| Net difference between projected and actual earnings on Plan investments | 297,966 | 126,725 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 67,900 | 571,404 |
| City contributions subsequent to the measurement date | <u>60,556</u> | <u>-</u> |
| Total | \$ <u>493,561</u> | <u>698,129</u> |

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

The \$60,556 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending September 30, | |
|---------------------------|---------------------|
| 2020 | \$ (170,018) |
| 2021 | (138,148) |
| 2022 | (15,660) |
| 2023 | <u>58,702</u> |
| Total | \$ <u>(265,124)</u> |

Actuarial Assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75 percent |
| Salary increases | 3.00 - 18.25 percent, including inflation |
| Investment rate of return | 7.75 percent, net of Plan investment expense, including inflation |

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.

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 27.00% | 4.90% |
| International Equity | 22.00% | 4.75% |
| Global Equity | 12.00% | 5.00% |
| Debt Securities | 20.00% | 0.50% |
| Real Estate | 10.00% | 4.00% |
| Private Equity | 8.00% | 6.25% |
| Cash | <u>1.00%</u> | 0.00% |
| Total | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the contribution rate (9.00%) and that employer contributions will be made at the current 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 total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2020 actuarial valuations calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

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

| | City's Proportionate Share of Net <u>Pension Liability</u> |
|-------------------------------|---|
| 1.00% decrease (6.75%) | \$ 5,740,705 |
| Current discount rate (7.75%) | 4,435,110 |
| 1.00% increase (8.75%) | 3,357,469 |

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

NOTE 9 - CONTINGENT LIABILITIES

Litigation

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

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which has spread throughout the United States and around the world. The City is aware of changes in its operations as a result of COVID-19 but believes any impact on the City's financial statements have been minimal. Management also believes any future disruption, when and if experienced, would be temporary; however, there is uncertainty around when any future disruptions might occur, the duration, and hence, the potential impact. While the ultimate potential impact cannot be estimated at the time, management does not currently anticipate a material adverse effect on the City's statement of net position or the statement of activities.

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 9 - CONTINGENT LIABILITIES - CONTINUED:

Federal Grants

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

NOTE 10 - RISK MANAGEMENT

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

The City has joined with other municipalities to pool its risk as a member of the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Pool, both of which are public entity risk pools. The City pays annual premiums to the liability plan and quarterly premiums to the pool for its workers' compensation coverage. The agreements establishing the pools provide that the pools will be self-sustaining through member premiums.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

Recently Issued Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 87, *Leases*, issued June 2017, will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

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

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, *Reinsurance Recoveries*, and terminology used to refer to derivative instruments are effective upon issuance. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2020. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021, and all reporting periods thereafter. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, the primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a Service Concession Arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, (1) increases consistency and comparability

CITY OF HAZLEHURST, MISSISSIPPI

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. The effects of paragraphs 4 and 5 of this statement do not have a material impact on the City's financial statements. Management is currently evaluating the impact of the adoption of the other requirements of this Statement on the City's financial statements.

NOTE 12 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through September 29, 2021, the date the financial statements were approved by the City's management and thereby available to be issued, and has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Ad valorem, penalties and interest | \$ 938,339 | 938,339 | 966,074 | 27,735 |
| In lieu of taxes - utility | 59,000 | 59,000 | 55,390 | (3,610) |
| Franchise fees | 125,000 | 125,000 | 95,721 | (29,279) |
| Licenses and permits | 20,000 | 20,000 | 26,613 | 6,613 |
| Intergovernmental | 1,601,500 | 1,676,500 | 1,626,589 | (49,911) |
| Charges for services | 395,000 | 395,000 | 401,435 | 6,435 |
| Fines and forfeits | 130,000 | 130,000 | 154,417 | 24,417 |
| Interest earned | 15,000 | 25,000 | 44,397 | 19,397 |
| Water department administration fees | 60,000 | 60,000 | 60,000 | - |
| Miscellaneous | 47,000 | 47,000 | 160,311 | 113,311 |
| Total revenues | <u>3,390,839</u> | <u>3,475,839</u> | <u>3,590,947</u> | <u>115,108</u> |
| EXPENDITURES: | | | | |
| General government | 571,451 | 571,451 | 470,892 | 100,559 |
| Public safety: | | | | |
| Police | 1,043,350 | 1,043,350 | 900,285 | 143,065 |
| Fire | 456,783 | 463,183 | 414,985 | 48,198 |
| Communications | 190,708 | 196,500 | 189,816 | 6,684 |
| Court | 262,100 | 291,100 | 265,133 | 25,967 |
| Public works | 1,060,445 | 1,205,445 | 1,105,869 | 99,576 |
| Grants, subsidies and other expenditures | 24,923 | 24,923 | 6,033 | 18,890 |
| Total expenditures | <u>3,609,760</u> | <u>3,795,952</u> | <u>3,353,013</u> | <u>442,939</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(218,921)</u> | <u>(320,113)</u> | <u>237,934</u> | <u>558,047</u> |
| Other financing sources (uses): | | | | |
| Proceeds from capital lease | <u>-</u> | <u>111,500</u> | <u>111,544</u> | <u>44</u> |
| Total financing sources | <u>-</u> | <u>111,500</u> | <u>111,544</u> | <u>44</u> |

