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Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

City of Hernando, Mississippi

Financial Statements For the year ended September 30, 2024

CITY OF HERNANDO, MISSISSIPPI
Table of Contents
September 30, 2024

INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	9
BASIC FINANCIAL STATEMENTS - OVERVIEW:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of Governmental Funds Balance Sheet to the Government - Wide Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government - Wide Statement of Activities and Changes in Net Position	24
Proprietary Fund:	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position.....	26
Statement of Cash Flows.....	27
Notes to Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION:	
General Fund Statement of Revenues, Expenditures and Changes In Fund Balances - Budget (non-GAAP basis) and Actual	52
Schedule of the City's Proportionate Share of the Net Pension Liability	53
Schedule of the City's Contributions	54
Notes to the Required Supplementary Information	55

CITY OF HERNANDO, MISSISSIPPI
Table of Contents
September 30, 2024

SUPPLEMENTARY INFORMATION:

Schedule of Expenditures of Federal Awards	59
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OTHER INFORMATION:

Schedule of Surety Bonds for City Officials.....	62
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REPORTS ON COMPLIANCE AND INTERNAL CONTROL:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	66
Schedule of Findings and Questioned Costs	69
Independent Auditors' Report on Compliance With State Laws and Regulations	70

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen / Alderwomen
City of Hernando, Mississippi

Report on the Audit of the Financial Statements

Opinions

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 Hernando, Mississippi as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 Hernando, Mississippi, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hernando, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hernando, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hernando, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hernando, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and corresponding notes, the Schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 9 through 17 and 52 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not

provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hernando, Mississippi's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the Schedule of Surety Bonds for Municipal Officials but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2025, on our consideration of the City of Hernando, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Hernando, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hernando, Mississippi's internal control over financial reporting and compliance.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
November 20, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Required Supplemental Information for the year ended September 30, 2024

This section of the City of Hernando's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2024. Please read it in conjunction with the City of Hernando financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of 2024 by \$12,677,360 (\$5,494,455 in governmental activity net position and \$7,182,905 in business-type activity net position).
- The City's total net position decreased by \$3,357,255, or 20.9% compared to 2023. Net position of the City's governmental activities decreased \$3,509,042, or 39.0%. Net position of the business-type activities increased \$151,787, or 2.16% from 2023.
- The City's governmental funds reported combined ending fund balances of \$11,954,317, an increase of \$4,398,809 when compared to 2023. Of the combined ending governmental fund balances, approximately 23.8% or \$2,843,597 is available for spending at the City's discretion subject to the Board's approved policies (*committed, assigned and unassigned fund balances*).
- The City's total debt is \$22,429,839. Debt in the amount of \$8,290,000 was issued in the current fiscal year; all of which was used for capital acquisition or capital projects. Debt in the amount of \$1,762,314 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's operations in more detail than the government-wide statements. There are two parts to the fund financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short-term as well as what remains for future spending. The City has four Governmental Fund types: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses and includes the utility operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and are presented in single columns in the basic financial statements.

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

After the notes, required supplementary information is provided to show budgetary information required by Governmental Accounting Standards Board for the General Fund. Additionally, the schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions are included in this section.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Hernando's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, public works, parks and recreation, debt service, and capital projects	Activities the City operates similar to private businesses: utility operations such as water and sewer
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows / outflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets, liabilities, and deferred inflows / outflows—is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base, as well as economic activities and trends at local and regional levels.
- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain utility services it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Hernando exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen / Alderwomen establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

The City of Hernando has two types of funds:

- **Governmental funds**—most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City utilizes four types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.
- **Proprietary funds**—services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—enterprise funds. The City's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in the net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$12,677,360 at the close of the most recent fiscal year. This is a \$3,357,255 decrease over last year's net position of \$15,378,247. Tables A-1 and A-2 provide a summary of the City's net position at September 30, 2024 and 2023.

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Table A-1

City of Hernando's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current & other assets	\$ 24,473,909	\$ 20,726,609	\$ 1,749,161	\$ 2,690,283	\$ 26,223,070	\$ 23,416,892
Capital assets	36,715,575	32,327,550	16,750,763	15,633,556	53,466,338	47,961,106
Total assets	61,189,484	53,054,159	18,499,924	18,323,839	79,689,408	71,377,998
Total deferred outflows	4,109,195	5,394,885	862,129	1,139,672	4,971,324	6,534,557
Current liabilities	4,127,243	4,583,180	796,863	1,117,202	4,924,106	5,700,382
Noncurrent liabilities	47,531,813	36,038,432	11,361,551	12,223,971	58,893,364	48,262,403
Total liabilities	51,659,056	40,621,612	12,158,414	13,341,173	63,817,470	53,962,785
Total deferred inflows	8,145,168	8,508,078	20,734	63,445	8,165,902	8,571,523
Net position:						
Net investment in capital assets	20,245,549	24,020,109	10,790,950	8,038,844	31,036,499	32,058,953
Restricted	9,069,760	5,242,817	-	-	9,069,760	5,242,817
Unrestricted (deficit)	(23,820,854)	(19,943,572)	(3,608,045)	(1,979,951)	(27,428,899)	(21,923,523)
Total net position	\$ 5,494,455	\$ 9,319,354	\$ 7,182,905	\$ 6,058,893	\$ 12,677,360	\$ 15,378,247

The largest portion of net position, \$31,036,499 is reflected in the City's investment in capital assets (such as land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. 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 the outstanding related debt the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

There is a deficit of \$27,428,899 in unrestricted net position due to recording of unfunded PERS pension liability under GASB 68. Please refer to Note 8.

Changes in net position: Approximately 27.1% of the City's total revenues come from property taxes, with 47.8% of all revenue coming from some type of tax. (See Table A-2.) This compares to 25.4% and 46.2% for the fiscal year ended September 30, 2023. Another 35.3% comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

Changes in the City of Hernando's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program revenues:						
Charges for services	\$ 2,892,512	\$ 2,629,863	\$ 8,823,799	\$ 8,208,392	\$ 11,716,311	\$ 10,838,255
Operating grants, capital grants and contributions	3,007,600	6,117,493	1,577,064	143,988	4,584,664	6,261,481
General revenues:						
Property taxes	8,992,615	8,097,170	-	-	8,992,615	8,097,170
Sales taxes	6,111,701	5,861,654	-	-	6,111,701	5,861,654
Other general revenue	1,645,615	1,351,362	145,819	(547,900)	1,791,434	803,462
Total revenues	22,650,043	24,057,542	10,546,682	7,804,480	33,196,725	31,862,022
Expenses						
General government	2,275,929	2,008,170	-	-	2,275,929	2,008,170
Public safety	13,065,172	12,243,582	-	-	13,065,172	12,243,582
Public works	3,436,328	3,260,325	-	-	3,436,328	3,260,325
Health and welfare	442,797	314,439	-	-	442,797	314,439
Culture and recreation	1,522,765	1,471,665	-	-	1,522,765	1,471,665
Economic development	135,838	126,557	-	-	135,838	126,557
Pension expense	4,250,582	3,357,184	997,853	655,207	5,248,435	4,012,391
Interest on long-term debt	668,483	302,522	155,613	153,352	824,096	455,874
Utility	-	-	9,602,620	7,994,687	9,602,620	7,994,687
Total expenses	25,797,894	23,084,444	10,756,086	8,803,246	36,553,980	31,887,690
Excess of revenue over exp.	(3,147,851)	973,098	(209,404)	(998,766)	(3,357,255)	(25,668)
Transfers	(361,191)	279,529	361,191	(279,529)	-	-
Change in net position	(3,509,042)	1,252,627	151,787	(1,278,295)	(3,357,255)	(25,668)
Net position - beginning as previously stated	9,319,354	8,066,727	6,058,893	7,337,188	15,378,247	15,403,915
Prior period adjustment	(315,857)	-	972,225	-	656,368	-
Net position - beginning as restated	9,003,497	-	7,031,118	-	16,034,615	-
Net position - ending	\$ 5,494,455	\$ 9,319,354	\$ 7,182,905	\$ 6,058,893	\$ 12,677,360	\$ 15,378,247

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Governmental Activities

Governmental activities decreased the City's net position by \$3,509,042. Key elements of this increase are as follows:

- Operating and capital grants decreased from the prior year by \$2,847,244.
- Interest on long-term debt increased by almost \$366,000 from the prior year.
- GASB 68 pension expense increased by \$893,398 from the prior year. Please refer to Note 8.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes 39.7%, sales taxes 27.0%, and grants and contributions 13.3%.

