

# City of Hattiesburg, Mississippi

## COMPREHESIVE ANNUAL FINANCIAL STATEMENTS

September 30, 2014



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**City of Hattiesburg, Mississippi**  
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**INTRODUCTORY SECTION  
(UNAUDITED)**



**Mayor**

*Johnny L. DuPree, Ph.D.*

**Council - Ward 1**  
*Kim Bradley*

**Council - Ward 2**  
*Deborah Denard Delgado*

**Council - Ward 3**  
*Carter Carroll*

**Council - Ward 4**  
*Mary Dryden*

**Council - Ward 5**  
*Henry Naylor*

March 25, 2016

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

The Department of Administration is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hattiesburg, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2014. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, and we believe the report is accurate in all material respects.

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

#### **Profile of Government**

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

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

#### **Current Economic Conditions**

Hattiesburg ended the fiscal year with stable revenues in both sales tax and property taxes. The year saw a small increase of \$181,629 in sales tax, and a similar increase of \$156,931 in property tax. This modest but steady growth in tax revenue indicates the economy may be stabilizing. The General Fund's operating ending cash on a budgetary basis increased by \$1.2 million. This is due to continuing conservative cash management and budgetary practices, such as lease purchase financing of equipment, combined with revenue increases.

Economic indicators at the national level suggest a slight improvement in the economy, and Hattiesburg also seems to be following suit, as evidenced by the increase in tax revenue. Home prices are stabilizing somewhat, and property assessments for tax purposes have increased slightly.

Hattiesburg's diverse economy has most likely contributed to lessening the severity of a lagging economy. Many of the industrial, medical, and educational facilities represent the largest employers, as well as having the largest tax base, and the list of those entities has remained virtually unchanged for a number of years, as noted in the supplementary information contained in this audit.

#### **Future Economic Outlook**

The Midtown District plan is continuing to progress, with the introduction of Tax Increment Financing Plans for infrastructure improvements associated with new facilities proposed within the district. Hattiesburg Clinic and Midtown Market each have upcoming construction projects which will include infrastructure changes. The Twin Forks Rising development is also continuing to progress.

Downtown Hattiesburg revitalization efforts are continuing at a steady pace, with the renovation of two major structures, and interest in other, smaller structures in the downtown area is increasing as a result. Improvements to Gordon Creek and Town Square Park in the downtown area are also planned. Other areas of the City are slated for revitalization through public participation in design charrettes, including the Broadway Drive corridor and Hardy Street from Highway 49 to Pine Street.

Tax increment financing projects have been discussed and approved for projects in South Hattiesburg. The current Southern Pointe TIF plan has been amended to allow for additional development of medical facilities along the Veterans Boulevard corridor, and a new TIF plan was approved for the Whispering Pines Retirement Community. Tax increment financing plans have also been proposed and approved for projects along the business corridor of Highway 98 in West Hattiesburg. Plans have been approved for The Ridge at Turtle Creek and for the Turtle Creek Crossing Project, both in this area.

As Department of Environmental Quality regulations continue to increase with respect to the City's lagoon system, research has been ongoing to determine an optimum solution for a sewer treatment facility. The City continues to work diligently with DEQ to determine the best course of action for the citizens of Hattiesburg, while maintaining a commitment to compliance with DEQ guidelines. While this will certainly translate into additional costs for Hattiesburg residents, every attempt is being made to determine the most advantageous solution with the least impact to ratepayers.

### **Financial and Budgetary Information**

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

The Mayor and Council have established the goal and desire to maintain an ending cash balance in the General Fund of \$4 million to cover operating costs and unanticipated emergencies in the months prior to receipt of property tax revenues. Improving economic conditions and continued careful management of budgeted funds has enabled the city to reach and maintain this goal.

The passage of a \$12.5 million revenue bond issue in 2012, and \$28 million revenue bond issue in 2013 for water and sewer improvements has enabled the City to replace aging service lines. The list of planned improvements will necessitate further bond issues over the next five to seven years, and a new sewer treatment facility will be part of the planned improvements. Until studies are complete, the cost and type of sewer treatment facility has yet to be determined.

### **Enterprise Funds**

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

### **Debt Administration**

The City maintains the Municipal Bond and Interest Fund to retire debt associated with general obligation bonds. The funding source comes from levy and collection of ad valorem property taxes. Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed value. As of September 30, 2014, the City's remaining margin for further debt issuance stands at \$48,769,442. Upon issuance of the City's latest general obligation bonds in 2010, Moody's bond rating service issued an Aa3 rating. Moody's issues a rating each time a bond issue is sold, and the most recent revenue bond issue, the 2013 Water and Sewer Bonds, was awarded an A1 rating. This is one step below the rating given for the 2010 general obligation bonds, and this is a typical procedure for Moody's, as there is more risk to the investor with a revenue issue. Nevertheless, this is considered to be an excellent rating for a municipality.

### **Risk Management**

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




### Independent Auditors

The City's financial statements have been audited by Carr, Riggs, and Ingram, LLC, a firm of licensed certified public accountants. They have concluded that, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City of Hattiesburg's financial statements for the fiscal year ended September 30, 2014 are fairly presented in conformity with GAAP. The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. The independent auditor's report is located at the front of the financial section of this report, and the single audit reports are presented in the single audit section of this report.

### Acknowledgments

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

Sincerely,



Johnny L. DuPree, Ph.D.  
Mayor

\*\*\*\*\*

**PUBLIC OFFICIALS**

\*\*\*\*\*

**JOHNNY L. DUPREE  
MAYOR**

**COUNCIL MEMBERS**

**KIM BRADLEY - WARD 1  
DEBORAH DENARD DELGADO - WARD 2  
CARTER CARROLL - WARD 3  
MARY DRYDEN - WARD 4  
HENRY E. NAYLOR - WARD 5**

\*\*\*\*\*

## **FINANCIAL SECTION**



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hattiesburg Convention Commission, a component unit of the City, which statements reflect total assets of \$20,262,378 as of September 30, 2014 and total revenues of \$7,382,391, for the year then ended. The statements for the Hattiesburg Convention Commission were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Aggregate Remaining Governmental Funds	Unmodified
Proprietary Fund	Qualified

**Basis for Qualified Opinions on Governmental Activities and Business-type Activities And Proprietary Fund**

As discussed in Note 17 to the financial statements, the City has not recorded a liability in its governmental activities, business-type activities, or proprietary fund for the cost of certain healthcare coverage provided to retirees. Accounting principles generally accepted in the United States of America require recognition of annual cost of other postemployment benefits equal to annual required contributions as actuarially determined, as well as recognition of an actuarially determined liability for its net obligation. Such recognition of other postemployment benefits would increase liabilities, reduce net position, and change expenses of governmental and business-type activities and the proprietary fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, the business-type activities, and proprietary fund is not reasonably determinable.

**Qualified Opinions**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities and Business-type Activities and Proprietary Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and proprietary fund of the City of Hattiesburg, Mississippi, as of September 30, 2014, 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.

**Unmodified Opinions**

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the

discretely presented component unit, the major governmental fund, and the aggregate remaining governmental fund information of the City of Hattiesburg, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Uncertainties Regarding Wastewater Treatment Facilities*

As described in Notes 16 and 20, the City of Hattiesburg's efforts to comply with regulations applicable to the City's wastewater treatment facilities in conjunction with meeting the water and sewer system's existing financial requirements are ongoing. These regulatory requirements follow a specific timeline that requires the implementation of various phases of wastewater system facilities over the next several years. The importance of the City Council and the Administration's ability to address these matters on a timely basis is emphasized in Note 16, where disclosure is made that substantial water and sewer rate increases may be necessary pursuant to funding compliance with these requirements.

### **Other Matters**

As part of our audit of the 2014 financial statements, we also audited the adjustments described in Note 2 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the City of Hattiesburg other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 10 through 21 and 85 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hattiesburg, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016 on our consideration of the City of Hattiesburg, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hattiesburg, Mississippi's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
March 25, 2016

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

The Discussion and Analysis of the City of Hattiesburg's financial performance provides an overview of the City's financial activities of the fiscal year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the transmittal letter in order to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 were as follows:

- Total net position for 2014 decreased \$370,233, or 0.2% from 2013.
- Total assets of governmental activities increased \$20,610,412, or 7.2% from 2013.
- Total liabilities increased \$20,877,519 or 28.4% from 2013.
- In total, equity in pooled cash and cash equivalents, including cash with fiscal agents, increased \$25,256,767, or 138% from 2013.
- Overall, the book value of capital assets decreased by \$6,086,459, or 2.5% from fiscal year 2013.

**Using this Annual Financial Report:**

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

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

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two



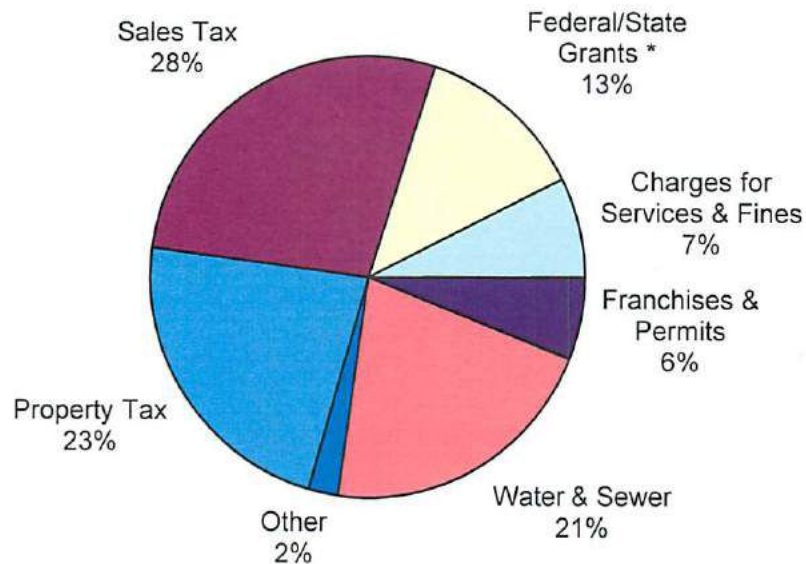
**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

statements report the City's net position and the change in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

The government-wide financial statements include not only the City of Hattiesburg itself (the primary government), but also a legally separate component unit, the Hattiesburg Convention Commission. Although legally separate, this "component unit" is important because the City has the ability to make board appointments and provides budget oversight. Financial information presented for the component unit is reported separately from the financial information presented for the primary government itself.

**Sources of City Revenue**



\* Includes Water & Sewer grants

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

**Revenues**

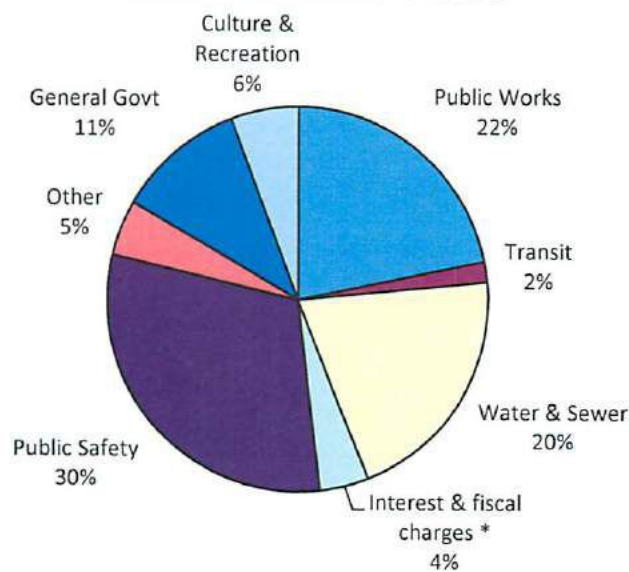
Overall net revenues exceeded expenses by \$7.9 million for the 2014 year. This is a decrease of \$1.2 million from the similar amount of FY 2013. One factor contributing to this decrease was a decline in grant related activities because several major projects were nearing completion at the end of the prior year and had little current year activity. Another factor was an increase in Water and Sewer System depreciation and expenditures during the current year related to ongoing infrastructure rehabilitation projects.

*Property Tax* – One of the major sources of revenue for the City, at 23% of total revenues, property tax revenue reflected an increase of \$156,931 from FY 2013. County adjustments to the property tax roll based upon increasing sales prices of homes, and continued growth along major business corridors, were significant factors in the increase in property tax revenue.

*Sales Tax* – Another major source of revenue for the City is sales tax, at 28% of total revenues. FY 2014 revenue increased from FY 2013, by \$181,629, or 0.8%. Revenue had remained virtually unchanged for two years in a row, signifying that the economy might be stabilizing. The increase in FY 2014 provides a tangible measure of steady growth in the local economy.

*Grants* – Operating and capital grant revenues represent 13% of total revenues, and there was a \$1.5 million decrease in this category of revenue for FY 2014. This is attributable primarily to prior year completion of tornado disaster recovery projects funded through Federal disaster assistance and completion of construction phases related to Water & Sewer system capital projects funded through the Community Development Block Grant Katrina Community Revitalization program.

**How the Revenue is Used**



\* Includes Water & Sewer interest and fiscal charges

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

**Expenses**

The City's government-wide expenses totaled \$70.1 million in FY 2014 and \$67.9 million in FY 2013, for a 3.3% increase. Expenses for Governmental Activities decreased \$2.0 million, while expenses for Business-Type Activities increased \$4.2 million.

The largest categories of expenses are Public Safety at 30%, Public Works at 22% and Water & Sewer at 20%. The Statement of Activities shows total costs of the major spending categories, and net costs of conducting programs and functions. The net cost is derived by subtracting associated program revenues from the expenditure totals for each category. This net cost is the financial burden that must be covered by property taxes, sales taxes, and other miscellaneous revenue.

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

**Fund Financial Statements**

The Analysis of the City's major funds begins on page 25. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided by the City's residents. However, these fund financial statements focus on the City's most significant funds. The City's two kinds of funds - governmental and proprietary - use different accounting approaches. In the case of the City of Hattiesburg, the major funds are the General Fund, a governmental fund, and the Combined Water & Sewer Fund, a proprietary fund.