CITY OF HAZLEHURST, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE - CONTINUED:

GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2020

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$ (218,921) | (208,613) | 349,478 | 558,091 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>1,046,971</u> | <u>1,046,971</u> | <u>1,046,971</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | \$ <u>828,050</u> | <u>838,358</u> | <u>1,396,449</u> | <u>558,091</u> |
| EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE: | | | | |
| Fund balance - budgetary basis | | | \$ 1,396,449 | |
| Adjustment to GAAP basis: | | | | |
| Add accrued revenue: | | | | |
| Ad valorem taxes | | | | 19,796 |
| Franchise fees | | | | 22,959 |
| Intergovernmental | | | | 290,073 |
| Administrative fees - water | | | | 5,000 |
| Police fines - net | | | | 21,797 |
| Sanitation fees | | | | 33,937 |
| Miscellaneous | | | | 11,846 |
| Add prepaid expenses | | | | <u>13,735</u> |
| Fund balance - GAAP basis | | | \$ | <u><u>1,815,592</u></u> |

See accompanying notes to required supplemental information schedules.

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| General government: | | | | |
| Personal services | \$ 335,601 | 335,601 | 305,980 | 29,621 |
| Supplies | 50,000 | 50,000 | 16,693 | 33,307 |
| Other services and charges | 185,850 | 185,850 | 148,219 | 37,631 |
| Capital outlay | - | - | - | - |
| Total general government | <u>571,451</u> | <u>571,451</u> | <u>470,892</u> | <u>100,559</u> |
| Public safety: | | | | |
| Police: | | | | |
| Personal services | 715,600 | 715,600 | 632,626 | 82,974 |
| Supplies | 76,500 | 76,500 | 67,321 | 9,179 |
| Other services and charges | 146,250 | 146,250 | 128,690 | 17,560 |
| Capital outlay | <u>105,000</u> | <u>105,000</u> | <u>71,648</u> | <u>33,352</u> |
| Total police | <u>1,043,350</u> | <u>1,043,350</u> | <u>900,285</u> | <u>143,065</u> |
| Fire: | | | | |
| Personal services | 329,983 | 329,983 | 317,145 | 12,838 |
| Supplies | 33,200 | 33,200 | 17,535 | 15,665 |
| Other services and charges | 68,600 | 75,000 | 70,369 | 4,631 |
| Capital outlay | <u>25,000</u> | <u>25,000</u> | <u>9,936</u> | <u>15,064</u> |
| Total fire | <u>456,783</u> | <u>463,183</u> | <u>414,985</u> | <u>48,198</u> |
| Communications: | | | | |
| Personal services | 189,208 | 195,000 | 189,816 | 5,184 |
| Supplies | <u>1,500</u> | <u>1,500</u> | <u>-</u> | <u>1,500</u> |
| Total communications | <u>190,708</u> | <u>196,500</u> | <u>189,816</u> | <u>6,684</u> |
| Total public safety | <u>1,690,841</u> | <u>1,703,033</u> | <u>1,505,086</u> | <u>197,947</u> |

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE - CONTINUED:
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Court: | | | | |
| Personal services | \$ 116,000 | 116,000 | 95,870 | 20,130 |
| Other services and charges | <u>146,100</u> | <u>175,100</u> | <u>169,263</u> | <u>5,837</u> |
| Total court | <u>262,100</u> | <u>291,100</u> | <u>265,133</u> | <u>25,967</u> |
| Public works: | | | | |
| Personal services | 335,745 | 335,745 | 322,906 | 12,839 |
| Supplies | 106,500 | 106,500 | 65,402 | 41,098 |
| Other services and charges | 593,200 | 593,200 | 583,489 | 9,711 |
| Capital outlay | <u>25,000</u> | <u>170,000</u> | <u>134,072</u> | <u>35,928</u> |
| Total public works | <u>1,060,445</u> | <u>1,205,445</u> | <u>1,105,869</u> | <u>99,576</u> |
| Grants, subsidies and other expenditures | <u>24,923</u> | <u>24,923</u> | <u>6,033</u> | <u>18,890</u> |
| Total expenditures | \$ <u>3,609,760</u> | <u>3,795,952</u> | <u>3,353,013</u> | <u>442,939</u> |

CITY OF HAZLEHURST

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

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| City's proportion of the collective net pension liability | * | * | * | * | \$ 3,988,171 | 4,649,607 | 4,381,927 | 4,678,855 | 4,610,855 | 4,435,109 |
| City's proportionate share of the collective net pension liability | * | * | * | * | 0.0258% | 0.0260% | 0.0264% | 0.0281% | 0.0262% | 0.0229% |
| City's covered payroll | * | * | * | * | \$ 1,609,949 | 1,665,378 | 1,691,295 | 1,796,457 | 1,707,200 | 1,598,919 |
| City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll | * | * | * | * | 245.05% | 279.19% | 259.09% | 260.45% | 270.08% | 277.38% |
| PERS' fiduciary net position as a percentage of the total pension liability | * | * | * | * | 61.70% | 57.74% | 61.49% | 62.54% | 61.59% | 58.97% |

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

See accompanying notes to required supplemental information schedules.