The largest expense categories for the City's governmental activities are public safety 50.6%, pension expense 16.5%, and public works 13.3%.

Business-type Activities

Business-type activities increased the City's net position by \$151,787. Key elements of this decrease are as follows:

- GASB 68 pension expense increased by \$342,646 from the prior year. Please refer to Note 8.
- Desoto County Regional Utility Authority expenses increased by \$1,232,823 due to rate increases.

Charges for services are the major revenue category for the enterprise funds. Total business-type revenues are comprised of \$8,823,799.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,668,794, which comprised 98.7% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 15.7% of total fund expenditures. The fund balance of the City's general fund increased by \$373,257 during the current fiscal year.

Debt Service Fund—The debt service fund has a total fund balance of \$281,446, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$363,491.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$8,325,190.

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants or taxes from the federal and state governments. At the end of the current fiscal year, the fund balance was \$642,472, which will be used for future expenditures.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$7,182,905. Changes in net position for utility operations totaled \$151,787.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary fund as well as the governmental funds.

The City's 2023 – 2024 general fund budget increased by \$105,969.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounted to \$53,466,338, net of accumulated depreciation of \$34,495,075. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Hernando's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 1,597,213	\$ 807,213	\$ 728,313	\$ 728,313	\$ 2,325,526	\$ 1,535,526
Construction in progress	5,092,217	1,966,786	2,016,281	10,585	7,108,498	1,977,371
Building & improvements	7,157,170	7,157,170	705,970	705,970	7,863,140	7,863,140
Equipment	3,041,350	2,822,908	1,513,181	1,501,866	4,554,531	4,324,774
Vehicles	5,697,450	5,016,598	1,138,989	1,009,209	6,836,439	6,025,807
Improvements other than buildings	4,132,039	3,208,598	-	-	4,132,039	3,208,598
Infrastructure	29,808,654	29,808,654	-	-	29,808,654	29,808,654
Waterworks system	-	-	25,332,586	25,332,586	25,332,586	25,332,586
Accumulated depreciation	(19,810,518)	(17,804,009)	(14,684,557)	(13,654,973)	(34,495,075)	(31,458,982)
Total	\$ 36,715,575	\$ 32,983,918	\$ 16,750,763	\$ 15,633,556	\$ 53,466,338	\$ 48,617,474

This year, major capital asset projects or additions included:

- \$2,069,935 for Highway 51 / Oak Grove Roundabout
- \$893,828 for Byhalia Road / Madison Lakes Water Tank
- \$790,000 for Civic Center Baseball Fields
- \$703,200 for Soccer Complex Lighting Project
- \$604,577 for Heritage Cove Project
- \$562,324 for Renasant Park

CITY OF HERNANDO, MISSISSIPPI

Management's Discussion and Analysis

Long-term Debt—At year-end, the City had \$22,429,839 in bonds and notes outstanding. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Hernando's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
General obligation bonds	\$ 11,625,000	\$ 4,650,000	\$ -	\$ -	\$ 11,625,000	\$ 4,650,000
Limited obligation bonds	100,000	125,000	-	-	100,000	125,000
Notes payable	4,739,829	4,497,461	5,959,813	6,622,487	10,699,642	11,119,948
Bond premium	5,197	7,205	-	-	5,197	7,205
Total	<u>\$ 16,470,026</u>	<u>\$ 9,279,666</u>	<u>\$ 5,959,813</u>	<u>\$ 6,622,487</u>	<u>\$ 22,429,839</u>	<u>\$ 15,902,153</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Millage rates remained the same at 40.7654 for the City's 2024 fiscal year budget. This includes 32.5347 mills for the General Fund, 5.4072 mills for the Debt Service Fund, .8235 mills for the Library Fund, and 2 mills for the Culture and Recreation Fund.

CONTACTING THE CITY OF HERNANDO FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Hernando, 475 West Commerce Street, Hernando, MS 38632.

BASIC FINANCIAL STATEMENTS

CITY OF HERNANDO, MISSISSIPPI
Statement of Net Position
September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 14,356,354	\$ 452,160	\$ 14,808,514
Property taxes receivable	8,282,954	-	8,282,954
Accounts receivable (net allowance for doubtful accounts of \$4,688,436 and \$411,858)	870,939	1,285,310	2,156,249
Intergovernmental receivables	752,671	-	752,671
Other receivables	2,595	-	2,595
Due from other funds	167,436	6,721	174,157
Prepaid expenses	40,960	4,970	45,930
Capital assets not being depreciated	6,689,430	2,744,594	9,434,024
Capital assets, net of accumulated depreciation	30,026,145	14,006,169	44,032,314
Total assets	61,189,484	18,499,924	79,689,408
Deferred Outflows of Resources			
Deferred outflows related to pensions	4,086,392	862,129	4,948,521
Deferred amounts on refunding	22,803	-	22,803
Total deferred outflows of resources	4,109,195	862,129	4,971,324
Liabilities			
Accounts payable	1,425,410	147,751	1,573,161
Accrued expenses	300,240	88,478	388,718
Accrued interest payable	189,512	-	189,512
Due to other funds	174,157	-	174,157
Unearned revenues	1,861,246	-	1,861,246
Other payables	171,659	-	171,659
Customer and event deposits	5,019	560,634	565,653
Noncurrent liabilities:			
Accrued compensated absences	504,736	68,431	573,167
Pension liability	30,557,051	5,333,307	35,890,358
Long-term debt: due within one year	1,260,098	624,783	1,884,881
Long-term debt: due in more than one year	15,209,928	5,335,030	20,544,958
Total liabilities	51,659,056	12,158,414	63,817,470
Deferred Inflows of Resources			
Deferred revenues - property taxes	8,026,376	-	8,026,376
Deferred inflows related to pensions	118,792	20,734	139,526
Total deferred inflows of resources	8,145,168	20,734	8,165,902
Net Position			
Net Investment in capital assets	20,245,549	10,790,950	31,036,499
Restricted for:			
Public works	8,459,388	-	8,459,388
Debt service	281,446	-	281,446
Public safety	66,998	-	66,998
Health and welfare	23,120	-	23,120
Culture and recreation	160,879	-	160,879
Economic development and assistance	77,929	-	77,929
Unrestricted (deficit)	(23,820,854)	(3,608,045)	(27,428,899)
Total net position	\$ 5,494,455	\$ 7,182,905	\$ 12,677,360

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Statement of Activities
For the year ended September 30, 2024

						Net (Expense) Revenue and Changes in Net Position		
						Primary Government		
		Program Revenues						
		Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Function / Program Activities	Expenses							
Primary Government								
Government Activities:								
General government	\$ 2,275,929	\$ 46,716	\$ 972,544	\$ 12,127	\$ 1,031,387	\$ (1,244,542)	\$ -	\$ (1,244,542)
Public safety	13,065,172	2,091,653	269,525	-	2,361,178	(10,703,994)	-	(10,703,994)
Public works	3,436,328	270,378	-	1,597,037	1,867,415	(1,568,913)	-	(1,568,913)
Health and welfare	442,797	31,308	-	-	31,308	(411,489)	-	(411,489)
Culture and recreation	1,522,765	452,457	156,367	-	608,824	(913,941)	-	(913,941)
Economic development	135,838	-	-	-	-	(135,838)	-	(135,838)
Pension expense	4,250,582	-	-	-	-	(4,250,582)	-	(4,250,582)
Interest on long-term debt	668,483	-	-	-	-	(668,483)	-	(668,483)
Total governmental activities	25,797,894	2,892,512	1,398,436	1,609,164	5,900,112	(19,897,782)	-	(19,897,782)
Business-Type Activities:								
Utility	9,602,620	8,823,799	-	1,577,064	10,400,863	-	798,243	798,243
Pension expense	997,853	-	-	-	-	-	(997,853)	(997,853)
Interest on long-term debt	155,613	-	-	-	-	-	(155,613)	(155,613)
Total business-type activities	10,756,086	8,823,799	-	1,577,064	10,400,863	-	(355,223)	(355,223)
Total primary government	\$ 36,553,980	\$ 11,716,311	\$ 1,398,436	\$ 3,186,228	\$ 16,300,975	\$ (19,897,782)	\$ (355,223)	\$ (20,253,005)
General Revenues:								
Property taxes						\$ 8,992,615	\$ -	\$ 8,992,615
Sales taxes						6,111,701	-	6,111,701
Franchise taxes						695,897	-	695,897
Tourism taxes						29,562	-	29,562
Other taxes						42,959	-	42,959
Interest income						634,763	26,968	661,731
Gain (loss) on disposal of assets						(11,518)	7,227	(4,291)
Miscellaneous						253,952	111,624	365,576
Transfers						(361,191)	361,191	-
Total general revenues and transfers						16,388,740	507,010	16,895,750
Change in net position						(3,509,042)	151,787	(3,357,255)
Net position - beginning, as previously stated						9,319,354	6,058,893	15,378,247
Prior period adjustment						(315,857)	972,225	656,368
Net position - beginning, as restated						9,003,497	7,031,118	16,034,615
Net position - ending						\$ 5,494,455	\$ 7,182,905	\$ 12,677,360