**Governmental Funds**

Information about the City's major governmental funds begins on page 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$58,106,445, net other financing sources of \$3,154,412, and expenditures of \$60,498,227.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

The General Fund is the primary governmental operating fund, containing expenditures for public safety, public works, economic development, health and welfare, and general government. The governmental funds account for 78% of total fund revenues, with the General Fund alone accounting for 60% of total fund revenues. The governmental funds account for 79% of total fund expenses, and the General Fund alone accounts for 54% of total fund expenses.

Total expenditures for the General Fund decreased by \$662,269, or by 1.6% from FY 2013. The increase in the ending fund balance of the General Fund from \$7,676,619 in FY 2013 to \$7,781,669 in FY 2014 was 1.4%. Approximately 62% of that fund balance was unassigned. There were no significant changes in department operations during FY 2014.

***Proprietary Funds***

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 34 through 38. Operating revenues of the System are utilized to fund operation and maintenance expenses and debt service, with any residual net revenues being transferred into the Water & Sewer construction and debt service funds, which are included in the combined enterprise fund.

Operating expenses for the System were \$2,695,012, or 25%, more in FY 2014 than FY 2013. Most of this increase related to system repair projects, depreciation of capital assets, and system rehabilitation project contract resolution.

Operating revenues increased in FY 2014 from FY 2013 by \$1,550,032, or 10.5%, as a result of increases in rates, services to customers, and improved metering systems.

**The City of Hattiesburg as a Whole**

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for FY 2014.

Table 2 shows the Changes in Net Position for the year ended September 30, 2014.

**City of Hattiesburg, Mississippi**  
**Table 1 - City of Hattiesburg's Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 43,848,657	\$ 39,528,212	\$ 30,143,891	\$ 7,767,465	\$ 73,992,548	\$ 47,295,677
Capital assets, net	131,254,403	140,049,664	101,857,037	99,148,235	233,111,440	239,197,899
<b>Total assets</b>	<b>175,103,060</b>	<b>179,577,876</b>	<b>132,000,928</b>	<b>106,915,700</b>	<b>307,103,988</b>	<b>286,493,576</b>
<b>Deferred Outflows of Resources</b>						
Prepaid bond insurance	-	-	288,609	82,485	288,609	82,485
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>288,609</b>	<b>82,485</b>	<b>288,609</b>	<b>82,485</b>
<b>Liabilities</b>						
Long-term liabilities, outstanding:						
Due within one year	5,250,779	6,033,009	2,706,723	2,521,462	7,957,502	8,554,471
Payable after one year	24,142,317	25,791,002	56,324,852	35,101,046	80,467,169	60,892,048
Other liabilities	3,146,393	3,337,196	2,913,780	823,610	6,060,173	4,160,806
<b>Total liabilities</b>	<b>32,539,489</b>	<b>35,161,207</b>	<b>61,945,355</b>	<b>38,446,118</b>	<b>94,484,844</b>	<b>73,607,325</b>
<b>Deferred Inflows of Resources</b>						
Unearned revenues - property taxes	16,494,250	16,185,000	-	-	16,494,250	16,185,000
<b>Total deferred inflows of resources</b>	<b>16,494,250</b>	<b>16,185,000</b>	<b>-</b>	<b>-</b>	<b>16,494,250</b>	<b>16,185,000</b>
<b>Net Position</b>						
Net investment in capital assets	108,266,535	114,040,889	60,747,195	62,627,053	169,013,730	176,667,942
Restricted	5,620,448	3,403,781	4,838,130	-	10,458,578	3,403,781
Unrestricted	12,182,338	10,786,999	4,758,857	5,925,014	16,941,195	16,712,013
<b>Total net position</b>	<b>\$126,069,321</b>	<b>\$128,231,669</b>	<b>\$ 70,344,182</b>	<b>\$ 68,552,067</b>	<b>\$196,413,503</b>	<b>\$196,783,736</b>

**City of Hattiesburg, Mississippi**  
**Table 2 - City of Hattiesburg's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,718,952	\$ 4,654,384	\$ 16,361,169	\$ 14,811,137	\$ 22,080,121	\$ 19,465,521
Operating grants and contributions	4,783,239	4,988,000	-	-	4,783,239	4,988,000
Capital grants and contributions	3,669,922	3,185,681	1,407,145	3,152,032	5,077,067	6,337,713
<b>Total program revenues</b>	<b>14,172,113</b>	<b>12,828,065</b>	<b>17,768,314</b>	<b>17,963,169</b>	<b>31,940,427</b>	<b>30,791,234</b>
General revenues:						
Property taxes	17,685,196	17,528,265	-	-	17,685,196	17,528,265
Other taxes	26,506,491	26,416,487	-	-	26,506,491	26,416,487
Grants and contributions not restricted to specific programs	-	4,795	-	-	-	4,795
Other general revenues	1,716,586	2,207,286	217,640	79,247	1,934,226	2,286,533
<b>Total general revenues</b>	<b>45,908,273</b>	<b>46,156,833</b>	<b>217,640</b>	<b>79,247</b>	<b>46,125,913</b>	<b>46,236,080</b>
<b>Total revenues</b>	<b>60,080,386</b>	<b>58,984,898</b>	<b>17,985,954</b>	<b>18,042,416</b>	<b>78,066,340</b>	<b>77,027,314</b>
<b>Program expenses</b>						
General government	7,641,758	6,424,709	-	-	7,641,758	6,424,709
Public safety	21,476,883	22,162,945	-	-	21,476,883	22,162,945
Public services	15,253,508	17,533,037	-	-	15,253,508	17,533,037
Other services	1,847,824	1,751,307	-	-	1,847,824	1,751,307
Mass transit	1,203,191	1,104,428	-	-	1,203,191	1,104,428
Economic development	286,500	160,000	-	-	286,500	160,000
Culture and recreation	4,039,345	4,636,434	-	-	4,039,345	4,636,434
Human/social assistance	1,130,925	889,795	-	-	1,130,925	889,795
Water & Sewer	-	-	14,349,426	12,178,164	14,349,426	12,178,164
Interest and fiscal charges	893,887	1,089,410	2,034,814	-	2,928,701	1,089,410
<b>Total program expenses</b>	<b>\$ 53,773,821</b>	<b>\$ 55,752,065</b>	<b>\$ 16,384,240</b>	<b>\$ 12,178,164</b>	<b>\$ 70,158,061</b>	<b>\$ 67,930,229</b>

Continued

**City of Hattiesburg, Mississippi**  
**Table 2 - City of Hattiesburg's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2014	2013	2014	2013	2014	2013
<b>Increase in net position before inclusion of transfers</b>	\$ 6,306,565	\$ 3,232,833	\$ 1,601,714	\$ 5,864,252	\$ 7,908,279	\$ 9,097,085
Transfers	-	257,475	-	(257,475)	-	-
<b>Increase in net position after inclusion of transfers</b>	6,306,565	3,490,308	1,601,714	5,606,777	7,908,279	9,097,085
<b>Net position - Beginning of year</b>	128,231,669	123,238,893	68,552,067	62,831,150	196,783,736	186,070,043
<b>Prior period adjustment</b>	(8,468,913)	1,502,468	190,401	114,140	(8,278,512)	1,616,608
<b>Net Position - Beginning, as restated</b>	119,762,756	124,741,361	68,742,468	62,945,290	188,505,224	187,686,651
<b>Net position - End of year</b>	\$126,069,321	\$128,231,669	\$ 70,344,182	\$ 68,552,067	\$196,413,503	\$196,783,736

Concluded

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

***General Fund Budgetary Highlights***

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions of cash receipts, disbursements, and encumbrances. Over the course of the year, the City Council revised the City budget several times. Such changes are necessary to provide for newly approved projects and for revisions in revenue and expenditure projections based on actual conditions.

Budgets are typically amended three to four times each year with the Council members being provided with appropriate supporting documentation pertaining to the proposed amended budgets. All recommendations for budget amendments are compiled by the City's Chief Financial Officer and reviewed by the Mayor and the City Clerk prior to submission to the City Council. The City Council members typically review proposed budget amendments prior to their inclusion on an agenda for approval at a City Council Meeting, and final adjustments to the compilation are made as a result of this review process. Pursuant to legal requirements, cumulative amendments of more than 10% to the original expenditure budgets are published in the local newspaper. The City does not allow budget changes that modify adopted line items within departments without council approval.

The most significant budgeted fund is the General Fund. The 2014 budget of the General Fund realized an increase in ending fund balance, due to continued stringent fiscal management and an improving local economy. The City's General Fund balance of \$7.8 million reported on pages 25-26 differs from the General Fund's budgetary fund balance of \$6.2 million reported in the budgetary comparison schedule on page 88. This is principally because the budgetary fund balance does not reflect the effects of any accrual transactions.

The General Fund property tax rate remained at 32.1 mills for 2014. School millage decreased by 1.34 mills to 64.89 mills. Total millage for the City decreased to 112.31 mills as a result of the decrease in school tax. Budgeted property taxes for fiscal year 2014 were \$12,385,000, and actual total collections were \$12,917,275. This represents a 4.3% increase over budget.

The City's original General Fund expenditure budget for Fiscal Year 2014 totaled \$45,538,043. Final budgeted expenditures were \$50,472,043. A significant portion of this increase related to capital expenditures expected to be completed by the end of the fiscal year that were actually not finalized and paid until the subsequent fiscal year. The City's original General Fund revenue budget for Fiscal Year 2014 totaled \$46,112,067. Final budgeted revenues were \$49,138,151. A major portion of this increase related to anticipated proceeds of debt for capital investments that did not actually occur until the subsequent year.



**City of Hattiesburg, Mississippi  
Management's Discussion and Analysis (Unaudited)  
Year Ended September 30, 2014**

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

*Capital Assets*

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

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

	2014	2013
Land and construction in progress	\$ 43,869,600	\$ 20,653,436
Buildings and improvements	20,519,675	22,085,139
Infrastructure	160,825,547	188,002,688
Machinery and equipment	7,896,618	8,456,636
	<b>\$ 233,111,440</b>	<b>\$ 239,197,899</b>

The increase in the "Land and construction in progress" category is primarily the result of ongoing water and sewer improvements, water plant renovation, and acquisition of land in connection with the 4<sup>th</sup> Street widening and Long Leaf Trace extension. Other changes resulted from category reclassifications of infrastructure and beginning balance adjustments. Overall decreases in other capital asset categories are the result of current year depreciation.

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

At September 30, 2014, the City of Hattiesburg had \$13,845,000 in outstanding General Obligation Bonds subject to the City's overall general obligation debt limitations. The City's overall legal debt margin at September 30, 2014 was calculated to be \$48,308,607, and this number is based on the city's most current property tax rolls in conjunction with existing general obligation debt. In addition to traditional general obligation debt, certain debt issues are secured by tax interceptor agreements with the State of Mississippi. Tax Increment Financing Bonds are secured by the incremental increase in property taxes at various taxing districts. Table 4 summarizes the total outstanding long-term debt obligations of the City.

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

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

	2014	2013
<b>Governmental Funds</b>		
General Obligation Bonds	\$ 13,845,000	\$ 16,507,431
Economic Development Bonds and Notes	3,015,170	3,410,136
Tax Increment Financing Bonds	8,240,000	6,300,000
Equipment Leases	2,385,761	4,024,740
Subtotal governmental funds	27,485,931	30,242,307
<b>Proprietary Fund</b>		
Water and Sewer Revenue Bonds	48,900,000	22,465,000
Unamortized Bond Premium	268,419	402,325
Water and Sewer General Obligation Bonds and Notes	8,635,000	12,195,000
State Revolving Loan Funds	1,083,571	1,458,857
Subtotal proprietary fund	58,886,990	36,521,182
<b>Compensated Absences</b>	<b>2,051,750</b>	<b>1,581,704</b>
<b>Total Long-Term Obligations</b>	<b>\$ 88,424,671</b>	<b>\$ 68,345,193</b>

A Water and Sewer revenue bond in the amount of \$28,000,000 was secured in 2014 to refund and repay \$3,000,000 in outstanding notes and to fund continuing water and sewer system rehabilitation and improvements projects. No bond issues are expected for fiscal year 2015. However, as outstanding bonds become eligible for refunding, the City intends to take advantage of lower market interest rates in order to achieve economic savings. In addition, significant future bond issues are anticipated in connection with long-term capital expenditures for infrastructure.

The compensated absences liability identified above refers to the balance of what has been earned as a benefit for paid leave that will be paid over time as employees utilize such benefits, leave City service, or retire.

**Financial and Economic Conditions:**

Sales tax collections, a major source of revenue for the General Fund, have been a strong indicator of the local economy, showing modest increases since 2010. In 2014, sales taxes increased 1.4% over the prior year. The small but steady increase in sales tax revenue has provided current year revenues that surpassed the 2009 pre-recession level. Economic changes at the national level trickle down to the local economy, and it appears that the current rate of growth will continue or increase in FY 2015. Property tax revenues remained through the current year, and that trend is expected to continue.

**City of Hattiesburg, Mississippi**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2014**

The City continues to avail itself of Federal and State grant programs to support infrastructure development, community services, housing assistance programs, and to enhance the community. The City continues to develop its long-term strategic plan for economic development, environmental sustainability, public safety services, and major capital projects. Various aspects of such plans will be achieved through separately approved phases.

In fiscal year 2013, administration officials also retained local architects to perform an assessment of the Police Department complex in order to develop a plan for renovation of the structure. Feasibility studies were conducted during 2014, and preliminary designs were proposed. These preliminary designs include facilities for the Police Department, Fire Administration, and the Municipal Court, and other peripheral structures. Subsequent to fiscal year 2014, the City Council approved a proposed project for construction of the new Public Safety Complex, which is expected to be completed in 2019.

Other major projects anticipated for the coming year include airport runway improvements, paving projects, parks and walkways, and traffic enhancement projects. The City continues its commitment to the Longleaf Trace and expanding its reach. Downtown area improvements are expected to begin with the Gordon Creek project.

The City has entered into an agreement with the Mississippi Department of Environmental Quality that provides for decreased discharge of biological matter into the Leaf River and for improvements to the existing wastewater treatment process. This project will include the development of a new wastewater treatment system over a period of 4 years which will be funded primarily through State Revolving Fund loans and bond issues. Total outlays are expected to range from \$125,000,000 to \$150,000,000. The improved wastewater treatment system and related infrastructure will serve the City's citizens for decades to come.