CITY OF HAZLEHURST

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

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined employer contribution | * | * | * | * | \$ 256,331 | 265,628 | 267,126 | 285,462 | 263,613 | 259,547 |
| Contributions in relation to the actuarially determined contributions | * | * | * | * | 256,331 | 265,628 | 267,126 | 285,462 | 263,613 | 259,547 |
| Annual contribution deficiency (excess) | * | * | * | * | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City's covered payroll | * | * | * | * | \$ 1,627,498 | 1,686,527 | 1,696,035 | 1,812,456 | 1,633,731 | 1,491,649 |
| Actual contributions as a percentage of covered payroll | * | * | * | * | 15.75% | 15.75% | 15.75% | 15.75% | 16.14% | 17.40% |

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

See accompanying notes to required supplemental information schedules.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES SEPTEMBER 30, 2020

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

The City's governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered to be in accordance with generally accepted accounting principles. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Pension Schedules

NOTE A - 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 September 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 | 38.4 years |
| Asset valuation method | 5-year smoothed market |
| Price inflation | 3.00 percent |
| Salary increase | 3.25 percent to 18.50 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

NOTE B - CHANGES OF BENEFIT TERMS

None.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
SEPTEMBER 30, 2020**

Pension Schedules - continued:

NOTE C - CHANGES OF ASSUMPTIONS

None.

NOTE D - DATA AVAILABLE AND PRESENTED

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

SUPPLEMENTARY INFORMATION

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2020**

| <u>Name</u> | <u>Position</u> | <u>Amount</u> | <u>Insurance Company</u> |
|---------------------|--------------------------|---------------|--------------------------|
| Shirley A. Sandifer | Mayor | \$ 65,000 | Travelers |
| Richard B. Akin | Aldersperson | 65,000 | Travelers |
| Frank A. Jones | Aldersperson | 65,000 | Travelers |
| Jeremy McKinzie | Aldersperson | 65,000 | Travelers |
| Ronald Sims | Aldersperson | 65,000 | Travelers |
| Fredrick Sandifer | Aldersperson | 65,000 | Travelers |
| Pam Wilbert | City Clerk | 50,000 | Western Surety Company |
| Pam Wilbert | Tax Collector | 50,000 | Western Surety Company |
| Darian Murray | Police Chief | 50,000 | Western Surety Company |
| Angela Henley | Deputy - Tax Collector | 50,000 | Western Surety Company |
| Angela Henley | Deputy Clerk | 50,000 | Western Surety Company |
| Tammye Hall | Court Clerk | 50,000 | Western Surety Company |
| Tammye Hall | Notary | 5,000 | Western Surety Company |
| Michelle Harris | Deputy Court Clerk | 50,000 | Western Surety Company |
| Emily T. Mitchell | Clerk - Water Department | 50,000 | Western Surety Company |
| Arnita Neal | Clerk - Water Department | 50,000 | Western Surety Company |

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Original Issue</u> | <u>Balance Outstanding October 1, 2019</u> | <u>Transactions During Fiscal Year</u> | | <u>Balance Outstanding September 30, 2020</u> |
|--|---------------------------|--|--|-----------------|---|
| | | | <u>Issued</u> | <u>Redeemed</u> | |
| GENERAL OBLIGATION | | | | | |
| BONDS: | | | | | |
| General obligation bonds of 2019 | \$ 1,550,000 | 1,495,000 | - | 55,000 | 1,440,000 |
| NOTE: | | | | | |
| Mississippi Department of Economic and Community Developmental Capital Improvement Loan Program - Water tank | 517,534 | 140,400 | - | 29,542 | 110,858 |
| Mississippi Department of Environmental Quality - Pollution Control Project | 221,556 | 158,903 | - | 10,675 | 148,228 |
| Mississippi Development Authority - Public Facilities Bradley Street CAP Loan | 337,625 | 303,902 | | 14,042 | 289,860 |
| CAPITAL LEASE: | | | | | |
| Copiah Bank - Fire truck | 224,191 | 121,004 | - | 18,730 | 102,274 |
| Hancock Bank - 2019 Caterpillar Backhoe Loader type tractor | 89,682 | 83,421 | - | 7,899 | 75,522 |
| Caterpillar Financial Service - 2014 Caterpillar D3K2 track type tractor | 98,270 | 39,627 | - | 10,557 | 29,070 |
| Caterpillar Financial Service - 2020 Caterpillar D3K2 track type tractor | 111,544 | - | 111,544 | 4,184 | 107,360 |
| | \$ | <u>2,342,257</u> | <u>111,544</u> | <u>150,629</u> | <u>2,303,172</u> |

STATE COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2020, which collectively comprise the City of Hazlehurst's basic financial statements and have issued our report thereon dated September 29, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

The results of those procedures and our audit of the financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
September 29, 2021