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2024

	General Fund	American Rescue Plan Fund	Special Obligation Bond Fund	MS Infrastructure Modernization Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 2,269,042	\$ 2,047,461	\$ 6,239,186	\$ 2,775,783	\$ 1,024,882	\$ 14,356,354
Property taxes receivable	6,710,841	-	-	-	1,315,535	8,026,376
Accounts receivable	572,032	-	-	-	-	572,032
Intergovernmental receivables	733,110	17,870	-	-	1,691	752,671
Other receivables	2,265	-	-	-	330	2,595
Due from other funds	-	5,650	-	-	161,786	167,436
Prepaid expenses	36,415	-	-	-	4,545	40,960
Total assets	\$ 10,323,705	\$ 2,070,981	\$ 6,239,186	\$ 2,775,783	\$ 2,508,769	\$ 23,918,424
Liabilities						
Accounts payable	\$ 575,418	\$ -	\$ 350,284	\$ 244,270	\$ 255,438	\$ 1,425,410
Accrued expenses	287,322	-	-	-	12,918	300,240
Due to other funds	19,683	34,932	-	-	119,542	174,157
Unearned revenues	-	1,861,246	-	-	-	1,861,246
Other payables	25,232	-	-	-	146,427	171,659
Event deposits	-	-	-	-	5,019	5,019
Total liabilities	907,655	1,896,178	350,284	244,270	539,344	3,937,731
Deferred Inflows of Resources						
Deferred revenue - property taxes	6,710,841	-	-	-	1,315,535	8,026,376
Fund Balances						
Nonspendable						
Prepaid expenses	36,415	-	-	-	4,545	40,960
Restricted for						
Public works	-	-	5,888,902	2,531,513	38,973	8,459,388
Debt service	-	-	-	-	281,446	281,446
Public safety	-	-	-	-	66,998	66,998
Health and welfare	-	-	-	-	23,120	23,120
Culture and recreation	-	-	-	-	160,879	160,879
Economic development	-	-	-	-	77,929	77,929
Unassigned (deficit)	2,668,794	174,803	-	-	-	2,843,597
Total fund balances	2,705,209	174,803	5,888,902	2,531,513	653,890	11,954,317
Total liabilities, deferred inflows, and fund balances	\$ 10,323,705	\$ 2,070,981	\$ 6,239,186	\$ 2,775,783	\$ 2,508,769	\$ 23,918,424

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Reconciliation of Governmental Funds Balance
Sheet to the Statement of Net Position
For the year ended September 30, 2024

Total Fund Balances - Total Governmental Funds	\$ 11,954,317
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	36,715,575
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the consolidated government's year end.	256,578
Deferred revenues for delinquent ambulance fees deferred in the governmental funds because they will not be received within sixty days of the consolidated government's year end.	95,129
Long-term liabilities, including bonds, notes payable, and accrued interest, are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(16,659,538)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(504,736)
Net pension liability are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(30,557,051)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore are not reported in the Governmental Funds Balance Sheet:	
Deferred outflows of resources related to defined benefit pension plan	4,086,392
Deferred inflows of resources related to defined benefit pension plan	(118,792)
Accrual of court fine revenues to qualify as financial resources.	203,778
Deferred amount on refunding of debt issuances.	<u>22,803</u>
Net position of governmental activities	<u><u>\$ 5,494,455</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the year ended September 30, 2024

	General Fund	American Rescue Plan Fund	Special Obligation Bond Fund	MS Infrastructure Modernization Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 7,516,997	\$ -	\$ -	\$ -	\$ 1,475,618	\$ 8,992,615
Sales taxes	6,111,701	-	-	-	-	6,111,701
Franchise taxes	695,897	-	-	-	-	695,897
Tourism tax	-	-	-	-	29,562	29,562
Intergovernmental revenues	1,390,789	-	-	1,491,276	156,367	3,038,432
Charges for services	1,778,813	-	-	-	472,907	2,251,720
Fines and forfeitures	564,639	-	-	-	23,767	588,406
Interest income	142,943	106,751	215,243	95,139	74,687	634,763
Miscellaneous revenues	149,907	-	-	-	104,045	253,952
Total revenues	<u>18,351,686</u>	<u>106,751</u>	<u>215,243</u>	<u>1,586,415</u>	<u>2,336,953</u>	<u>22,597,048</u>
Expenditures						
Current:						
General government	2,277,259	-	-	-	-	2,277,259
Public safety	12,891,973	-	-	-	30,136	12,922,109
Public works	1,238,585	258	1,268,049	1,124,628	2,072,857	5,704,377
Health and welfare	386,967	-	-	-	31,537	418,504
Culture and recreation	-	-	-	-	1,957,949	1,957,949
Economic development	-	-	-	-	135,838	135,838
Debt service:						
Bond issue costs	-	-	307,250	-	-	307,250
Principal	366,018	-	-	-	731,613	1,097,631
Interest and other fees	35,502	-	251,042	-	229,587	516,131
Total expenditures	<u>17,196,304</u>	<u>258</u>	<u>1,826,341</u>	<u>1,124,628</u>	<u>5,189,517</u>	<u>25,337,048</u>
Excess of revenues over (under) expenditures	<u>1,155,382</u>	<u>106,493</u>	<u>(1,611,098)</u>	<u>461,787</u>	<u>(2,852,564)</u>	<u>(2,740,000)</u>
Other financing sources (uses)						
Transfers to other funds	(782,125)	-	-	-	-	(782,125)
Transfers from other funds	-	-	-	-	420,934	420,934
Proceeds from debt issued	-	-	7,500,000	-	-	7,500,000
Total other financing sources	<u>(782,125)</u>	<u>-</u>	<u>7,500,000</u>	<u>-</u>	<u>420,934</u>	<u>7,138,809</u>
Net change in fund balances	<u>373,257</u>	<u>106,493</u>	<u>5,888,902</u>	<u>461,787</u>	<u>(2,431,630)</u>	<u>4,398,809</u>
Fund balances - beginning	<u>2,331,952</u>	<u>68,310</u>	<u>-</u>	<u>2,069,726</u>	<u>3,085,520</u>	<u>7,555,508</u>
Fund balances - Ending	<u>\$ 2,705,209</u>	<u>\$ 174,803</u>	<u>\$ 5,888,902</u>	<u>\$ 2,531,513</u>	<u>\$ 653,890</u>	<u>\$ 11,954,317</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 4,398,809
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	5,061,535
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	12,127
Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(2,120,487)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	52,386
The amortization of the bond premium is reported as a reduction to expense on the statement of activities.	2,008
The amortization of the deferred refunding of debt issuances is reported as a increase to expense on the statement of activities.	(8,808)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.	(11,518)
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.	(4,250,582)
The change in accrued interest payable is reported as an expense on the statement of activities.	(145,553)
Repayment and refunding of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,097,632
The proceeds of debt are an other financing source on the governmental funds income statement but are not reported on the statement of activities:	
Proceeds from issuance of bonds and notes payable	(7,500,000)
Increase in accrual of compensated absences.	<u>(96,591)</u>
Change in net position of governmental activities	<u>\$ (3,509,042)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Statement of Net Position
Proprietary Fund
September 30, 2024