**Contacting the City of Hattiesburg:**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. Copies of this report will be on file at both the Hattiesburg Library and the USM Library. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at 601-545-4552.

## **FINANCIAL STATEMENTS**

**City of Hattiesburg, Mississippi**  
**Statement of Net Position**

September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and equivalents - unrestricted	\$ 14,214,455	\$ 5,568,029	\$ 19,782,484	\$ -
Sales tax receivable	3,579,006	-	3,579,006	763,715
Property taxes receivable	16,683,633	-	16,683,633	-
Accounts receivable - water & sewer, net	-	1,017,777	1,017,777	-
Accounts receivable - solid waste services	119,933	-	119,933	-
Intergovernmental receivable	494,400	46,157	540,557	200,000
Fines receivable, net	3,026,854	-	3,026,854	-
Other receivables	876,871	-	876,871	82,623
Internal balances	260,025	(260,025)	-	-
Due from other agencies	8,822	-	8,822	-
Inventories	86,595	-	86,595	46,309
Cash and equivalents - restricted	-	1,156,675	1,156,675	-
Cash with fiscal agent - restricted	-	22,615,278	22,615,278	4,236,156
Notes receivable	4,498,063	-	4,498,063	-
Capital assets not being depreciated:				
Land and construction in progress	34,435,884	9,433,716	43,869,600	3,087,016
Capital assets, net of accumulated depreciation:				
Infrastructure	69,716,365	91,109,182	160,825,547	-
Building and improvements	20,493,681	25,994	20,519,675	11,651,746
Machinery and equipment	6,608,473	1,288,145	7,896,618	194,813
<b>Total assets</b>	<b>175,103,060</b>	<b>132,000,928</b>	<b>307,103,988</b>	<b>20,262,378</b>
<b>Deferred Outflows of Resources</b>				
Prepaid bond insurance	-	288,609	288,609	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>288,609</b>	<b>288,609</b>	<b>-</b>

Continued

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

**City of Hattiesburg, Mississippi**  
**Statement of Net Position**

September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 323,024	\$ 220,975	\$ 543,999	\$ 209,966
Accrued wages and benefits	1,200,167	97,759	1,297,926	-
Other liabilities	1,130,472	964,991	2,095,463	194,643
Intergovernmental liabilities	200,000	-	200,000	-
Due to other agencies	91,958	-	91,958	-
Accrued interest	200,772	473,380	674,152	-
Non-current liabilities:				
Portion due or payable within one year:				
General obligation bonds	2,430,000	585,000	3,015,000	-
Revenue bonds	-	1,690,000	1,690,000	-
Unamortized bond premium	-	17,507	17,507	-
Limited obligation tax increment financing bonds	810,000	-	810,000	-
Economic development limited obligation bonds and notes	396,650	-	396,650	-
General obligation notes payable	-	392,528	392,528	-
Capital leases	1,328,054	-	1,328,054	6,754
Compensated absences	286,075	21,688	307,763	-
Due to primary government	-	-	-	125,124
Portion due or payable after one year:				
General obligation bonds	11,415,000	8,050,000	19,465,000	-
Revenue bonds	-	47,210,000	47,210,000	-
Unamortized bond premium	-	250,912	250,912	-
Limited obligation tax increment financing bonds	7,430,000	-	7,430,000	-
Economic development limited obligation bonds and notes	2,618,520	-	2,618,520	-
General obligation notes payable	-	691,043	691,043	-
Capital leases	1,057,707	-	1,057,707	-
Compensated absences	1,621,090	122,897	1,743,987	-
Due to primary government	-	-	-	312,810
Customer meter deposits payable from restricted assets	-	1,156,675	1,156,675	-
<b>Total liabilities</b>	<b>32,539,489</b>	<b>61,945,355</b>	<b>94,484,844</b>	<b>849,297</b>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - property taxes	16,494,250	-	16,494,250	-
<b>Total deferred inflows of resources</b>	<b>16,494,250</b>	<b>-</b>	<b>16,494,250</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	108,266,535	60,747,195	169,013,730	14,488,887
Restricted for debt service	3,764,608	4,838,130	8,602,738	-
Restricted for capital projects	50,515	-	50,515	880,956
Restricted for other purposes	1,794,732	-	1,794,732	-
Restricted for Federal Programs	10,593	-	10,593	-
Unrestricted	12,182,338	4,758,857	16,941,195	4,043,238
<b>Total net position</b>	<b>\$ 126,069,321</b>	<b>\$ 70,344,182</b>	<b>\$ 196,413,503</b>	<b>\$ 19,413,081</b>

Concluded

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

**City of Hattiesburg, Mississippi**  
**Statement of Activities**

Year ended September 30, 2014

Functions/Programs	Expenses	Program Revenue			Primary Government			Component Unit
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
<b>Governmental Activities:</b>								
General government	\$ 7,641,758	\$ -	\$ -	\$ -	\$ (7,641,758)	\$ -	\$ (7,641,758)	
Public safety	21,476,883	2,153,204	491,304	56,524	(18,775,851)	-	(18,775,851)	
Public services	15,253,508	3,474,135	2,530,697	2,195,372	(7,053,304)	-	(7,053,304)	
Other services	1,847,824	-	173,948	677,648	(996,228)	-	(996,228)	
Mass transit	1,203,191	42,771	760,807	330,696	(68,917)	-	(68,917)	
Culture and recreation	4,039,345	48,842	-	409,682	(3,580,821)	-	(3,580,821)	
Human/social assistance	1,130,925	-	822,585	-	(308,340)	-	(308,340)	
Economic development	286,500	-	3,898	-	(282,602)	-	(282,602)	
Interest and fiscal changes	893,887	-	-	-	(893,887)	-	(893,887)	
<b>Total governmental activities</b>	<b>53,773,821</b>	<b>5,718,952</b>	<b>4,783,239</b>	<b>3,669,922</b>	<b>(39,601,708)</b>	<b>-</b>	<b>(39,601,708)</b>	
<b>Business-Type Activities:</b>								
Water and sewer operations	14,349,426	16,361,169	-	1,407,145	-	3,418,888	3,418,888	
Interest and fiscal changes	2,034,814	-	-	-	-	(2,034,814)	(2,034,814)	
<b>Total business-type activities</b>	<b>16,384,240</b>	<b>16,361,169</b>	<b>-</b>	<b>1,407,145</b>	<b>-</b>	<b>1,384,074</b>	<b>1,384,074</b>	
<b>Total primary government</b>	<b>\$ 70,158,061</b>	<b>\$ 22,080,121</b>	<b>\$ 4,783,239</b>	<b>\$ 5,077,067</b>	<b>(39,601,708)</b>	<b>1,384,074</b>	<b>(38,217,634)</b>	
<b>COMPONENT UNIT</b>								
Hattiesburg Convention								
Commission	\$ 6,709,934	\$ 2,598,683	\$ -	\$ 145,361				\$ (3,965,890)
<b>Total component unit</b>	<b>\$ 6,709,934</b>	<b>\$ 2,598,683</b>	<b>\$ -</b>	<b>\$ 145,361</b>				<b>\$ (3,965,890)</b>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property taxes levied for general purposes					13,899,296	-	13,899,296	-
Property taxes levied for debt services					3,785,900	-	3,785,900	-
Sales tax					21,777,709	-	21,777,709	-
Franchise taxes and other licenses and permits					4,728,782	-	4,728,782	-
Special sales tax					-	-	-	4,636,322
Unrestricted investment earnings					181,505	10,144	191,649	2,025
Other local sources					454,117	-	454,117	-
Miscellaneous					1,002,980	207,496	1,210,476	-
Gain on sale of assets					77,984	-	77,984	-
<b>Total general revenues and transfers</b>					<b>45,908,273</b>	<b>217,640</b>	<b>46,125,913</b>	<b>4,638,347</b>
<b>Change in Net Position</b>					<b>6,306,565</b>	<b>1,601,714</b>	<b>7,908,279</b>	<b>672,457</b>
<b>Net Position - Beginning of year</b>					<b>128,231,669</b>	<b>68,552,067</b>	<b>196,783,736</b>	<b>18,961,799</b>
<b>Prior period adjustment</b>					<b>(8,468,913)</b>	<b>190,401</b>	<b>(8,278,512)</b>	<b>(221,175)</b>
<b>Net Position - Beginning as restated</b>					<b>119,762,756</b>	<b>68,742,468</b>	<b>188,505,224</b>	<b>18,740,624</b>
<b>Net Position - End of year</b>					<b>\$ 126,069,321</b>	<b>\$ 70,344,182</b>	<b>\$ 196,413,503</b>	<b>\$ 19,413,081</b>

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

**City of Hattiesburg, Mississippi**  
**Balance Sheet**  
**Governmental Funds**

*September 30, 2014*

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,725,625	\$ 7,488,830	\$ 14,214,455
Sales tax receivable	1,809,261	-	1,809,261
Intergovernmental receivable	209,243	285,157	494,400
Fines receivable, net of allowance	3,026,854	-	3,026,854
Other receivables	848,928	17,128	866,056
Due from other funds	261,465	193,993	455,458
Property taxes receivable	12,794,538	3,853,379	16,647,917
Due from other agencies	8,822	-	8,822
Gas and oil inventory	86,595	-	86,595
Advances to other funds	300,000	-	300,000
<b>Total assets</b>	<b>\$ 26,071,331</b>	<b>\$ 11,838,487</b>	<b>\$ 37,909,818</b>
<b>Liabilities</b>			
Accounts payable	275,219	47,805	323,024
Accrued wages and benefits	1,092,317	107,850	1,200,167
Due to other funds	155,880	39,553	195,433
Other liabilities	778,184	352,288	1,130,472
Due to component unit	200,000	-	200,000
Due to other agencies	91,958	-	91,958
Advances from other funds	-	300,000	300,000
<b>Total liabilities</b>	<b>2,593,558</b>	<b>847,496</b>	<b>3,441,054</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	12,669,250	3,825,000	16,494,250
Unavailable revenue - fines	3,026,854	-	3,026,854
<b>Total deferred inflows of resources</b>	<b>15,696,104</b>	<b>3,825,000</b>	<b>19,521,104</b>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Inventories	86,595	-	86,595
Long-term interfund advance	300,000	-	300,000
<b>Restricted</b>			
Street improvements and repairs	-	789,863	789,863
Law enforcement	-	297,864	297,864
Airport projects	-	397,600	397,600
Mass transit	-	309,405	309,405

Continued

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



**City of Hattiesburg, Mississippi**  
**Balance Sheet**  
**Governmental Funds**

September 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances (Cont.)</b>			
<b>Restricted (Cont.)</b>			
Debt service	-	3,764,608	3,764,608
Parks and recreation projects	-	2,400	2,400
Economic development	-	48,115	48,115
Human/social assistance	10,593	-	10,593
<b>Committed</b>			
Parks and recreation	-	654,653	654,653
Fire protection	-	871,532	871,532
Street improvement and repairs	-	3,904	3,904
Law enforcement	-	36,640	36,640
<b>Assigned</b>			
General government	110,881	-	110,881
Public safety	10,826	-	10,826
Public services	2,429,275	-	2,429,275
Other services	36,432	-	36,432
<b>Unassigned</b>	<b>4,797,067</b>	<b>(10,593)</b>	<b>4,786,474</b>
<b>Total fund balances</b>	<b>7,781,669</b>	<b>7,165,991</b>	<b>14,947,660</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,071,331</b>	<b>\$ 11,838,487</b>	<b>\$ 37,909,818</b>

Concluded

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

**City of Hattiesburg, Mississippi**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-wide Statement of Net Position**

*September 30, 2014*

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Total fund balances for governmental funds		\$ 14,947,660
--	--	---------------

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

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

Land	29,753,609	
Construction in progress	4,682,275	
Infrastructure, net of \$73,562,099		
accumulated depreciation	69,716,365	
Buildings and improvements, net of \$22,906,857		
accumulated depreciation	20,493,681	
Machinery and equipment, net of \$26,476,211		
accumulated depreciation	6,608,473	
Total capital assets		131,254,403

Other long-term assets are not available to pay for current period expenditures and therefore are not reported as deferred revenue in the funds.		3,026,854
--	--	-----------

Receivables not received within thirty days of year end are not reported in the funds.

Accounts receivable - solid waste services	119,933	
Sales tax receivable	1,769,745	
Property tax receivable	35,716	
Other tax receivable	10,815	
Total receivables not received within thirty days of year end		1,936,209

Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		4,498,063
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Continued

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

**City of Hattiesburg, Mississippi**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-wide Statement of Net Position**

September 30, 2014

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

Accrued interest on bonds and notes		(200,772)
General obligation bonds	(13,845,000)	
Limited obligation tax increment financing bonds	(8,240,000)	
Limited obligation economic development bonds and notes	(3,015,170)	
Capital leases	(2,385,761)	
Compensated absences	(1,907,165)	
Total long-term liabilities	(29,393,096)	
Total net position of governmental activities		\$ 126,069,321

Concluded

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

**City of Hattiesburg, Mississippi**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**

*Year ended September 30, 2014*

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
General property taxes	\$ 12,914,907	\$ 4,847,046	\$ 17,761,953
Sales tax collections	21,630,769	-	21,630,769
Other taxes	23,824	-	23,824
Licenses and permits	4,458,451	-	4,458,451
Fines, forfeitures and penalties	1,735,764	159,373	1,895,137
Interest, rents, and concessions	109,773	10,113	119,886
Intergovernmental	1,202,130	7,282,541	8,484,671
Charges for services	2,377,427	193,419	2,570,846
Other revenues	727,521	433,387	1,160,908
<b>Total revenues</b>	<b>45,180,566</b>	<b>12,925,879</b>	<b>58,106,445</b>
<b>Expenditures</b>			
Current:			
General government	7,045,870	-	7,045,870
Public safety	20,591,063	270,789	20,861,852
Public services	10,538,872	4,100,202	14,639,074
Other services	1,570,718	974,996	2,545,714
Mass transit	-	1,375,538	1,375,538
Culture and recreation	-	4,105,118	4,105,118
Human/social assistance	154,962	961,568	1,116,530
Economic development	160,000	2,304,222	2,464,222
Debt Service:			
Principal payments	1,566,493	3,789,882	5,356,375
Interest and fiscal charges	137,115	850,819	987,934
<b>Total expenditures</b>	<b>41,765,093</b>	<b>18,733,134</b>	<b>60,498,227</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,415,473</b>	<b>(5,807,255)</b>	<b>(2,391,782)</b>

Continued

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

**City of Hattiesburg, Mississippi**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**

*Year ended September 30, 2014*

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Other Financing Sources</b>			
Transfers in	\$ -	\$ 4,112,759	\$ 4,112,759
Transfers out	(3,465,500)	(247,924)	(3,713,424)
Other sources	155,077	2,600,000	2,755,077
<b>Total other financing sources (uses)</b>	<b>(3,310,423)</b>	<b>6,464,835</b>	<b>3,154,412</b>
<b>Net Change in Fund Balance</b>	<b>105,050</b>	<b>657,580</b>	<b>762,630</b>
Fund balances - beginning of year	7,676,619	6,508,411	14,185,030
Fund balances - end of year	\$ 7,781,669	\$ 7,165,991	\$ 14,947,660

Concluded

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

**City of Hattiesburg, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**

*Year ended September 30, 2014*

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Net change in fund balances - governmental funds	\$ 762,630
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$9,676,151) exceed depreciation expense (\$7,892,558) in the current period.