	Business-Type Activities - Enterprise Funds Utility Fund
Assets	
Current assets:	
Cash	\$ 452,160
Accounts receivable (net of allowance for doubtful accounts of \$411,858)	1,285,310
Due from other funds	6,721
Prepaid expenses	4,970
Total current assets	<u>1,749,161</u>
Noncurrent assets:	
Capital assets not being depreciated	2,744,594
Capital assets, net of accumulated depreciation	14,006,169
Total noncurrent assets	<u>16,750,763</u>
Total assets	<u>18,499,924</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>862,129</u>
Liabilities	
Current liabilities:	
Accounts payable	147,751
Accrued expenses	88,478
Customer deposits	560,634
Notes payable - current	624,783
Total current liabilities	<u>1,421,646</u>
Noncurrent liabilities:	
Accrued compensated absences	68,431
Pension liability	5,333,307
Notes payable	5,335,030
Total noncurrent liabilities	<u>10,736,768</u>
Total liabilities	<u>12,158,414</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>20,734</u>
Net Position	
Net investment in capital assets	10,790,950
Unrestricted (deficit)	(3,608,045)
Total net position	<u>\$ 7,182,905</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERNANDO, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended September 30, 2024

	Business-Type Activities - Enterprise Funds Utility Fund
Operating revenues	
Charges for services	\$ 8,823,799
Total operating revenues	<u>8,823,799</u>
Operating expenses	
Contractual services and supplies	6,275,844
Personnel services	2,278,058
Pension expense	997,853
Depreciation expense	<u>1,048,718</u>
Total operating expenses	<u>10,600,473</u>
Operating income (loss)	<u>(1,776,674)</u>
Nonoperating revenues (expenses)	
Interest income	26,968
Interest expense	(155,613)
Grant income	1,577,064
Gain (loss) on disposal of capital assets	7,227
Miscellaneous revenue	<u>111,624</u>
Total nonoperating revenues (expenses)	<u>1,567,270</u>
Income (loss) before transfers	<u>(209,404)</u>
Transfers in	<u>361,191</u>
Change in net position	<u>151,787</u>
Net position - beginning as previously stated	6,058,893
Prior period adjustment	<u>972,225</u>
Net position - beginning as restated	<u>7,031,118</u>
Net position - ending	<u><u>\$ 7,182,905</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF HERNANDO, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the year ended September 30, 2024

	Business-Type Activities - Enterprise Funds Utility Fund
Cash flows from operating activities	
Cash received from customers	\$ 8,755,996
Cash payments to suppliers for goods and services	(6,218,628)
Cash payments to employees for services	(2,257,472)
Net cash provided by (used in) operating activities	279,896
Cash flows from noncapital financing activities	
Operating transfers out	361,191
Due to (from) municipality	(151,619)
Operating grants received	1,577,064
Miscellaneous revenues	111,624
Net cash provided by (used in) noncapital financing activities	1,898,260
Cash flows from capital and related financing activities	
Proceeds of long-term debt	-
Acquisition and construction of capital assets	(2,168,051)
Proceeds from sale of capital assets	9,353
Principal paid on long-term debt	(662,674)
Interest paid on long-term debt	(155,613)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(2,976,985)
Cash Flows from Investing Activities	
Interest income	26,968
Net cash provided by (used in) investing activities	26,968
Net increase (decrease) in cash and cash equivalents	(771,861)
Cash and cash equivalents - beginning	1,224,021
Cash and cash equivalents - ending	\$ 452,160

The notes to the financial statements are an integral part of this statement

CITY OF HERNANDO, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the year ended September 30, 2024

	Business-Type Activities - Enterprise Funds Utility Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (loss)	\$ <u>(1,776,674)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	1,048,718
Net pension expense	997,853
Effect of changes in operating assets and liabilities:	
Accounts receivable	(107,182)
Prepaid expenses	6,643
Accounts payable	37,336
Accrued expenses	24,365
Customer deposits	39,379
Compensated absences	<u>9,458</u>
Total adjustments	<u>2,056,570</u>
Net cash provided by (used in) operating activities	\$ <u><u>279,896</u></u>

The notes to the financial statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hernando, Mississippi (the City) is a political subdivision of the State of Mississippi incorporated in 1866. The City operates under the Board of Aldermen-Mayor form of government and provides the following services: public safety, public works, culture and recreation, public improvements, planning and zoning, and general administrative services.

Accounting principles generally accepted in the United States of America require City of Hernando to present these financial statements on the primary government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements present all the accounts of the City. There are no outside organizations that should be included as component units of the City's reporting entity.

FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all non-fiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Types

Governmental Funds

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Debt Service Fund – The Debt Service Fund was established to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for major projects. This is a non-major governmental fund.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Proprietary Fund use are not included in the Capital Projects Funds. These are non-major governmental funds except for the Special Obligation Bond Fund and the Mississippi Infrastructure Modernization Fund, which are considered major.

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These are non-major governmental funds except for the American Rescue Plan Fund, which is considered major.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Types – continued

Proprietary Funds

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 for the proprietary funds are as follows: sale of water, sewer, and refuse collection charges. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Utility Fund – This fund is used to account for the provision of water, sewer and sanitation services to City residents. This is a major fund.

BUDGETS AND BUDGETARY ACCOUNTING

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

The City Charter establishes the fiscal year at the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

INTERFUND TRANSACTIONS AND BALANCES

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Enterprise Fund consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when acquired to be cash equivalents.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

CASH AND INVESTMENTS

Cash consists of amounts on deposit with financial institutions in demand accounts, savings accounts and certificates of deposit with original maturities of three months or less from the date of acquisition. Cash is valued at cost. Investments consist of US Treasury notes and US government securities funds. The City deposits funds in the financial institutions selected by the City Council in accordance with state statutes. Deposits: custodial credit risk - the collateral for public entities' deposits in financial institutions is now 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 entities 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.

The carrying amount of the City's deposits with financial institutions was \$14,808,514, and the bank balance was \$15,291,105.

Investments: *interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy is to hold all investments to maturity, thereby reducing any interest rate risk. *Credit risk* - State statutes, city bond ordinances and city resolutions authorize the City's investments. The City is authorized, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county, municipality or school district of this state, when such county, municipal or school district bonds have been properly approved; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of funds. For reporting purposes, certificates of deposit are classified as investments. Investments are valued at cost or amortized cost except for investments in the Deferred Compensation Fund that are reported at market value.

ACCOUNTS RECEIVABLE

Receivables are reported net of allowances for uncollectible accounts, where applicable.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	-	20-50 years
Buildings / Improvements	25,000	20-40 years
Improvements other than buildings	25,000	20 years
Vehicles and equipment	5,000	3-10 years

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Amount on Refunding - For current and advance refundings resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Outflows Related to Pension - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 8 for additional details.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Tax for Future Reporting Period / Unavailable Revenue – Property Taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred Inflows Related to Pension - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 8 for additional details.

LONG-TERM DEBT AND BOND DISCOUNTS / PREMIUMS

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities and business-type activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable portion of fund balance for prepaid items in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

INVENTORIES

Inventories for governmental fund types are valued at actual cost under the first-in, first-out method. The City uses the consumption method for inventories; thus, inventories are recorded as expenditures or expenses when they are used.

NET POSITION

On the government-wide and proprietary fund statement of net position, the City reports net position in the following three categories:

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition or construction of those assets.

Restricted Net Position – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of net position that is not classified as net investment in capital assets or restricted net position.

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

FUND BALANCES

On the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into the following classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent:

Nonspendable – the fund balance is reported as nonspendable when the resources are either not in spendable form or are legally or contractually required to be maintained intact.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

FUND BALANCES – continued

Restricted – the fund balance is reported as restricted when constraints placed on the resources are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – the fund balance is reported as committed for amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the board. Committed amounts cannot be uncommitted except by removing the constraints through the same formal action.

Assigned – the fund balance is reported as assigned for resources that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by the board of aldermen or an official to which the board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that is not otherwise reported as restricted or assigned to specific purposes. This classification is also used to report any negative fund balance in other governmental funds.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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 of Mississippi (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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

INTERGOVERNMENTAL REVENUES IN GOVERNMENTAL FUNDS

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PROPERTY TAX REVENUES

Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

COMPENSATED ABSENCES

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

NOTE 2 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2024, consisted of the following:

Description	General Fund	American Rescue Plan Fund	Non-Major Governmental Funds
Sales tax	\$ 512,561	\$ -	\$ -
Franchise tax	184,825	-	-
Hotel / motel tax	-	-	1,691
MOHS impaired driving grant	27,879	-	-
US EPA Brownsfield grant	7,845	-	-
ARPA - MDEQ grant	-	17,870	-
	<u>\$ 733,110</u>	<u>\$ 17,870</u>	<u>\$ 1,691</u>

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 3 - INTERFUND TRANSFERS AND BALANCES

The following is a summary of interfund balances at September 30, 2024:

Due From / To Other Funds

Funds:	<u>Due To</u>	<u>Due From</u>
General fund	\$ -	\$ 19,683
ARPA fund	5,650	34,932
Cemetery maintenance	-	17,486
Culture and recreation	-	3,920
Forfeiture	17,280	-
Special revenue fund	-	1,097
Cemetery perpetual fund	1,820	-
Street improvements	-	1,814
Debt service fund	142,686	-
GO debt construction fund	-	95,225
Utility	<u>6,721</u>	<u>-</u>
Total funds	<u><u>\$ 174,157</u></u>	<u><u>\$ 174,157</u></u>

Interfund balances consist of payments for monthly claims and are expected to be paid back within the year. These Due From/Due to items are routine and consistent with the activities of the fund making the transfer.

Transfers In / Out

Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 782,125
Culture and recreation	782,125	-
Debt service fund	64,059	361,191
Utility	<u>361,191</u>	<u>64,059</u>
Total funds	<u><u>\$ 1,207,375</u></u>	<u><u>\$ 1,207,375</u></u>

The principal purpose of interfund transfers was to provide funds for capital projects or to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables for accounts of the Utility Fund (an Enterprise Fund) have been reduced by \$411,858 to reflect the provision for uncollectible accounts. The accrual amount of court fine receivables and ambulance fee receivables on the Statement of Net Position – Government – Wide has been reduced by \$2,934,241 and \$1,754,195, respectively, to reflect the provision for uncollectible fines and fees.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2024:

	<u>Restated Balance Oct. 1, 2023</u>	<u>Acquisitions</u>	<u>Capitalized Construction, Sales, or Retirements</u>	<u>Balance Sept. 30, 2024</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 807,213	\$ 790,000	\$ -	\$ 1,597,213
Construction in progress	<u>1,966,786</u>	<u>4,048,872</u>	<u>(923,441)</u>	<u>5,092,217</u>
Total capital assets, not being depreciated:	2,773,999	4,838,872	(923,441)	6,689,430
Capital assets being depreciated:				
Buildings and improvements	7,157,170	-	-	7,157,170
Equipment	2,822,908	269,490	(51,048)	3,041,350
Vehicles	5,016,598	755,300	(74,448)	5,697,450
Improvements other than buildings	3,208,598	-	923,441	4,132,039
Infrastructure	<u>29,808,654</u>	<u>-</u>	<u>-</u>	<u>29,808,654</u>
Total capital assets, being depreciated	48,013,928	1,024,790	797,945	49,836,663
Less accumulated depreciation for:				
Buildings and improvements	(2,764,842)	(129,608)	-	(2,894,450)
Equipment	(2,275,987)	(187,592)	46,975	(2,416,604)
Vehicles	(3,763,902)	(497,410)	67,003	(4,194,309)
Improvements other than buildings	(546,175)	(131,000)	-	(677,175)
Infrastructure	<u>(8,453,103)</u>	<u>(1,174,877)</u>	<u>-</u>	<u>(9,627,980)</u>
Total accumulated depreciation	<u>(17,804,009)</u>	<u>(2,120,487)</u>	<u>113,978</u>	<u>(19,810,518)</u>
Total governmental activities capital assets, net	<u>\$ 32,983,918</u>	<u>\$ 3,743,175</u>	<u>\$ (11,518)</u>	<u>\$ 36,715,575</u>

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 5 - CAPITAL ASSETS – continued

	<u>Balance Oct. 1, 2023</u>	<u>Acquisitions</u>	<u>Capitalized Construction, Sales, or Retirements</u>	<u>Balance Sept. 30, 2024</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 728,313	\$ -	\$ -	\$ 728,313
Construction in progress	<u>10,585</u>	<u>2,005,696</u>	<u>-</u>	<u>2,016,281</u>
Total capital assets, not being depreciated:	738,898	2,005,696	-	2,744,594
Capital assets being depreciated:				
Buildings and improvements	705,970	-	-	705,970
Waterworks system	25,332,586	-	-	25,332,586
Equipment	1,501,866	11,315	-	1,513,181
Vehicles	<u>1,009,209</u>	<u>151,040</u>	<u>(21,260)</u>	<u>1,138,989</u>
Total capital assets, being depreciated	28,549,631	162,355	(21,260)	28,690,726
Less accumulated depreciation for:				
Buildings and improvements	(68,656)	(14,119)	-	(82,775)
Waterworks system	(11,819,531)	(815,992)	-	(12,635,523)
Equipment	(1,079,774)	(107,838)	-	(1,187,612)
Vehicles	<u>(687,012)</u>	<u>(110,769)</u>	<u>19,134</u>	<u>(778,647)</u>
Total accumulated depreciation	<u>(13,654,973)</u>	<u>(1,048,718)</u>	<u>19,134</u>	<u>(14,684,557)</u>
Total business-type activities capital assets, net	\$ <u>15,633,556</u>	\$ <u>1,119,333</u>	\$ <u>(2,126)</u>	\$ <u>16,750,763</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental Activities:

General government	\$ 56,163
Public safety	815,777
Public works	1,129,459
Culture and recreation	<u>119,088</u>

Total depreciation expense - governmental activities \$ 2,120,487

Business-Type Activities:

Utility	<u>1,048,718</u>
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Total depreciation expense - business-type activities \$ 1,048,718

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 6 - LONG-TERM DEBT

BONDS PAYABLE

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Limited Obligation Tax Increment Bonds are secured by an irrevocable pledge of the ad valorem taxes to be levied annually upon incremental increase in assessed value of all taxable real property.

NOTES PAYABLE

Seventeen different capital improvement and equipment revolving loans make up the September 30, 2024 notes payable balance and are included in both governmental activities and business-type activities. All seventeen of the loans are in repayment status with a total outstanding balance of \$10,699,642.

DEBT SUMMARY

Debt outstanding as of September 30, 2024, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
General Obligation Bonds:			
Series 2015 General Obligation Bonds	\$ 3,085,000	2.50%	12/01/35
Series 2016 Refunding Bonds	1,040,000	1.00-2.50%	05/01/27
Series 2023 General Obligation Bonds	<u>7,500,000</u>	4.82%	03/01/43
Total General Obligation Bonds	<u>11,625,000</u>		
Limited Obligation Bonds:			
Series 2016 Tax Increment Financing (Hampton Inn)	<u>100,000</u>	4.50%	01/21/28
Notes Payable:			
AWG Cap Loan 2023	2,993,864	3.00%	01/01/43
Police Cars 2020	54,319	2.49%	06/25/25
Police Cars 2020	18,041	2.49%	08/25/25
Trustmark - Cemetery	32,593	1.65%	05/18/26
Trustmark - Parks	30,647	1.65%	05/18/26
Fire Truck 2013	182,876	3.15%	07/15/28
Fire Truck 2019	286,392	4.39%	12/17/28
Fire Truck 2020	372,990	2.59%	11/21/29
2023 Parks Civic Center Baseball	641,710	3.00%	12/19/43
2023 Parks Civic Center Baseball	<u>126,397</u>	3.00%	12/19/43
Total Notes Payable	<u>4,739,829</u>		
Total Governmental Activities	<u>\$16,464,829</u>		

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 6 - LONG-TERM DEBT – continued

DEBT SUMMARY – continued

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-Type Activities:			
Notes Payable:			
Hernando West Project	464,093	3.00%	02/28/41
State of MS - DWSLRF	419,184	1.95%	10/15/32
DEQ Loan - Water Pollution Control 2013	919,479	1.75%	01/01/34
North MS Utility Company Purchase	3,634,696	2.50%	01/01/34
Shop 630 Whitfield	375,043	3.25%	08/05/34
Trustmark - Knuckleboom Loader	38,796	1.60%	02/15/26
Trustmark - Capital Equipment	<u>108,522</u>	1.57%	06/20/26
Total Notes Payable	<u>5,959,813</u>		
Total Business-Type Activities	<u>\$ 5,959,813</u>		