	1,783,593
--	-----------

Intergovernmental revenue is recognized on the accrual basis in the statement of activities and is also increased for revenues received more than thirty days after year end.

Accounts receivable - solid waste services	(153,837)	
Sales tax receivable	146,940	
Property tax receivable	(76,757)	
Other tax receivable	(14,779)	
Total change in receivables not received within thirty days of year end		(98,433)

Fine revenue deferred in the funds for the modified accrual basis during the current year decreased whereas recognition is required as earned on the statement of activities using the accrual basis of accounting.

	1,406,806
--	-----------

Proceeds from issuance of long-term debt are reported in the governmental funds. However, in the statement of net position a long-term liability is recorded. Repayments of long-term debt are reported as expenditures in the governmental funds but are recorded against the liability in the statement of net position.

Net change of proceeds and repayments of long-term debt	2,756,376
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Continued

**City of Hattiesburg, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**

*Year ended September 30, 2014*

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

Compensated absences	(99,927)	
Accrued interest on bonds and notes	<u>94,047</u>	
Combined adjustment		(5,880)

Governmental funds report annual note repayment received (\$460,511) as an installment receipt. In the statement of activities, only the portion of these payments attributable to interest is reported as interest revenue (\$161,984).

(298,527)

Change in net position of governmental activities

\$ 6,306,565

Concluded

**City of Hattiesburg, Mississippi**  
**Statement of Net Position**  
**Proprietary Fund**

<i>September 30, 2014</i>	<b>Combined Water and Sewer System</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and equivalents - unrestricted	\$ 5,568,029
Accounts receivable - trade (net of allowance for doubtful accounts of \$1,863,451)	1,017,777
Grants receivable	46,157
<b>Total current assets</b>	<b>6,631,963</b>
<b>Noncurrent Assets</b>	
Cash and equivalents - restricted	1,156,675
Cash with fiscal agents - restricted	22,615,278
<b>Capital Assets</b>	
Land	315,243
Construction in progress	9,118,473
Infrastructure, net	91,109,182
Buildings and improvements, net	25,994
Machinery and equipment, net	1,288,145
<b>Total noncurrent assets</b>	<b>125,628,990</b>
<b>Total assets</b>	<b>132,260,953</b>
<b>Deferred Outflow of Resources</b>	
Prepaid bond insurance	288,609
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Due to governmental funds	260,025
Sales tax payable	29,632
Accounts payable	220,975
Accrued wages and benefits	97,759
Accrued interest payable	473,380
Other liabilities	935,359
Unamortized bond premium - current	17,507
Revenue bonds - current	1,690,000
General obligation bonds - current	585,000
General obligation note payable - current	392,528
Compensated absences - current	21,688
<b>Total current liabilities</b>	<b>4,723,853</b>

Continued

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



**City of Hattiesburg, Mississippi**  
**Statement of Net Position**  
**Proprietary Fund**

<i>September 30, 2014</i>	<b>Combined Water and Sewer System</b>
<b>Non-Current Liabilities</b>	
Revenue bonds	47,210,000
General obligation bonds	8,050,000
General obligation note payable	691,043
Unamortized bond premium	250,912
Compensated absences	122,897
Customer meter deposits payable from restricted assets	1,156,675
<b>Total non-current liabilities</b>	<b>57,481,527</b>
<b>Total liabilities</b>	<b>62,205,380</b>
<b>Net Position</b>	
Net investment in capital assets	60,747,195
Restricted for debt service	4,838,130
Unrestricted	4,758,857
<b>Total net position</b>	<b>\$ 70,344,182</b>
	Concluded

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

**City of Hattiesburg, Mississippi**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**Proprietary Fund**

<i>September 30, 2014</i>	<b>Combined Water and Sewer System</b>
<b>Operating Revenues</b>	
Water charges	\$ 7,619,070
Sewer charges	8,521,728
Sewer connections	20,228
Turn-on fees	66,060
Taps	134,084
<b>Total operating revenues</b>	<b>16,361,170</b>
<b>Operating Expenses</b>	
Personal services	2,427,044
Other services and charges	5,755,783
Supplies and expenses	1,045,054
Depreciation	3,362,448
Other operating expenses	861,098
<b>Total operating expenses</b>	<b>13,451,427</b>
<b>Operating Income</b>	<b>2,909,743</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest revenue	10,144
Interest expenses	(2,034,814)
Other expenses	(898,000)
Other revenues	207,496
<b>Total non-operating revenues (expenses)</b>	<b>(2,715,174)</b>
<b>Income before Capital Contribution and Transfers</b>	<b>194,569</b>
Intergovernmental capital contributions	1,407,145
<b>Change in net position</b>	<b>1,601,714</b>
Net position - beginning of year	68,552,067
Prior period adjustment	190,401
Net position - beginning, as restated	68,742,468
<b>Net position - end of year</b>	<b>\$ 70,344,182</b>

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

**City of Hattiesburg, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Fund**

<i>Year ended September 30, 2014</i>	<b>Combined Water and Sewer System</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 15,948,880
Payments to suppliers and service providers	(7,571,788)
Payments to employees for salaries and benefits	(2,376,308)
Net cash provided by operating activities	6,000,784
<b>Cash Flows from Noncapital Financing Activities</b>	
Other cash receipts	207,496
Net cash provided by noncapital financing activities	207,496
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal payments - bonds and notes	(5,500,287)
Intergovernmental cash receipts	2,119,944
Acquisition and construction of capital assets	(5,754,031)
Capitalized interest paid on capital debt	(22,420)
Bond issuance cost	(898,000)
Interest paid on capital debt	(1,772,332)
Proceeds from bonds and notes	27,882,573
Net cash provided by capital and related financing activities	16,055,447
<b>Cash Flows from Investing Activities</b>	
Interest Income	10,144
Net cash provided by investing activities	10,144
<b>Net Increase in Cash and Cash Equivalents</b>	<b>22,273,871</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>7,066,111</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 29,339,982</b>
Displayed on statement of net position as:	
Cash and equivalents - unrestricted	\$ 5,568,029
Cash and equivalents - restricted	1,156,675
Cash with fiscal agent - restricted	22,615,278
	<b>\$ 29,339,982</b>

Continued

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

**City of Hattiesburg, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Fund**

<i>Year ended September 30, 2014</i>	<b>Combined Water and Sewer System</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>Operating Income</b>	\$ 2,909,743
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation expense	3,362,448
Changes in assets and liabilities:	
Increase in accounts receivable - trade	(154,111)
Increase in prepaid bond insurance	(165,940)
Decrease in amount due to governmental funds	(845,622)
Increase in sales tax payable	15,534
Decrease in accounts payable	(209,735)
Increase in accrued wages and benefits	97,759
Increase in sales tax payable	935,359
Increase in customer meter deposits	55,349
Total adjustments	3,091,041
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 6,000,784</b>
	Concluded

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

**City of Hattiesburg, Mississippi**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**

<i>September 30, 2014</i>	<b>Police/Fireman Disability &amp; Relief Pension Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 77,603	\$ 2,073,902
Cash and cash investments with fiscal agent	23,089,592	-
Property taxes and fees receivable	11,561	148,446
Sales tax receivable	-	442,766
<b>Total assets</b>	<b>\$ 23,178,756</b>	<b>\$ 2,665,114</b>
<b>Liabilities</b>		
Employee contribution payable	\$ -	\$ 338,720
Due to other funds	-	1,662,891
Other liabilities	-	49,575
Amounts held in custody for others	-	613,928
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 2,665,114</b>
<b>Net Position</b>		
Net position restricted for pension beliefs	\$ 23,178,756	\$ -

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

**City of Hattiesburg, Mississippi**  
**Statement of Changes in**  
**Fiduciary Net Position**  
**Fiduciary Fund**

	<b>Police/Fireman Disability &amp; Relief Pension Trust Fund</b>
<i>Year ended September 30, 2014</i>	
<hr/>	
<b>Additions</b>	
Contributions:	
Plan members	\$ 9,524
<hr/>	
Total contributions	9,524
Property tax levy	1,642,894
Investment earnings	3,714,122
<hr/>	
<b>Total additions</b>	<b>5,366,540</b>
<b>Deductions</b>	
Benefits	3,322,049
Administrative expenses	48,540
<hr/>	
<b>Total deductions</b>	<b>3,370,589</b>
<hr/>	
<b>Change in net position</b>	<b>1,995,951</b>
Net position - beginning of year	21,182,805
<hr/>	
<b>Net position - end of year</b>	<b>\$ 23,178,756</b>
<hr/> <hr/>	

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

## **NOTES TO FINANCIAL STATEMENTS**

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

***General Information***

The City of Hattiesburg, Mississippi (the City) was incorporated in 1884 under the laws of the State of Mississippi and presently operates under a Mayor/Council form of government. It is the third largest municipality in the state with nearly 50,000 residents. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the City Council. The following services are provided by the City: Public safety (Police, Fire, and Code Enforcement), Public Works, Engineering, Solid Waste Collection, Water and Sewer, Social and Recreational, Mass Transit, Federal Programs, Urban Development, and General Administrative Services.

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

***Reporting Entity***

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

***Discretely presented component unit***

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

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



## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Government-wide and fund financial statements***

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

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

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

#### ***Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty (30) days of the end of the current fiscal period. Expenditures generally are recorded when a

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

**Police/Fireman Disability and Relief Pension Trust Fund** - The Police/Fireman Disability and Relief Pension Trust Fund is used to account for resources legally held in trust for use by the City's uniformed police officers and firefighters that were employed prior to July 1, 1987. This fund provides retirement and disability benefits and death benefits to plan members and beneficiaries.

**Agency Funds** - The City's agency funds account for employee payroll tax withholdings, initial tax deposits from the county tax collectors, initial special sales tax receipts, and the Forrest County Industrial Park Commission's fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer system enterprise fund are charges to customers for sales and services. The water and sewer system also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### ***Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance***

##### Deposits and investments

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

To maximize interest earnings, the City's cash resources are combined to form a cash pool. Excluded from this pool is the cash of the Water and Sewer Fund, the 1999 Tax Increment Financing Bond and Interest and Construction Funds, the Water and Sewer USA Yeast Bond and Interest and Construction Funds, the Community Development Block Grant Fund for Entitlement and HOME

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlement, the 2001 Bond Construction Fund, the 1998 Infrastructure Fund, the Group Insurance Trust Fund, the Series 2006 Water and Sewer Bond Funds, and certain other legally restricted funds. Investments for the City and its component unit are reported at fair value.

#### Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All sales, property tax, and notes receivables are considered collectible; therefore no reduction has been made for an allowance for these receivables. Fines receivable is reported net of allowance for uncollectible accounts of \$15,366,150 at September 30, 2014. Credits against fines are applied for any jail time served, community service, or electronic monitoring. Since any such credits are not known until actual events occur, the amounts of those credits cannot be reasonably estimated before they are earned. Therefore, future credits to be applied against existing fines receivable are not estimated or reflected in the City’s financial statements.

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

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

#### Inventories and prepaid items

All inventories are valued at the lower of cost using the first-in/first-out (FIFO) method or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings and improvements	20 - 50 years
Infrastructure	18 - 50 years
Machinery and equipment	5 - 10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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. The City reports prepaid insurance on the Water & Sewer Revenue Bonds in the government-wide and the proprietary statements of net position as a deferred outflow of resources. Bond insurance paid from debt proceeds as a credit enhancement feature with the bonds is deferred and amortized over the life of the bonds.

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

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reports property taxes levied for the next fiscal year as unearned revenue in the government-wide statement of net position. The governmental funds balance sheet reports unavailable revenues from two sources: property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Compensated absences

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

#### Long-term obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are amortized over the life of the related bonds. Bond issuance costs, other than prepaid insurance costs, are recognized as expenses in the period incurred. Prepaid insurance costs are reported as an asset and are recognized as expenses over the duration of the related debt.

Governmental fund types recognize bond issuance costs during the current period. The face amount of debt is reported as other financing sources, and bond discount is recorded as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other services in expenditures.

#### Net position

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund balance policies

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

- Nonspendable fund balance – amounts that are not in spendable form, such as inventories and prepaid items, or are legally or contractually required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance – the residual amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

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

***Budgets and Budgetary Accounting***

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

1. In August, the City's Chief Financial Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 15, the budget for the upcoming fiscal year is legally enacted through the passage of an ordinance by the City Council. The budget may be subsequently amended by action of the City Council.

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The City's Chief Financial Officer is authorized to transfer budgeted amounts within departments within the published expenditure categories; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. All funds, with the exception of Trust and Agency Funds, are budgeted (General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds are budgeted). These budgets are prepared on a cash basis, modified for encumbrances for goods and services which have been received. The comparison of original and final budget to actual for the General Fund is presented in Schedule 1.