CHANGES IN LONG-TERM DEBT

During the fiscal year, the following changes occurred in long-term debt:

	Fund Debt Retired By	Balances Oct. 1,	Additions	Reductions	Balances Sept. 30	Current Portion
Governmental Activities:						
General obligation bonds	Debt service	\$ 4,650,000	\$7,500,000	\$ 525,000	\$11,625,000	\$ 792,000
Limited obligations bonds	Debt service	125,000	-	25,000	100,000	25,000
Notes payable	Debt service	3,114,582	-	120,718	2,993,864	124,390
Notes payable	General	1,280,636	-	366,018	914,618	249,093
Notes payable	Special Rev.	102,243	790,000	60,896	831,347	69,615
Premium		<u>7,205</u>	<u>-</u>	<u>2,008</u>	<u>5,197</u>	<u>-</u>
Total governmental activities		<u>\$ 9,279,666</u>	<u>\$8,290,000</u>	<u>\$ 1,099,640</u>	<u>\$16,470,026</u>	<u>\$ 1,260,098</u>
Business-Type Activities:						
Notes payable	Utility Fund	<u>\$ 6,622,487</u>	<u>-</u>	<u>\$ 662,674</u>	<u>\$ 5,959,813</u>	<u>\$ 624,783</u>
Total business-type activities		<u>\$ 6,622,487</u>	<u>\$ -</u>	<u>\$ 662,674</u>	<u>\$ 5,959,813</u>	<u>\$ 624,783</u>

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 6 - LONG-TERM DEBT – continued

DEBT SERVICE REQUIREMENTS TO MATURITY

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities					Interest	Total
	General Obligation Bonds	Limited Obligation Bonds	Notes Payable Debt Ser. Fund	Notes Payable General Fund	Notes Payable Special Rev. Fund		
2025	\$ 792,000	\$ 25,000	\$ 124,390	\$ 249,093	\$ 69,615	\$ 596,252	\$ 1,856,350
2026	819,000	25,000	128,173	182,793	54,461	558,227	1,767,654
2027	857,000	25,000	132,072	189,070	31,809	515,043	1,749,994
2028	521,000	25,000	136,089	187,100	32,774	478,328	1,380,291
2029	540,000	-	140,228	94,292	33,769	447,701	1,255,990
2030-2034	3,085,000	-	767,772	12,270	184,845	1,813,550	5,863,437
2035-2039	2,818,000	-	702,641	-	214,641	1,016,267	4,751,549
2040-2044	<u>2,193,000</u>	<u>-</u>	<u>862,499</u>	<u>-</u>	<u>209,433</u>	<u>291,151</u>	<u>3,556,083</u>
Total	<u>\$11,625,000</u>	<u>\$ 100,000</u>	<u>\$2,993,864</u>	<u>\$ 914,618</u>	<u>\$ 831,347</u>	<u>\$5,716,519</u>	<u>\$22,181,348</u>

Year Ending September 30,	Business-Type Activities		
	Notes Payable	Interest	Total
2025	\$ 624,783	\$ 137,887	\$ 762,670
2026	622,977	124,627	747,604
2027	570,245	110,684	680,929
2028	584,019	96,922	680,941
2029	598,186	82,843	681,029
2030-2034	2,710,039	194,425	2,904,464
2035-2039	133,916	32,415	166,331
2040-2044	<u>115,648</u>	<u>7,012</u>	<u>122,660</u>
Total	<u>\$ 5,959,813</u>	<u>\$ 786,815</u>	<u>\$ 6,746,628</u>

NOTE 7 - DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The following funds reported deficits in fund balances at September 30, 2024:

Fund	Deficit Amount
Cemetery Maintenance Fund	\$ 21,636
GO Debt Construction Fund	95,225

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - Employees of the City of Hernando are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - For the cost-sharing plan 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% 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% 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 (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011). 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.

Employee membership data related to the Plan, as of June 30, 2023, was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	115,890
Inactive Members Assumed Eligible for a Benefit at Retirement Date	17,191
Inactive Members Assumed Not to Receive Service Retirement Benefits	78,809
Active Members	145,985
Total	<u>357,875</u>

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN – continued

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Hernando is required to contribute at an actuarially determined rate. The current rate is 17.90% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. The City of Hernando's contributions to PERS for the years ending September 30, 2024, 2023, and 2022 were, \$1,900,359, \$1,708,084, and \$1,499,463, respectively, equal to the required contributions for each year.

For the year ended September 30, 2024, the City of Hernando's total payroll for all employees was \$10,869,792. Total covered payroll was \$10,855,060. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2024, the City of Hernando reported a liability of \$35,890,358 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2024, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Hernando's proportion of the net pension was based on a projection of the City of Hernando's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the City of Hernando's proportion was 0.138213%.

For the year ended September 30, 2024, the City of Hernando recognized pension expense of \$5,248,435 (\$4,250,582 governmental activities and \$997,853 business-type activities). At September 30, 2024, the City of Hernando reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,931,043	\$ -
Net Difference Between Projected and Actual Investment Earnings	118,935	-
City Pension Contributions Subsequent to the Measurement Date	526,594	-
Changes of Assumptions	2,223,043	-
Changes in Proportion and Differences in Actual Earnings on Pension Plan Assets	148,906	139,526
Total	\$ <u>4,948,521</u>	\$ <u>139,526</u>

The \$526,594 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, 2025.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN – continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2025	\$ 1,726,898
2026	2,818,095
2027	28,964
2028	<u>(291,556)</u>
Total	<u>\$ 4,282,401</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65 - 17.90%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience study for the four-year period ending June 30, 2022.

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

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 8 - DEFINED BENEFIT PENSION PLAN – continued

The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25.00 %	5.15 %
International Equity	20.00	5.00
Global Equity	12.00	5.15
Fixed Income	18.00	2.75
Real Estate	10.00	3.50
Private Equity	10.00	6.25
Infrastructure	2.00	3.85
Private Credit	2.00	4.90
Cash Equivalents	1.00	0.50
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be phased in to 19.90 percent over five fiscal years (17.90% for FYE 2025, 18.40% for FYE 2026, 18.90% for FYE 2027, 19.40% for FYE 2028, 19.90% for FYE 2029 and beyond). 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 of Hernando's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Hernando's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the City of Hernando's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Discount Rate	City of Hernando's Proportionate Share of Net Pension Liability
1% Decrease	6.00%	\$ 44,826,989
Current Discount Rate	7.00%	35,890,358
1% Increase	8.00%	26,503,276

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 (PERS) financial report.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 9 - RISK MANAGEMENT

The City of Hernando is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, workers' compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10 - CONTINGENT LIABILITIES

Litigation

The City is a defendant in various litigations arising out of normal business activities. Although the City carries commercial insurance to protect itself against damage claims, it is possible that the ultimate resolution of cases may exceed the City's insured limits. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial statements.

Federally Assisted Programs – Compliance Audits

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

NOTE 11 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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, expenditures and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and ambulance fees and then the net pension liability as mentioned in Note 4 and Note 8, respectively. It is as least reasonably possible that the significant estimate used will change within the next year.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 12 - CONSTRUCTION COMMITMENTS

Commitments with respect to unfinished capital projects at September 30, 2024, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
East Parkway Plant (ARPA)	\$ 202,060	Mar-25
Hwy 51/Oak Grove Roundabout	221,568	July-25
McIngvale/Holly Springs Roundabout	573,877	July-25
Renasant Park MOSTF PH 1	2,291,952	Aug-25
Renasant Park PH II	7,858,808	Aug-25
MPO McIngvale Overlay	3,006,450	Sept-25
MPO Nesbit Sidewalk	406,531	Sept-25
Deer Creek/Pebble Creek (EWP)-C012	1,219,856	Nov-25
Byhalia Rd/Madison Lakes Water Tank (ARPA)	3,342,698	Sept-26
Downtown Sanitary Sewer (ARPA)	1,835,500	Sept-26
	<u>\$ 20,959,300</u>	

NOTE 13 - OPERATING LEASES

The City has several leases in place at year end for space at the Gale Center. Monthly rental income on this space is currently \$2,831.

NOTE 14 - TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses for economic development purposes. The abatements may be granted to any business located within or promising to locate within the city limits. The abatements are negotiated on an individual basis. Each abatement is for a range of 3-9 years. The City had four tax abatement agreements with one entity as of September 30, 2024.

The City had two types of abatements, none of which provides for the abatement of school or state tax levies:

- Section 27-31-101 – New enterprise exemptions
- Section 27-31-105 – Expanded enterprise exemptions

All four tax abatement agreements are listed under the above listed statutes.

Category	Amount of taxes abated during the fiscal year
New and expanded industrial enterprises	\$103,781

The companies were not required to comply with any special provisions in order to receive the abatements and the City made no commitments as part of the agreements other than to reduce taxes. Abatements may be voided pursuant to state law in the event of a cessation of company operations.

CITY OF HERNANDO, MISSISSIPPI
Notes to Financial Statements
September 30, 2024

NOTE 15 - ADOPTION OF NEW ACCOUNTING STANDARDS

The GASB has issued several statements implemented by the City. The Standards which could potentially impact the City in subsequent years are as follows:

GASB Statement No. 87, *Leases*, was adopted by the City beginning with its fiscal year ending September 30, 2023. Statement No. 87 establishes a single approach to accounting for and reporting leases by local governments. Under this statement, a governmental entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the City must recognize (1) amortization expense for using the asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. For the year ended September 30, 2024, the City did not have any leases that were required to be recorded under Statement No. 87.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was adopted by the City beginning with its fiscal year ending September 30, 2023. Statement No. 96 provides guidance on the accounting and financial reporting for subscription based information technology arrangements for government end users. Under this Statement, a government should recognize a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability. For the year ended September 30, 2024, the City only had short-term contracts of 12 months or less and are excluded from the recognition requirements.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

The AWG Cap Loan 2023 outstanding principal balance of \$972,225 was transferred from the Utility fund to governmental activities to be retired in its entirety by the Debt Service Fund. This increased the net position of the Utility fund by \$972,225 and decreased net position of the governmental activities by \$972,225.

Some governmental activity buildings and improvements were over depreciated in prior years. \$656,370 was adjusted to decrease governmental activities accumulated depreciation which increased governmental activities net position.

NOTE 17 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through November 20, 2025, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HERNANDO, MISSISSIPPI
General Fund Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget (Non-GAAP basis) and Actual
For the year ended September 30, 2024

	Budget			Variance with Final Budget (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 7,345,211	\$ 7,345,211	\$ 7,602,406	\$ 257,195
Sales taxes	5,850,000	5,850,000	6,092,893	242,893
Franchise taxes	700,000	700,000	698,593	(1,407)
Intergovernmental revenues	3,739,908	3,759,908	1,428,778	(2,331,130)
Charges for services	1,264,500	1,264,500	1,778,813	514,313
Fines and forfeitures	531,000	531,000	564,639	33,639
Interest income	55,000	55,000	142,943	87,943
Miscellaneous revenues	124,300	128,000	149,907	21,907
Total revenues	<u>19,609,919</u>	<u>19,633,619</u>	<u>18,458,972</u>	<u>(1,174,647)</u>
Expenditures				
Current:				
General government	2,318,164	2,354,839	2,277,259	77,580
Public safety	12,996,926	13,053,466	12,891,973	161,493
Public works	4,232,459	4,245,213	1,238,585	3,006,628
Health and welfare	437,980	437,980	386,967	51,013
Debt Service				
Principal	366,517	366,517	366,018	499
Interest	35,598	35,598	35,502	96
Total expenditures	<u>20,387,644</u>	<u>20,493,613</u>	<u>17,196,304</u>	<u>3,297,309</u>
Excess of revenues over (under) expenditures	<u>(777,725)</u>	<u>(859,994)</u>	<u>1,262,668</u>	<u>2,122,662</u>
Other financing sources (uses)				
Transfers to Other Funds	<u>(740,000)</u>	<u>(782,125)</u>	<u>(782,125)</u>	<u>-</u>
Total other financing sources (uses)	<u>(740,000)</u>	<u>(782,125)</u>	<u>(782,125)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over financing and other uses	<u>(1,517,725)</u>	<u>(1,642,119)</u>	<u>480,543</u>	<u>2,122,662</u>
Fund balance (non-GAAP budgetary basis) - beginning of year	<u>935,459</u>	<u>935,459</u>	<u>2,331,952</u>	<u>(1,396,493)</u>
Fund balance (non-GAAP budgetary basis) - end of year	<u>\$ (582,266)</u>	<u>\$ (706,660)</u>	<u>2,812,495</u>	<u>\$ 726,169</u>
Adjustments to Generally Accepted Accounting Principles:				
Revenue Accruals			<u>(107,286)</u>	
Fund balance (GAAP basis) - end of year			<u>\$ 2,705,209</u>	

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

CITY OF HERNANDO, MISSISSIPPI
Schedule of the City's Proportionate
Share of the Net Pension Liability
For the Ten Years Ended September 30, 2024*

	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015	
City's proportion of net pension liability (%)	0.138213	%	0.126805	%	0.117363	%	0.110067	%	0.111837	%	0.109546	%	0.104222	%	0.096292	%	0.086400	%	0.085700	%
City's proportionate share of net pension liability	\$	35,890,358	\$	31,893,132	\$	24,157,577	\$	16,268,384	\$	21,650,343	\$	19,271,302	\$	17,335,214	\$	16,006,999	\$	15,428,554	\$	13,247,529
City's covered payroll	\$	10,855,060	\$	9,816,569	\$	8,617,591	\$	7,387,399	\$	7,399,517	\$	7,253,809	\$	6,824,863	\$	6,086,267	\$	5,636,629	\$	5,349,104
City's proportionate share of net pension liability as a percentage of its covered payroll	330.63	%	324.89	%	280.33	%	220.22	%	292.59	%	265.67	%	254.00	%	263.00	%	273.72	%	247.66	%
Plan fiduciary net position as a percentage of total pension liability	56.30	%	55.70	%	59.93	%	70.44	%	58.97	%	61.59	%	62.54	%	61.49	%	57.47	%	61.70	%

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

* The amounts presented have a measurement date of June 30.

CITY OF HERNANDO, MISSISSIPPI
Schedule of the City's Contributions
For the Ten Years Ended September 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 1,900,359	\$ 1,708,084	\$ 1,499,463	\$ 1,285,408	\$ 1,287,516	\$ 1,169,314	\$ 1,074,916	\$ 958,587	\$ 887,769	\$ 842,484
Contributions in relation to statutorily required contributions	\$ 1,900,359	\$ 1,708,084	\$ 1,499,463	\$ 1,285,408	\$ 1,287,516	\$ 1,169,314	\$ 1,074,916	\$ 958,587	\$ 885,004	\$ 846,661
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,765	\$ (4,177)
City's covered payroll	\$ 10,855,060	\$ 9,816,569	\$ 8,617,591	\$ 7,387,399	\$ 7,399,517	\$ 7,253,809	\$ 6,824,863	\$ 6,086,267	\$ 5,636,629	\$ 5,349,104
Contributions as a percentage of covered payroll	17.53 %	17.40 %	17.40 %	17.40 %	17.40 %	16.12 %	15.75 %	15.75 %	15.75 %	15.75 %

Contribution percentage rate went from 17.40% to 17.90% as of July 1, 2024.

Contribution percentage rate went from 15.75% to 17.40% as of July 1, 2019.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF HERNANDO, MISSISSIPPI
Notes to the Required Supplementary Information
For the year ended September 30, 2024

Budgetary Information

All funds of the City of Hernando, Mississippi, governmental and business-type are budgeted. For comparison purposes, the final, amended budget is utilized, and it is presented on a modified cash basis of accounting as required by the State of Mississippi, which is not consistent with generally accepted accounting principles. Although all capital projects have a proposed budget approved for the project length, they have budgets approved on an annual basis. All budgetary appropriations lapse at year-end.

Budgetary Basis of Presentation

The budget is adopted and may be amended by the Board of Aldermen / Alderwomen. A budgetary comparison is presented for the general fund and each special revenue major fund (when legally required) and is presented on a modified cash basis of accounting. For 2024, the major special revenue funds were not legally required to adopt budgets.

Pension Schedules - Changes of Assumptions

2023 The investment rate of return assumption was changed from 7.55% to 7.00%.

The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.

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

The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.

For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.

The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.