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

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

#### ***Change in Accounting Principle***

Effective for the year ended September 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In accordance with this standard, debt issuance costs other than prepaid insurance costs are recognized as an expense in the period incurred rather than deferred and amortized over the life of the debt issue. Implementation of this standard had no effect on previously reported amounts.

#### ***Use of estimates***

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





## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Subsequent Implementation of Accounting Standards*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be implemented by the City for the year ending September 30, 2015. Implementation of GASB Statement 68 will require the City to restate its September 30, 2014 net position in order to record its proportionate share of the Public Employees Retirement System of Mississippi (PERS) net pension liability. The amount of the necessary adjustment to the City's net position has not yet been determined.

The City has obtained actuarial analyses necessary for implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which was previously effective but has not yet been implemented and which requires recognition of postemployment benefits including healthcare. Pursuant to this standard, annual costs of other postemployment benefits (OPEB) and the outstanding obligations and commitments for these costs are reported. The City will implement this standard for the year ending September 30, 2015. The effect of implementation has not yet been determined.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 2: PRIOR PERIOD ADJUSTMENTS**

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

<u>Explanation</u>	<u>Net Position</u>	<u>Fund Balance</u>
<b>Governmental Activities</b>		
To adjust governmental capital assets, net	\$ (10,578,854)	\$ -
To adjust compensated absences	(225,534)	-
To adjust taxes receivable balances	1,760,872	-
To adjust other receivable balances	563,058	-
To adjust understatement of net position from noncash transaction	11,545	-
	<u>\$ (8,468,913)</u>	<u>\$ -</u>
<b>Business-Type Activities</b>		
To adjust accrued compensated absences	\$ (144,584)	\$ (144,584)
To adjust capitalized interest	294,801	294,801
To adjust prepaid bond insurance	40,184	40,184
	<u>190,401</u>	<u>190,401</u>
<b>Total Primary Government</b>	<u>\$ (8,278,512)</u>	<u>\$ 190,401</u>
<b>Component Unit</b>		
To adjust taxes receivable balances	\$ 341,882	\$ -
To adjust other liabilities	(563,057)	-
	<u>\$ (221,175)</u>	<u>\$ -</u>

**NOTE 3: DEPOSITS AND INVESTMENTS**

***Deposits***

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

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

The carrying amount of the City's deposits with financial institutions reported in the government-wide statements was \$20,939,159 (exclusive of cash with fiscal agents disclosed below). The bank balance was \$24,559,549. The City's long standing, although not formally adopted, investment policy is based upon all bank accounts being fully collateralized (using the procedures described above) and interest-bearing with rates updated on a quarterly basis and benchmarked using verifiable appropriate federal funds rates. Interest is calculated using average balances and recorded monthly.

***Custodial Credit Risk - Deposits***

Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2014, the City's bank balance was not exposed to custodial credit risk because deposits are covered by the State Treasurer collateral pool.

***Cash with Fiscal Agents***

The carrying amount of the City's cash with fiscal agents held by financial institutions was \$22,615,278. In addition, the City's discretely presented component unit had cash and investments with fiscal agents of \$4,236,156 at September 30, 2014.

***Interest Rate Risk***

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

**NOTE 4: NOTES RECEIVABLE**

The City has long-term receivables related to financing certain capital asset transactions, as further described below.

**Sacred Heart Catholic Church**

In 2010, the City acquired and sold certain property to Sacred Heart Catholic Parish. The City's acquisition cost of \$2,500,000 was financed through the issuance of General Obligation Pool Loan Refunding Bonds, Series 2010, to be repaid over 20 years with the final bonds maturing July 1, 2030. In conjunction with that transaction, the City sold the property under an agreement whereby the City provided financing to the buyer. The Catholic Diocese of Biloxi executed a \$2,560,000 promissory note for the purchase price and issuance costs, terms of which require annual payments and agency fees not to exceed \$219,000 at an interest rate not to exceed 5.5%, payments to coincide with the scheduled principal, interest and servicing fees attributable to the City's Series 2010 bonds. At September 30, 2014, the balance of this note receivable was \$2,205,000.

**NOTE 4: NOTES RECEIVABLE (Continued)**

Hub City Lofts

In 2012, pursuant to Katrina Supplemental CDBG Program grant agreements, the City entered into an arrangement to finance \$2,000,000, for a developer's site acquisition of two historic downtown buildings. The City financed this agreement through a loan from the Mississippi Development Authority (MDA), which requires monthly payments from the City over a 20-year term, bearing interest at 2%, in monthly installments of \$10,118, commencing February 1, 2013 and continuing until February 1, 2033. Pursuant to the City's loan agreement with the developer, HCL Leverage Lender LLC will remit the above-noted monthly payments to the City, and after the receipt of these payments, the City will in turn remit the corresponding payments to MDA. At September 30, 2014, the balance of this note receivable was \$1,855,129.

Hattiesburg Convention Commission

Notes receivable also include amounts due from the Hattiesburg Convention Commission (the Commission), a discretely presented component unit of the City, totaling \$437,934. As further described in Note 19, this balance represents obligations of the Commission for costs incurred by the City for capital renovations of the Saenger Theater, which is operated by the Commission pursuant to a long-term agreement with the City.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

*September 30, 2014*

	Primary Government					Ending Balance
	Beginning Balance	Additions	Retirements	Reclassification		
<b>Governmental Activities:</b>						
Capital assets not being depreciated:						
Land	\$ 3,621,214	\$ -	\$ -	\$ 26,132,395		\$ 29,753,609
Construction in progress	3,073,693	5,843,913		(4,235,331)		4,682,275
Total capital assets not being depreciated	6,694,907	5,843,913	-	21,897,064		34,435,884
Capital assets being depreciated:						
Buildings and improvements	43,466,472	409,682	-	(475,616)		43,400,538
Machinery and equipment	32,344,077	1,244,834	(1,469,353)	965,126		33,084,684
Infrastructure	163,487,316	2,177,722	-	(22,386,574)		143,278,464
Total capital assets being depreciated	239,297,865	3,832,238	(1,469,353)	(21,897,064)		219,763,686
Less accumulated depreciation for:						
Buildings and improvements	21,503,293	1,515,597	(477,608)	365,575		22,906,857
Machinery and equipment	25,683,008	2,150,523	(991,745)	(365,575)		26,476,211
Infrastructure	69,335,661	4,226,438	-	-		73,562,099
Total accumulated depreciation	116,521,962	7,892,558	(1,469,353)	-		122,945,167
Total capital assets being depreciated, net	122,775,903	(4,060,320)	-	(21,897,064)		96,818,519
<b>Governmental activities</b>						
<b>capital assets, net</b>	<b>\$ 129,470,810</b>	<b>\$ 1,783,593</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 131,254,403</b>

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS (Continued)**

September 30, 2014

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Reclassification	
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 315,243	\$ -	\$ -	\$ -	\$ 315,243
Construction in progress	13,938,087	5,657,784	-	(10,477,398)	9,118,473
Total capital assets not being depreciated	14,253,330	5,657,784	-	(10,477,398)	9,433,716
Capital assets being depreciated:					
Buildings and improvements	321,108	-	-	13,950	335,058
Machinery and equipment	8,756,783	118,665	(14,387)	75,200	8,936,261
Infrastructure	101,411,040	-	-	10,388,248	111,799,288
Total capital assets being depreciated	110,488,931	118,665	(14,387)	10,477,398	121,070,607
Less accumulated depreciation for:					
Buildings and improvements	199,148	109,916	-	-	309,064
Machinery and equipment	6,961,215	745,519	(14,387)	(44,231)	7,648,116
Infrastructure	18,138,862	2,507,013	-	44,231	20,690,106
Total accumulated depreciation	25,299,225	3,362,448	(14,387)	-	28,647,286
Total capital assets being depreciated, net	85,189,706	(3,243,783)	-	10,477,398	92,423,321
<b>Business-Type Activities</b>					
<b>capital assets, net</b>	<b>\$ 99,443,036</b>	<b>\$ 2,414,001</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 101,857,037</b>

Interest capitalized during the year totaled \$22,420.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS (Continued)**

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

**Governmental Activities:**

General government	\$ 689,643
Public safety	1,056,961
Public works - which includes the depreciation of infrastructure assets	5,137,170
Health and welfare	14,395
Other services	225,444
Culture and recreation	510,083
Mass transit	258,862
<b>Total depreciation expense - governmental activities</b>	<b>\$ 7,892,558</b>

**NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Balances due to/from the various City funds at September 30, 2014, consist of the following:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental fund	\$ 19,317
General fund	Combined water and sewer system	242,148
Nonmajor governmental fund	Nonmajor governmental fund	20,236
Nonmajor governmental fund	Combined water and sewer system	17,877
Nonmajor governmental fund	General fund	155,880
<b>Total</b>		<b>\$ 455,458</b>

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

Advances to/from other funds for governmental funds at September 30, 2014, consist of the following:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental fund	\$ 300,000

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

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

The composition of interfund transfers for the year ended September 30, 2014, is as follows:

<b>Transfers Out:</b>	<b>Transfers In:</b>		
	<b>General Fund</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
General fund	\$ -	\$ 3,465,500	\$ 3,465,500
Non major governmental funds	-	247,924	247,924
Total governmental funds	\$ -	\$ 3,713,424	\$ 3,713,424
Agency funds	-	399,335	399,335
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,112,759</b>	<b>\$ 4,112,759</b>

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

**NOTE 7: AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES**

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

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

<b>Entity/Purpose of Levy</b>	<b>Applicable State Law</b>	<b>Mills Levied</b>
School District:		
Operational Support	37-57-105	56.54
School Bonded Indebtedness	37-59-23	8.35
Library (support, upkeep and maintenance of Hattiesburg Public Library System)	39-3-7	1.95



**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 8: CLAIMS AND JUDGMENTS**

The City provides employee health and accident coverage through a self-insurance program that utilizes a plan administrator as its claims-servicing organization with the City retaining the risk of loss on all claims to which the City is exposed. Premium payments into the plan are established as a part of the City's budgetary process. Actuarial recommendations are provided by the plan administrator, but the City has opted to set premium rates for individual and family coverage at somewhat lower levels, with supplemental transfers into the City's Group Insurance Fund from payroll budgets into the self-insurance fund being remitted when necessary based upon the claims paid during the fiscal year. The City has reinsurance which provides two separate stop loss coverages: specific and aggregate, and these coverages are provided by an outside commercial carrier. For fiscal year 2014, the specific coverage begins when an individual participant's claim exceeds \$100,000, with unlimited maximum benefit per covered person. The aggregate policy covers all submitted claims in excess of the minimum aggregate deductible, which is the greater of \$4,735,299 or 95% of the annualized first monthly aggregate deductible. Maximum covered expenses of \$100,000 per covered person accumulate toward the unlimited maximum aggregate benefit. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The following table provides changes in the balances of claims liabilities for fiscal year 2014:

*September 30, 2014*

<b>Unpaid claims, beginning of fiscal year</b>	\$ 996,202
Plus: Incurred claims (including IBNR)	2,630,320
Less: Claims payments	(3,326,522)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 300,000</b>

Cash on deposit in the Group Insurance Fund at year end was \$108,342. Based upon the above projection of net unpaid claims in excess of cash on deposit, interfund receivables from the respective operating funds were recognized at year end in this fund.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 9: LEASE OBLIGATIONS**

The City has entered into various lease agreements as lessee for financing equipment purchases. The equipment has useful lives ranging from four to ten years. For fiscal year 2014, the assets recorded under capital leases and included in capital assets in the accompanying statement of net position are as follows:

**Governmental Activities:**

Machinery and equipment	\$ 5,697,259
Accumulated depreciation	(4,067,358)
<hr/>	
<b>Net book value</b>	<b>\$ 1,629,901</b>

**Business-type Activities:**

Machinery and equipment	\$ 2,912,593
Accumulated depreciation	(2,427,161)
<hr/>	
<b>Net book value</b>	<b>\$ 485,432</b>
<hr/>	
<b>Total net book value</b>	<b>\$ 2,115,333</b>

These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments, which include balloon payments of \$338,434, as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 are as follows:

<i>Year ending September 30,</i>	<b>Future Minimum Payments</b>	<b>Interest Payments</b>	<b>Governmental Activities Principal Payments</b>
2015	\$ 1,395,590	\$ 67,536	\$ 1,328,054
2016	785,011	33,990	751,021
2017	172,087	6,350	165,737
2018	143,406	2,457	140,949
<hr/>			
<b>Total</b>	<b>\$ 2,496,095</b>	<b>\$ 110,334</b>	<b>\$ 2,385,761</b>

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES**

***General Obligation Bonds and Notes***

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City and have been issued for both governmental and business-type activities. Notes are generally issued with a five-year maturity. The City has no special assessment bonds or anticipation notes at September 30, 2014. Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 5 to 20 years. General obligation notes and bonds outstanding at September 30, 2014 are as follows:

<b>Governmental Activities:</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Activities Maturity</b>	<b>Final Maturity</b>	<b>Outstanding 9/30/2014</b>
Public Improvements	2008	\$ 6,025,000	4.00%	2018	\$ 2,685,000
Public Improvements	2009	6,575,000	3.00%	2016	1,885,000
Public Improvements	2010	9,950,000	2.00% - 3.00% *	2022	7,070,000
Public Improvements	2010	2,560,000	2.90% - 6.00% *	2030	2,205,000
					<b>\$ 13,845,000</b>
<hr/>					
<b>Business-Type Activities</b>					
Public Improvements	2009	\$ 7,500,000	2.75% - 3.80% *	2024	\$ 5,525,000
Public Improvements	2010	3,600,000	2.60% - 3.70% *	2030	3,110,000
					<b>\$ 8,635,000</b>

\* Interest rates vary by maturity block of bonds.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

***Limited Obligation Economic Development Bonds and Notes***

The City also has issued limited obligation debt for economic development purposes that is repaid from revenues pledged under the terms of the respective contractual agreements made pursuant to the authorization for these projects by the governing authorities. Thus, future revenues are pledged in the amount of future debt service requirements. These limited obligation bonds and notes are generally issued with essentially level annual principal and interest payments with maturities that range from 10 to 20 years. Limited obligation notes and bonds outstanding at September 30, 2014 are as follows:

<b>Governmental Activities:</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Activities Maturity</b>	<b>Final Maturity</b>	<b>Outstanding 9/30/2014</b>
Kohler MBIA	1998	\$ 5,500,000	0.00%	2017	\$ 870,000
MDB Limited Obligation Bonds (Church)	2010	2,937,000	2.90% - 6.00% *	2030	290,041
Hub City Lofts	2012	2,000,000	2.00%	2034	1,855,129
					<b>\$ 3,015,170</b>

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

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

***Limited Obligation Tax Increment Financing (TIF) Bonds***

Tax increment financing (TIF) bonds are issued by the City to provide funds for the acquisition and construction of infrastructure and related improvements in conjunction with commercial development projects. Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 10 to 20 years. These bonds are secured by the payment of the incremental increase in City property taxes from each project's TIF taxing district as authorized under the TIF plan document approved by the governing authorities. These bonds may also be secured by county participation as authorized by executed interlocal agreements pledging incremental increase in county property taxes in the TIF taxing district. Limited obligation TIF bonds outstanding at September 30, 2014 are as follows:

<b>Governmental Activities:</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Activities Maturity</b>	<b>Final Maturity</b>	<b>Outstanding 9/30/2014</b>
Walmart	2000	\$ 900,000	5.00% - 5.75% *	2015	\$ 60,000
Chauvet Square	2003	1,100,000	4.50% - 5.35% *	2023	665,000
Home Depot	2005	700,000	4.12%	2015	85,000
Chauvet Square	2007	1,400,000	4.50%	2027	1,175,000
Turtle Crossing	2007	4,100,000	4.35%	2021	2,415,000
Lincoln Center	2008	610,000	4.00%	2023	410,000
Turtle Creek Crossing	2011	400,000	5.68%	2025	310,000
Kohls	2012	715,000	5.00%	2021	520,000
Southern Pointe	2014	2,600,000	4.85%	2029	2,600,000
					<b>\$ 8,240,000</b>

\* Interest rates vary by maturity block of bonds.

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

The City issues water and sewer revenue bonds to provide funds for the acquisition and construction of water and sewer system infrastructure and related improvements. These bonds are secured by water and sewer operating revenues and are subject to the requirements of the respective revenue bond documents. These bond documents include important net revenue calculation and parity debt requirements. Pledged future revenues as of September 30, 2014 totaled \$70,887,537, which is the net of future debt service requirements and cash with fiscal agents restricted for related debt service. System revenues are available for operations, maintenance and related maintenance reserves, and debt service during the term of the bonds.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 15 to 25 years. Revenue bonds outstanding at September 30, 2014 are as follows:

<b>Business-Type Activities</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest Activities Maturity *</b>	<b>Final Maturity</b>	<b>Outstanding 9/30/2014</b>
W & S Refunding Bonds	2006	\$ 17,000,000	4.00% - 5.00%	2021	\$ 9,330,000
W & S Revenue Project	2012	12,500,000	2.50% - 5.00%	2032	11,570,000
W & S Revenue and Refunding Bonds	2014	28,000,000	2.75% - 5.00%	2039	28,000,000
					<b>\$ 48,900,000</b>

\* Interest rates vary by maturity block of bonds.

In December 2013, the City issued bonds totaling \$28,000,000 in Water and Sewer Revenue Bonds (Mississippi Development Bank Special Obligation Bonds, Series 2013), as reflected above. These bonds were issued to provide funds for repairing, improving, and extending the water and sewer system and for the purposes of a current refunding of the City's \$3,000,000 General Obligation Note, Series 2013. The current refunding of debt resulted in reduction in remaining cash flows of approximately \$14,400, but extended the time period over which principal would be repaid from 4 years to 25 years. Due to the extended term over which payments will be required and the increase in the nominal interest rates, additional economic cost that will be incurred over the life of the refunded debt is approximately \$336,600. Bond issuance costs expensed during the year totaled \$548,000.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

***Business-type Activities (Water and Sewer) State Revolving Loan Fund (SRF) Notes***

In addition to water and sewer revenue bonds, the City has utilized financing available under the State of Mississippi Revolving Loan Fund (SRF) program to provide funds for qualified sewer projects. Monthly principal and interest payments for the repayment of these notes is deducted from the City's monthly sales tax diversion payments from the Mississippi Department of Revenue, with monthly reimbursements to the City's general fund being made from monthly operating sewer system revenues as authorized by the City's budget document. The SRF notes outstanding at September 30, 2014 are as follows:

<b>Business-Type Activities</b>	<b>Sale Date</b>	<b>Original Borrowing</b>	<b>Interest</b>		<b>Outstanding 9/30/2014</b>
			<b>Rates to Maturity</b>	<b>Final Maturity</b>	
SRF #1	1997	\$ 2,191,243	4.50%	2016	\$ 307,320
SRF #2	1997	2,165,672	4.50%	2017	392,132
SRF #3	1999	1,293,195	4.50%	2019	384,119
					\$ 1,083,571

***Compensated Absences***

Compensated absences at September 30, 2014 are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Primary Government</b>
Accrued vacation pay	\$ 1,851,025	\$ 133,704	\$ 1,984,729
Accrued overtime pay	4,395	10,881	15,276
Accrued holiday pay	51,745	-	51,745
<b>Total</b>	<b>\$ 1,907,165</b>	<b>\$ 144,585</b>	<b>\$ 2,051,750</b>

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

***Changes in Long-Term Liabilities***

Changes in the City's long-term liabilities for the year ended September 30, 2014 are as follows:

<b>Governmental Activities</b>	<b>Balance 9/30/2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/2014</b>	<b>Due Within One Year</b>
General obligation bonds and notes	\$ 16,507,431	\$ -	\$ (2,662,431)	\$ 13,845,000	\$ 2,430,000
Limited obligation TIF bonds	6,300,000	2,600,000	(660,000)	8,240,000	810,000
Economic development limited obligation bonds and notes	3,410,136	-	(394,966)	3,015,170	396,650
Total bonds and notes payable	26,217,567	2,600,000	(3,717,397)	25,100,170	3,636,650
Capital leases	4,024,740	-	(1,638,979)	2,385,761	1,328,054
Compensated absences	1,807,238	99,927	-	1,907,165	286,075
<b>Governmental activities long-term liabilities</b>	<b>\$ 32,049,545</b>	<b>\$ 2,699,927</b>	<b>\$ (5,356,376)</b>	<b>\$ 29,393,096</b>	<b>\$ 5,250,779</b>

<b>Business-Type Activities</b>	<b>Balance 9/30/2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/2014</b>	<b>Due Within One Year</b>
General obligation bonds and notes	\$ 12,195,000	\$ -	\$ (3,560,000)	\$ 8,635,000	\$ 585,000
Revenue bonds	22,465,000	28,000,000	(1,565,000)	48,900,000	1,690,000
State revolving loan funds	1,458,857	-	(375,286)	1,083,571	392,528
Unamortized premium (discount)	402,325	-	(133,906)	268,419	17,507
Total bonds and notes payable	36,521,182	28,000,000	(5,634,192)	58,886,990	2,685,035
Compensated absences	144,585	-	-	144,585	21,688
<b>Business-type activities long-term liabilities</b>	<b>\$ 36,665,767</b>	<b>\$ 28,000,000</b>	<b>\$ (5,634,192)</b>	<b>\$ 59,031,575</b>	<b>\$ 2,706,723</b>



**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

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

**Governmental Activities:**

Year Ending <i>September 30,</i>	G.O. Bonds and Notes		Limited Obligation TIF Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 2,430,000	\$ 442,999	\$ 810,000	\$ 430,344
2016	2,515,000	367,388	690,000	345,055
2017	1,620,000	301,388	715,000	313,002
2018	1,680,000	246,656	755,000	279,762
2019	1,005,000	203,531	790,000	244,578
2020-2024	3,540,000	564,444	2,850,000	708,006
2025-2029	850,000	220,313	1,630,000	185,215
2030-2034	205,000	12,300	-	-
	<b>\$ 13,845,000</b>	<b>\$ 2,359,019</b>	<b>\$ 8,240,000</b>	<b>\$ 2,505,962</b>

Year Ending <i>September 30,</i>	Economic Development Limited Obligation Bonds and Notes		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2015	\$ 396,650	\$ 39,806	\$ 3,636,650	\$ 913,149
2016	398,367	37,830	3,603,367	750,273
2017	400,023	35,819	2,735,023	650,209
2018	111,906	33,773	2,546,906	560,191
2019	113,727	31,690	1,908,727	479,799
2020-2024	597,417	125,903	6,987,417	1,398,353
2025-2029	615,350	68,140	3,095,350	473,668
2030-2034	381,730	12,858	586,730	25,158
	<b>\$ 3,015,170</b>	<b>\$ 385,820</b>	<b>\$ 25,100,170</b>	<b>\$ 5,250,801</b>

(Table continued on next page)

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 10: LONG-TERM LIABILITIES (Continued)**

**Business-type Activities:**

Year Ending <i>September 30,</i>	G.O. Bonds and Notes		State Revolving Loan Funds	
	Principal	Interest	Principal	Interest
2015	\$ 585,000	\$ 275,502	\$ 392,528	\$ 40,730
2016	615,000	256,144	396,590	22,698
2017	640,000	236,992	173,771	8,763
2018	670,000	216,979	96,000	3,467
2019	700,000	195,494	24,682	185
2020-2024	4,000,000	597,783	-	-
2025-2029	1,160,000	155,409	-	-
2030-2034	265,000	8,613	-	-
	<b>\$ 8,635,000</b>	<b>\$ 1,942,916</b>	<b>\$ 1,083,571</b>	<b>\$ 75,843</b>

Year Ending <i>September 30,</i>	Revenue Bonds		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 1,690,000	\$ 1,990,375	\$ 2,667,528	\$ 2,306,607
2016	1,765,000	1,906,376	2,776,590	2,185,218
2017	1,840,000	1,833,326	2,653,771	2,079,081
2018	1,915,000	1,760,907	2,681,000	1,981,353
2019	2,085,000	1,686,769	2,809,682	1,882,448
2020-2024	8,965,000	7,281,068	12,965,000	7,878,851
2025-2029	9,855,000	5,584,881	11,015,000	5,740,290
2030-2034	10,535,000	3,510,334	10,800,000	3,518,947
2035-2039	10,250,000	1,271,631	10,250,000	1,271,631
	<b>\$ 48,900,000</b>	<b>\$ 26,825,667</b>	<b>\$ 58,618,571</b>	<b>\$ 28,844,426</b>

During the year ended September 30, 2014, interest expense paid for governmental activities and business-type activities was \$967,762 and \$1,792,688, respectively.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 11: SCHEDULE OF STATUTORY DEBT LIMITATIONS**

The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of \$48,308,607 (the smaller of the two computed margins) as of September 30, 2014:

	<b>15% Test</b>	<b>20% Test</b>
Assessed value as of September 30, 2014		
(\$414,357,378) times applicable percentage	(a) \$ 62,153,607	\$ 82,871,476
Present debt subject to debt limits as of September 30, 2014:		
Total bonds and notes other than Water and Sewer	25,100,170	25,100,170
Less: Bonds exempt from debt limitation calculations	(11,255,170)	(11,255,170)
Add: Water & Sewer debt other than revenue bonds	N/A	9,718,571
General obligation debt subject to applicable tests	(b) \$ 13,845,000	\$ 23,563,571
Margin for additional debt - (a) minus (b)	\$ 48,308,607	\$ 59,307,905

**NOTE 12: RELATED ORGANIZATION**

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

**Hattiesburg Tourism Commission** - The Tourism Commission consists of seven members appointed by the Mayor and ratified by the City Council. Funding is from a special tax levied upon the gross proceeds from hotel and motel overnight room rentals. The City collects that tax and distributes it to the Tourism Commission. Amounts disbursed for the fiscal year ended September 30, 2014 totaled \$578,932.

**NOTE 13: JOINT VENTURES**

The City of Hattiesburg is a participant with Forrest County in a joint venture authorized by Section 57-31-1, Mississippi Code Annotated (1972), to operate the Forrest County Industrial Park Commission (the Industrial Park Commission). The joint venture was created to develop and

**NOTE 13: JOINT VENTURES (Continued)**

operate an industrial park complex for citizens of Forrest County and the City of Hattiesburg. The Commission is governed by a ten member board. The governing authorities of the City of Hattiesburg and the Forrest County Board of Supervisors each appoint five members. Each governing entity approves the annual budget of the Industrial Park Commission and is then obligated to provide an equal share of funding pursuant thereto for ongoing financial support. For the fiscal year ended September 30, 2014, the City provided \$130,000 in funds to the Industrial Park Commission. A separate financial statement of the Forrest County Industrial Park Commission can be obtained by contacting the Commission at Post Office Box 1898, Hattiesburg, Mississippi 39403.

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

The City of Hattiesburg is a participant with Forrest County and the City of Petal in a joint venture authorized by Section 39-3-38, Mississippi Code Annotated (1972) to operate the Library of Hattiesburg, Petal, and Forrest County. The joint venture was created to provide free public library service to the citizens of Forrest County and the Cities of Hattiesburg and Petal. The library is governed by a fifteen member board appointed by the governments involved as follows: City of Hattiesburg - six members; Forrest County - six members; and City of Petal - three members. Each entity is obligated by contract to levy not less than 1.25 mills as authorized by Sections 39-3-35 and 39-3-37, Mississippi Code Annotated (1972), for the ongoing financial support of the library. The City receives taxes collected for the Library and then distributes such taxes. For the year ended September 30, 2014, the City received \$825,167 in taxes assessed for the Library and disbursed \$819,344 to the Library, with the balance remitted subsequent to the fiscal year-end. A separate financial statement of the library can be obtained by contacting the Library at 329 Hardy Street, Hattiesburg, Mississippi 39401.