The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

2021 The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

CITY OF HERNANDO, MISSISSIPPI
Notes to the Required Supplementary Information
For the year ended September 30, 2024

Pension Schedules - Changes of Assumptions (continued)

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

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in in the line of duty was decreased from 6% to 4%.

2019 The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

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

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

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

CITY OF HERNANDO, MISSISSIPPI
Notes to the Required Supplementary Information
For the year ended September 30, 2024

Pension Schedules - Changes of Assumptions (continued)

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

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

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

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

2017 The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016 The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

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

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

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

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

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

Changes of Benefit Provisions

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

SUPPLEMENTARY INFORMATION

CITY OF HERNANDO, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2024

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency ID Number	Federal Assistance Listing Number	Federal Expenditures
PRIMARY GOVERNMENT:			
U.S. Department of Agriculture			
Emergency Watershed Protection Program	NR234423XXXXC037	10.923	\$ <u>301,418</u>
Total U.S. Department of Agriculture			\$ <u><u>301,418</u></u>
U.S. Department of the Interior			
Passed through Office of: Mississippi Hills National Heritage Area Heritage Partnership Area Alliance Grant	P11AC91094	15.939	\$ <u>5,000</u>
Total U.S. Department of the Interior			\$ <u><u>5,000</u></u>
U.S. Department of Transportation			
Passed through State Office of: Mississippi Department of Public Safety Alcohol Open Container Requirements	154AL-2023-ST-28-61	20.607	\$ <u>127,298</u>
Total passed through the Mississippi Department of Public Safety			<u>127,298</u>
Total U.S. Department of Transportation			\$ <u><u>127,298</u></u>
U.S. Department of the Treasury			
Passed through State Office of: Mississippi Department of Environmental Quality: Municipality Water Infrastructure Grant*	585-2-DW-5.15, 498-2-CW-5.5, and 604-2-DW-5.15	21.027	\$ <u>177,279</u>
Total passed through the Mississippi Department of Environmental Quality			<u>177,279</u>
Mississippi Department of Finance and Administration: Coronavirus State and Local Fiscal Recovery Funds*	585-2-DW-5.15, 498-2-CW-5.5, and 604-2-DW-5.15	21.027	<u>1,098,625</u>
Total passed through the Mississippi Department of Finance and Administration			<u>1,098,625</u>
Total U.S. Department of the Treasury			\$ <u><u>1,275,904</u></u>
U.S. Environmental Protection Agency			
Brownfield Assessment Grants	4B-02D30722	66.818	\$ <u>134,290</u>
Total U.S. Environmental Protection Agency			\$ <u><u>134,290</u></u>
TOTAL FEDERAL EXPENDITURES			\$ <u><u>1,843,910</u></u>

CITY OF HERNANDO, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2024

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency ID Number	Federal Assistance Listing Number	Federal Expenditures
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SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of expenditures of federal awards includes the federal award activity of the City of Hernando, Mississippi under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

* - Major Program

OTHER INFORMATION

CITY OF HERNANDO, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2024
Unaudited

NAME	POSITION	BOND	INSURANCE COMPANY
Chip Johnson	Mayor	\$ 100,000	Travelers Casualty & Surety Co. of America
Natalie Lynch	Aldерwoman Ward 1	100,000	Travelers Casualty & Surety Co. of America
Andrew Miller	Alderman Ward 2	100,000	Travelers Casualty & Surety Co. of America
Bruce Robinson	Alderman Ward 3	100,000	Travelers Casualty & Surety Co. of America
Chad Wicker	Alderman Ward 4	100,000	Travelers Casualty & Surety Co. of America
Beth Rone Ross	Aldерwoman Ward 5	100,000	Travelers Casualty & Surety Co. of America
Ben Piper	Alderman Ward 6	100,000	Travelers Casualty & Surety Co. of America
Winfred "Doc" Harris	At Large	100,000	Travelers Casualty & Surety Co. of America
Kaycee McMullen	Lead Utility Clerk	50,000	Travelers Casualty & Surety Co. of America
Chirsti Hendricks	Utility Clerk	50,000	Travelers Casualty & Surety Co. of America
Annette Stotler	Utility Clerk	50,000	Travelers Casualty & Surety Co. of America
Kristen Duggan	Zoning Coordinator	50,000	Travelers Casualty & Surety Co. of America
Shane Ellis	Police Chief	50,000	Travelers Casualty & Surety Co. of America
Charles Lanphere	Asst Police Chief	50,000	Travelers Casualty & Surety Co. of America
Julie Gates	Deputy Clerk/HR Director	50,000	Travelers Casualty & Surety Co. of America
Pam Pyle	City Clerk	50,000	Travelers Casualty & Surety Co. of America
Beth Garcia	Deputy Clerk/Asst Bookkeeper	50,000	Travelers Casualty & Surety Co. of America
Ed Espitia	Finance Director	50,000	Travelers Casualty & Surety Co. of America
Casaundra Perry	Court Clerk	50,000	Travelers Casualty & Surety Co. of America
Susan Waldrop	Deputy Court Clerk	50,000	Travelers Casualty & Surety Co. of America
Kandice Riley	Deputy Court Clerk	50,000	Travelers Casualty & Surety Co. of America
Jennifer Blue	Deputy Court Clerk	50,000	Travelers Casualty & Surety Co. of America
Jessica Green	Animal Control Director	50,000	Travelers Casualty & Surety Co. of America
Petrina Fryer	Animal Control Officer	50,000	Travelers Casualty & Surety Co. of America
Scott Smith	Executive Assistant	50,000	Travelers Casualty & Surety Co. of America
Austin Cardosi	Planning Director	50,000	Travelers Casualty & Surety Co. of America
Cynthia Brewer	Deputy Clerk/Planning Clerk	50,000	Travelers Casualty & Surety Co. of America
Jared Barkley	Parks Director	50,000	Travelers Casualty & Surety Co. of America
Michael Carson	Athletic Coordinator	50,000	Travelers Casualty & Surety Co. of America
Brittney Bowen	Athletic Coordinator	50,000	Travelers Casualty & Surety Co. of America
Amanda Chirby	Recreation Receptionist	50,000	Travelers Casualty & Surety Co. of America
Tony Ezell	Building Inspector	50,000	Travelers Casualty & Surety Co. of America
Gia Matheny	Community Dev Director	50,000	Travelers Casualty & Surety Co. of America
Stacey Barnette	Front Desk Clerk	50,000	Travelers Casualty & Surety Co. of America
Nicole Bramlett	Utility Clerk	50,000	Travelers Casualty & Surety Co. of America
Nicole Hilario	Assistant City Clerk	50,000	Travelers Casualty & Surety Co. of America

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

Honorable Mayor and Board of Aldermen / Alderwomen
City of Hernando, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hernando, Mississippi as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hernando, Mississippi's basic financial statements, and have issued our report thereon dated November 20, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
November 20, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Aldermen / Alderwomen
City of Hernando, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hernando, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Hernando, Mississippi's major federal programs for the year ended September 30, 2024. The City of Hernando, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Hernando, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Hernando, Mississippi and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Hernando, Mississippi's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Hernando, Mississippi's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Hernando, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Hernando, Mississippi's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Hernando, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Hernando, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Hernando, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
November 20, 2025

CITY OF HERNANDO, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2024

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
Material weakness identified? Yes X No
Significant deficiency identified
not considered to be a material weakness? Yes X None reported
Noncompliance material to financial statements
noted? Yes X No

Federal Awards

Internal Control over major programs:
Material weakness identified? Yes X No
Significant deficiency identified
not considered to be a material weakness? Yes X None reported
Type of auditors' report issued on compliance
for major programs: Unmodified
Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? Yes X No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>21.027</u>	<u>U.S. Department of the Treasury – Coronavirus Local Fiscal Recovery Funds</u>
<u>21.027</u>	<u>U.S. Department of the Treasury – Municipality Water Infrastructure Grant</u>

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000
Auditee qualified as low-risk auditee? Yes X No

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

None

SECTION 3 – FEDERAL AWARD FINDINGS:

None

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen / Alderwomen
City of Hernando, Mississippi

We have audited the financial statements of the City of Hernando, Mississippi, as of and for the year ended September 30, 2024, and have issued our report thereon dated November 20, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

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

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

This report is intended for the information and use of management, federal awarding agencies, the Office of the State Auditor, and pass-through entities 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.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
November 20, 2025