**NOTE 14: JOINTLY GOVERNED ORGANIZATIONS**

The Emergency Management District provides emergency services to the City of Hattiesburg and Forrest County. The entity is controlled by an eight member council. The Council is chosen as follows by the following authorities: Mayor of Hattiesburg - one; Forrest County Board of Supervisors - one; Sheriff of Forrest County - one; AAA Ambulance - one; Hattiesburg Police Chief - one; Hattiesburg Fire Chief - one; the University of Southern Mississippi - one; and Forrest General Hospital - one. Operating funds are provided by state grants, E-911 charges and direct contributions. For the year ended September 30, 2014, City expenditures to the Emergency Management District totaled \$342,000.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

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

A deficit fund balance of \$10,593 existed in the City’s CDBG Fund as of September 30, 2014. This deficit resulted from recognizing costs that had been incurred but not yet paid. No related grant reimbursements or transfers receivable were recorded because expenditures had not yet been made. The City accrues grant revenues only when all eligibility requirements have been met, including the requirement that allowable costs must have been incurred and also paid before reimbursements may be requested. Expenditures not reimbursed by grants are funded by transfers from other City funds.

**NOTE 16: COMMITMENTS AND CONTINGENCIES**

***Encumbrances***

As of September 30, 2014, the City had commitments for remaining balances on executed contracts and outstanding encumbrances, as described below.

The balances outstanding on construction projects in progress were as follows:

*September 30, 2014*

Veteran's Blvd Water Connector	\$ 1,361,829
Inflow & Infiltration Study - Task Order #2	824,472
USA Yeast Evaporator Plant Project	703,740
Other projects	609,686
<b>Commitments for construction projects in progress, end of fiscal year</b>	<b>\$ 3,499,727</b>

Significant encumbrances at September 30, 2014, included \$2,273,535 for sanitation trucks, \$915,991 for Water and Sewer capital expenditures, \$202,892 for water and sewer equipment and projects, \$94,200 for drainage projects, \$99,942 for community center renovation and repair, and \$136,047 for various other systems and projects. Total encumbrances, which are carried forward to the next fiscal year via budget amendment, were \$3,889,788.

***USA Yeast Facility***

As of September 30, 2014, construction in progress included \$6,743,900 for cumulative expenditures related to construction of a wastewater pretreatment facility, or evaporator plant, for a manufacturing facility located within the City. Total expected cost is \$7,037,400, for which \$5,000,000 in funding was provided by a Katrina Supplemental CDBG Economic Development Grant, with remaining costs funded by the manufacturing company. Pursuant to an agreement between the City and the company, title to the equipment and components will transfer to the company upon expiration of the agreement on December 31, 2021. Under the agreement, the City has a ground lease for company property on which the evaporator plant is located. See also Note 20– Subsequent Events.

**NOTE 16: COMMITMENTS AND CONTINGENCIES (Continued)**

***Compliance with Mississippi Departmental of Environmental Quality Order***

The Mississippi Department of Environmental Quality (“MDEQ”), pursuant to its authority under the Clean Water Act, issued permits (the “Permits”) to the City for discharges from the North Lagoon and South Lagoon. In March, 2012, Gulf Restoration Network (“GRN”) filed a complaint against the City under the Clean Water Act, alleging violations of the Permits. In August, 2012, the Mississippi Commission on Environmental Quality (“MCEQ”) intervened. As a result of that intervention, the City has been mandated to rehabilitate and improve its wastewater treatment system under an Agreed Order executed, and subsequently amended, between the City and MDEQ. In August, 2014, a Second Amended Agreed Order (“Second Amended Agreed Order”) was entered into between MDEQ and the City. The Second Amended Agreed Order, among other things, included (a) tiered interim limits under the South Lagoon permit for discharges, (b) milestone deadlines for a City project at the South Lagoon, and (c) stipulated penalties for project deadlines and interim limit violations.

Compliance with the Amended Agreed Order will require rehabilitation and improvement of the City’s infrastructure and construction of a new wastewater treatment facility in various project phases over a long-term period. Project completion for the new wastewater treatment facility is currently scheduled for September 2018. Infrastructure improvements began in 2012 and are expected to continue through 2024. The new wastewater treatment system and infrastructure improvements are expected to cost approximately \$125,000,000 to \$150,000,000. In addition, the City anticipates additional costs in connection with future maintenance of the water and sewer system. Future debt obligations to finance the wastewater treatment system and various infrastructure improvements in connection with the wastewater treatment system are expected. In addition, significant incremental rate increases are anticipated in order to meet all applicable financial, contractual, and regulatory requirements, including compliance with provisions contained in water and sewer bond documents. See also Note 20 – Subsequent Events.

***Litigation and Arbitration***

**Groundworx**

During the year ended September 30, 2014, Groundworx, LLC filed a complaint against the City for breach of contract and injunctive relief related to a contract for treatment of wastewater. As subsequently amended, this complaint alleges that the City failed to perform certain acts to enable Groundworx to obtain financing necessary to fulfill its contract obligations and seeks \$6,266,753 plus attorney fees and expenses. In December 2014, this case was dismissed with prejudice by the Chancery Court, and the case is now under appeal by Groundworx to the Mississippi Supreme Court. The City intends to vigorously defend against this suit. Due to the ongoing status of the litigation, the outcome of this matter is uncertain.

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 16: COMMITMENTS AND CONTINGENCIES (Continued)

#### Precision Construction, LLC

In civil action against the City brought by Precision Construction, LLC (Precision) for breach of contract, the Forrest County Circuit Court ordered that the matter be handled in binding arbitration. As a result of that arbitration and subsequent decision of the Court of Appeals of Mississippi, Precision was awarded \$856,666 plus \$7,033 toward additional expenses and arbitrator fees, along with interest assessed at 8% from August 29, 2014 until the judgment is paid. The City is vigorously pursuing further appellate remedies to reduce the amount of the judgment and is withholding payment of the judgment pending conclusion of those efforts. In accordance with generally accepted accounting principles, the City has accrued the amount of the arbitration award as a liability as of September 30, 2014 in its government-wide statement of net position.

#### Personal Injury Case

The City is a defendant in an alleged excessive force case relating to an incident in which the defendant sustained quadriplegia. The litigation, which is in United States District Court for the Southern District of Mississippi, Hattiesburg Division, is still in the discovery phase. Due to the catastrophic nature of the injury, any damages, if proven, could be significant. Since the matter is still in early stages of litigation, management is unable to predict the outcome of the case or estimate the range of any loss in the event of an unfavorable outcome. Defense of this matter is being conducted through the Mississippi Municipal Service Company, which provides the City's liability insurance.

#### Other

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

#### ***Federal Grants***

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

**NOTE 16: COMMITMENTS AND CONTINGENCIES (Continued)**

***Group Insurance Programs***

The City obtains its workers' compensation, general and automobile liability insurance through certain group insurance programs of the Mississippi Municipal Service Company. Under these programs and pursuant to State of Mississippi regulations, participants are jointly and severally liable for claims incurred; however, the City has experienced no loss under such provisions.

***Self-Funded Health Insurance Program***

The City provides health insurance to its employees under a self-insured program, as previously described. The City obtains reinsurance to protect against significant loss; however, under the terms of such reinsurance policies, the City is ultimately responsible for covered claims.

**NOTE 17: OTHER POSTEMPLOYMENT BENEFITS**

The City's health insurance plan allows for retirees to obtain health insurance by participating in the City's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the City has postemployment healthcare benefits reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the City has not recorded a liability for other postemployment benefits nor has the City reported note disclosures which are required by accounting principles generally accepted in the United States of America.

**NOTE 18: DEFINED BENEFIT PENSION PLANS**

***Public Employees' Retirement System of Mississippi (PERS)***

Plan Description

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the PERS System Board of Trustees. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions and the Board of Trustee's authority to determine contribution rates are established by State law and may be amended only by the State of Mississippi Legislature. The PERS System issues a publicly available Comprehensive Annual Financial Report that includes financial information of the administered plans. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS. Financial reports also are available on the System's website at [www.pers.ms.gov](http://www.pers.ms.gov).



**NOTE 18: DEFINED BENEFIT PENSION PLANS (Continued)**

Participation and Funding Policy

The PERS System Board of Trustees establishes contribution rates for the PERS plan. Membership for the City's employees is a condition of employment, and eligibility is granted to those who qualify upon hiring. As specified by the Board of Trustees, members are required to contribute a percentage of their annual covered salary (9.00% since July 1, 2010) and the City is required to contribute at an actuarially determined rate, currently 15.75% of annual covered payroll. The City's contributions to PERS for the years ended September 30, 2014, 2013, and 2012 were \$3,492,961, \$3,086,123, and \$2,692,920, respectively, 100% of the required contributions for each year. As of September 30, 2014, \$158,507 was payable to PERS for current employer contributions, to be remitted in the following month.

***Pension Plan for Policemen and Firemen (PFDR)***

Plan Description

The City contributes to the Police and Fire Disability and Relief Fund (PFDR), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi Board of Trustees as part of the Municipal Retirement System (MRS) plans and in coordination with the governing authorities of the City. The City's uniformed police officers and firefighters employed prior to July 1, 1987, participate in PFDR. Firefighters and police officers employed subsequent to July 1, 1987 are members of the Public Employees' Retirement System of the State as previously described.

All assets existing in the City's Police and Firemen's Disability and Relief Fund at July 1, 1987, were transferred to the PERS System. Those assets were placed into an investment pool with the assets from the other Police and Firemen's Disability and Relief Funds, and the City's book value of its share of these assets was set at the market value of the transferred assets as of July 1, 1987. As of June 30 each year, PERS determines the City's pro-rata distribution of investment pool earnings, and the City's account balance is adjusted accordingly. The PERS System issues a publicly available Comprehensive Annual Financial Report that includes financial information of the MRS plans. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS. Financial reports also are available on the System's website at [www.pers.ms.gov](http://www.pers.ms.gov).

MRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Membership eligibility and benefit provisions are governed by the general laws of the State of Mississippi, as well as local and private legislation enacted by the Mississippi State Legislature. Statutes may only be amended by the Mississippi Legislature. The PFDR retirement allowance is payable under this plan to any member who retires and has completed at least 20 years of creditable service, regardless of age. The retirement benefits

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLANS (Continued)**

are calculated in an amount equal to 50% of the employee's average compensation, plus 1.7% of average compensation for each year of credited service over 20 with an aggregate amount not to exceed 66-2/3%. Annual cost-of-living (COLA) adjustments are made to allowances of all retirees and beneficiaries, as further described below. Disability and death benefits are also provided under the plan. Upon a member's termination for any reason before retirement, that member's accumulated contributions are refunded.

Funding Status and Progress

The actuarial accrued liability is a measure intended to (i) help users assess the System's funding status on a going-concern basis and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ended September 30, 1994 and earlier, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995 actuarial valuation, the actuarial value of assets is determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as those used to determine the System's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the System (but not used for funding purposes) as of June 30, 2014. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.00% per year compounded annually including price inflation at 3.50%, (b) projected salary increases of 4.25% per year compounded annually, attributable to inflation, and (c) additional projected salary liability increases of up to 1.75% per year compounded annually, attributable to merit and seniority. Additionally, local and private legislation, enacted by the Mississippi Legislature, has authorized annual cost of living adjustments (COLA) of 2.50% per year, not to exceed 30% of annual pension benefits.

A distribution of the number of employees by type of membership, is presented below:

Retired participants and beneficiaries	
currently receiving benefits	149
Active participants	2
<b>Total</b>	<b>151</b>

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLANS (Continued)**

Active member information based upon the most current actuarial study consists of the following:

Annual payroll	\$ 94,780
Average annual payroll	\$ 47,390
Average age in years	57.4
Average service in years	32.8

Retired lives based upon the most current actuarial study consist of the following:

Type of Benefit Payment	Number	Annual Benefits	Average Benefit	Average Age
Retirement	108	\$ 2,724,286	\$ 25,225	64.60
Disability	6	78,455	13,076	62.60
Survivor	35	528,847	15,110	69.40
<b>Total</b>	<b>149</b>	<b>\$ 3,331,588</b>	<b>\$ 22,360</b>	<b>65.60</b>

At September 30, 2014, the actuarial accrued liability, valued as of June 30, 2014, was determined as follows:

	<b>\$ in Thousands</b>
Actuarial Accrued Liability (AAL):	
Retirees and beneficiaries currently receiving benefits	\$ 35,839
Active members	759
Total actuarial accrued liability	36,598
Actuarial value of assets	20,826
Unfunded actuarial accrued liability	\$ 15,772
Funded ratio	57%
Unfunded actuarial liability to covered payroll	17%

During the year ended September 30, 2014, the plan experienced a decrease of approximately \$1,364,000 in the Actuarial Accrued Liability.

The schedule of funding progress, presented as required supplementary information at Schedule 2 following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 18: DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy

The PERS System Board of Trustees establishes the funding policy for MRS plans. The funding policy for PFDR provides for periodic employer contributions at actuarially determined rates, expressed as millage rate tax applied to assessed property tax values, and active employee contributions at stated rates. Employer and employee contribution rates as of September 30, 2014, were 15.75% and 10%, respectively, of covered payroll. Contributions under this funding policy, established beginning in the 2011-2012 fiscal year, will generate an ultimate asset reserve level equal to a reasonable percentage (initially 100% - 150%) of the next year's projected benefit payment. At that point, actuarially determined employer contributions will be set equal to the fiscal year's projected benefit payments and adjusted as necessary to maintain the assets at the established reserve level; however, ultimately the City has the option of determining the contribution rate to set as its certified millage rate. The millage rate set by the City must be at a level that will ensure actuarial soundness of the System.

In developing the annual required contribution shown in the following paragraphs, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a remaining amortization period of twenty years. The asset valuation method used is a 5-year smoothed market method. The City has the option to set property tax rates to allow for extended contributions beyond 2020 under the funding policy adopted by the PERS Board of Trustees in February 2011. The millage rates certified as of September 30, 2014 under the Pre-2011 and Post-2011 Funding Policy rates are 8.07 mills and 3.47 mills, respectively. The actual tax levy set for the pension fund for policemen and firemen as of September 30, 2012 was 3.82 mills.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 18: DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended September 30, 2014, contributions totaling \$1,636,421 (\$1,626,874 employer and \$9,547 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2014. The employer's annual required contribution (ARC) was actuarially determined to be \$1,695,790 (consisting of \$11,580 normal ARC and \$1,684,210 accrued liability ARC). Presented below is a schedule of annual required contributions for the past ten (10) years:

Fiscal Year 10/1 - 9/30	Valuation Date	Annual Required Contribution	Percentage Contributed
2004-05	9/30/2004	\$ 1,105,770	114.6%
2005-06	9/30/2005	1,229,031	111.4%
2006-07	9/30/2006	1,228,267	119.5%
2007-08	9/30/2007	1,172,541	129.9%
2008-09	9/30/2008	1,115,275	141.1%
2009-10	9/30/2009	1,411,127	124.7%
2010-11	9/30/2010	1,519,076	116.9%
2011-12	9/30/2011	1,579,521	121.8%
2012-13	9/30/2012	1,695,623	88.6%
2013-14	6/30/2013	1,695,790	95.9%

As of September 30, 2014 \$525 was payable to PFDR for current employer contributions, to be remitted in the following month.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information, for which three years is required, is presented as follows:

<b>Three-Year Trend Information</b>				
Valuation Date	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	
9/30/2012	\$ 1,579,521	\$ 1,923,732	121.8%	
9/30/2013	1,695,623	1,503,102	88.6%	
6/30/2014	1,695,790	1,626,874	95.9%	

\* Valuation date changed in FY 2013 to conform to the Public Employee Retirement System's fiscal year-end of June 30.

In addition to this, the Statement of Plan Net Position is included in Exhibit H and the Statement of Changes in Plan Net Position is included in Exhibit I. Actuarial information for the year ended September 30, 2014, can be obtained by contacting the City of Hattiesburg's Chief Financial Officer.

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 19: DISCRETELY PRESENTED COMPONENT UNIT**

Capital asset activity for the Hattiesburg Convention Commission for the year ended September 30, 2014 was as follows:

*Year ended September 30, 2014*

	Beginning Balance	Additions	Retirements	Reclassification	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,315,877	\$ -	\$ -	\$ -	\$ 1,315,877
Construction in progress - Eureka	1,471,127	300,012	-	-	1,771,139
Construction in progress- Zoo	273,487	136,195	(409,682)	-	-
Total capital assets not being depreciated	3,060,491	436,207	(409,682)	-	3,087,016
Capital assets being depreciated:					
Buildings and improvements	18,133,585	-	-	-	18,133,585
Furniture and fixtures	474,945	-	-	-	474,945
Equipment and vehicles	1,583,349	-	-	-	1,583,349
Assets required under capital lease	34,737	-	-	-	34,737
Total capital assets being depreciated	20,226,616	-	-	-	20,226,616
Less accumulated depreciation for:					
Buildings and improvements	6,074,526	407,313	-	-	6,481,839
Furniture and fixtures	421,412	7,132	-	-	428,544
Equipment and vehicles	1,382,445	59,246	-	-	1,441,691
Assets required under capital lease	16,404	11,579	-	-	27,983
Total accumulated depreciation	7,894,787	485,270	-	-	8,380,057
Total capital assets being depreciated, net	12,331,829	(485,270)	-	-	11,846,559
<b>Governmental activities</b>					
<b>capital assets, net</b>	<b>\$ 15,392,320</b>	<b>\$ (49,063)</b>	<b>\$ (409,682)</b>	<b>\$ -</b>	<b>\$ 14,933,575</b>

**City of Hattiesburg, Mississippi**  
**Notes to Financial Statements**

**NOTE 19: DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

As of September 30, 2014, the Commission's assets recorded under capital leases were as follows:

**Governmental Activities:**

Vehicles	\$	34,737
Accumulated depreciation		(27,983)
Net book value	\$	6,754

The schedule below details the changes in the Commission's long-term debt during the year ended September 30, 2014:

	Balance 9/30/2013	Additions	Reductions	Balance 9/30/2014
Capital leases	\$ 18,333	\$ -	\$ 11,579	\$ 6,754
Saenger bonds contract	563,058	-	125,124	437,934
<b>Total amounts</b>	<b>\$ 581,391</b>	<b>\$ -</b>	<b>\$ 136,703</b>	<b>\$ 444,688</b>

The future minimum lease payments under capital leases are as follows:

<i>Year ending September 30</i>	<b>Principal</b>
2015	\$ 6,754

In a prior year, the City entered into an arrangement with the Hattiesburg Convention Commission whereby the Commission agreed to reimburse the City for the cost of certain renovation to the Saenger Theater and the Commission assumed operations of the Theater. This agreement requires the Commission to make monthly payments of \$10,427 through March 2018, which approximates the City's debt service requirements related to the renovation cost incurred. The Commission's payments to the City during the year ended September 30, 2014 totaled \$125,124.

The City entered into a contract with the Hattiesburg Convention Commission and the Hattiesburg Tourism Commission during fiscal year 2010 for the management of the Hattiesburg Zoo at Kamper Park. In May 2012, a new agreement was entered into with the Convention Commission that allowed for the Commission to accept full financial responsibility for any subsidy requirement necessary for operations of the Hattiesburg Zoo, thus ending the monthly management fee as contained in the original contract. Six months prior to the end date of the contract (September 30, 2015), all parties agree to review the financial status of the Zoo operations to consider whether any revisions to the financial plan are necessary.

## City of Hattiesburg, Mississippi Notes to Financial Statements

### NOTE 19: DISCRETELY PRESENTED COMPONENT UNIT (Continued)

During the year ended September 30, 2014, the City contributed \$145,361 to the Hattiesburg Convention Commission for capital projects. The Commission also transferred completed projects totaling \$409,682 to the City, which are included in capital assets of the City.

### NOTE 20: SUBSEQUENT EVENTS

Management has evaluated subsequent events after the financial statement date of September 30, 2014 through March 25, 2016, which is the date the financial statements were available to be issued. Significant subsequent events are described below.

#### *Major Purchases*

Subsequent to the year ended September 30, 2014, the City purchased a 2015 Ferrara ladder truck for the Fire Department at a cost of \$764,229.

#### *Issued Debt and Financing Agreements*

Subsequent to the year ended September 30, 2014, the City has entered into additional debt agreements as follows:

- General Obligation Water and Sewer Refunding Bonds, Series 2015, for defeasance of General Obligation Water and Sewer Bonds dated 2009, par amount of \$4,605,000, maturities through 2024, interest at 2%-3%.
- General Obligation Refunding Bonds, Series 2015, for defeasance of General Pool Loan Refunding Bonds, Series 2009, par amount of \$5,400,000, maturities through 2021, interest at 2%-3%.
- Certificates of Participation, principal of \$5,300,000, maturities through 2035, interest at 3%-5%. See also "*Major Projects – Public Safety Complex*".
- General Obligation Notes, principal of \$2,000,000 to be funded in various draws, five-year term, interest at 1.49%. See also "*Major Projects – Public Safety Complex*".
- Taxable Tax Increment Limited Obligation Bonds, Series 2015, Hattiesburg Clinic Midtown District Project, principal of \$845,000, maturities through 2030, interest at 4%.
- Taxable Tax Increment Limited Obligation Bonds, The Ridge at Turtle Creek Project, Series 2015-A, principal of \$1,225,000, maturities through 2030, interest at 5.5%.
- Taxable Tax Increment Limited Obligation Bonds, Midtown Market Project, Series 2015-B, principal up to \$210,000, maturities through 2030, interest at 5.5%.



**NOTE 20: SUBSEQUENT EVENTS (Continued)**

The City entered into a long-term financing agreement with a bank for \$7,528,000, payable over a period through August 2032, and bearing interest at 2.575%. This lease is for purposes of financing certain capital expenditures and related services pursuant to an energy savings performance contract which qualified for financing under the MDA Energy Efficiency Lease Program. The purchase option commences in August 2017. See additional information below in the section captioned *“Energy Savings Performance Contract”*.

The City also entered into a long-term capital lease in the amount of \$1,923,000 for the purchase of ten sanitation trucks. The lease matures in 2019 and bears interest at 1.59%.

***Commitments for Additional Debt***

The City also approved issuance of Taxable Special Obligation Water and Sewer revenue bonds, Series 2016, through the Mississippi Development Bank, in amounts up to \$25,000,000, with maturities up to twenty years. Such bonds will be collateralized by pledged Water and Sewer System net revenues and are therefore subject to parity provisions of the City’s outstanding revenue bonds. Proceeds of these bonds will provide funding for the City’s wastewater treatment construction project.

In addition, the City approved an intent to issue general obligation Water and Sewer bonds and/or enter into a loan agreement with the Mississippi Development Bank in an amount up to \$60,000,000. The proceeds of such debt will be used for improvements, repairs, and extension of the Combined Water and Sewer System. This project will encompass certain portions of system rehabilitation mandated by the MDEQ. This debt will be payable solely from revenues derived from System operations, and payments will be made over a period not to exceed thirty years. The City anticipates issuance of this debt in March 2016.

The City also approved limited obligation tax increment financing bonds that have not yet been issued, as follows:

- Corner Market Project, principal up to \$1,500,000, 20-yr term
- Hardy South Project , principal up to \$1,000,000, term up to twenty years
- Whispering Pines Retirement Community Project, principal up to \$7,000,000, term up to fifteen years
- Midtown Elam Arms Project, principal up to \$6,000,000, term up to fifteen years; to be partially secured by sales tax revenues.

***Energy Savings Performance Contract***

Subsequent to the year ended September 30, 2014, the City entered into a comprehensive energy services agreement to improve energy efficiency. Project objectives include reduction of energy

**NOTE 20: SUBSEQUENT EVENTS (Continued)**

and utilities costs, water consumption savings, water and sewer systems and equipment improvements, operation and maintenance cost optimization and other cost reductions, as well as implementation of related capital improvements in selected buildings, facilities, operating fleet vehicles and equipment, or other related infrastructure of the City. Pursuant to this project, the City executed a performance contract agreement in the amount of \$7,449,714 for measurement and verification services to achieve energy savings. This contract was approved by the Mississippi Development Authority's Energy and Natural Resources Division and is thus eligible for tax-exempt lease purchase financing under the MDA Energy Efficiency Lease Program. The scope of this project will include replacement of certain inaccurate water meters to improve baseline water billing, as well as reporting of measured and non-measured project benefits achieved during the installation period. In addition, subsequent testing activities and related reporting will be performed annually for a term of fifteen years following substantial completion of the project. Certain other performance consulting services are provided under the agreement, and preventative maintenance services are provided under a separate agreement.

***Public Safety Complex***

Subsequent to the year ended September 30, 2014, the City authorized a project for development and construction of a public safety complex (the complex) to be used for police department, fire department administration, Municipal Court, and parks and recreation administration functions. Financing for the project will be achieved through issuance and sale of limited obligation certificates of participation totaling up to \$5,300,000 which bear interest at rates from 3% to 5% and maturities through 2035. Proceeds of these certificates will be used to relocate the Parks and Recreation Department, renovate a facility to be used as a temporary Police Department, pay architectural and design fees, and begin demolition activities. Interim financing of initial project costs up to \$2,000,000, including design, demolition, repair, renovation, and construction expenditures, will be funded through issuance of five-year general obligation notes bearing interest at a rate of 1.49%. The complex will be owned by the Southern Mississippi Investment Company, Inc. (SMICI), a non-profit corporation created under authority of State law for the purpose of acquiring, constructing, renovating, financing, equipping and leasing facilities to certain governmental units, and will be leased by the City under a lease purchase agreement. To effect this transaction, the City will execute a ground lease for the complex site and existing buildings to SMICI for \$1, which will be assigned as collateral for the certificates of participation. Along with the ground lease, the City will execute a lease and option to purchase the project from SMICI upon completion. The City has awarded contracts for project design and construction and expects the project to be completed in phases by 2019. The City's lease payments will correspond to debt service requirements of the outstanding certificates of participation and also include taxes, assessments, insurance premiums, fees, and expenses related to the project.

**NOTE 20: SUBSEQUENT EVENTS (Continued)**

***USA Yeast Facility***

Construction of a wastewater pretreatment facility, or evaporator plant, for a manufacturing facility located within the City was completed subsequent to September 30, 2014. This plant was placed in service in early 2015 and will be transferred to the manufacturing company in 2021 pursuant to terms of the project agreement.

***Subsequent Events - Mississippi Department of Environmental Quality Consent Order***

In October 2014, GRN, the City and MDEQ, the parties involved in the mandated rehabilitation and improvement of the City's sewer system, negotiated a compromise and settlement of certain issues and entered into a Consent Judgment whereby the City agreed, among other things, to comply with the terms of the Second Amended Agreed Order. This Consent Judgment set in place certain milestones which must be met to avoid imposition of penalties. The City was unable to meet a milestone for submission of plans and specifications, and penalties in the amount of \$218,500 were imposed and then paid by the City. Upon demonstration of the City's commitment to comply with the Second Amended Agreed Order, MDEQ suspended continuation of those penalties.

***Water and Sewer Rate Study***

Subsequent to the year ended September 30, 2014, the City entered into an agreement to obtain a water and sewer rate study, including analyses of current and future revenue requirements and cost of service. The purpose of this study is to determine the basis for and amounts of any necessary rate adjustments. This study is expected to be completed by November 2016.

***Petal Sewer Rate Litigation Settlement***

Subsequent to the year ended September 30, 2014, the City and the City of Petal settled a lawsuit over rate increases imposed by the City for treatment of Petal's wastewater. Upon acceptance of terms of the settlement, the case was dismissed with prejudice by the Court, ending further claims in this matter.

Under the terms of the agreement, rates are determined based on a stated formula for calculating Petal's proportionate share of specified wastewater system operating costs. Rate calculations will be performed annually, and rate adjustments will be effective for the upcoming fiscal year. Rates for the initial interim period, from January 1, 2016 through September 30, 2016, were set at \$0.90 per thousand gallons of wastewater received into the City's system, based on actual metered volume. The agreement also includes provisions related to metering, testing, regulations, and procedures.

**NOTE 20: SUBSEQUENT EVENTS (Continued)**

The agreement has an initial term of ten years, expiring December 31, 2025, and a renewal term of five years, expiring December 31, 2030. It then continues in effect from year to year unless either party provides written notice of termination at least one year in advance of the respective fiscal year-end.

The initial interim rate established under the settlement agreement is approximately 36% more than the rate that had currently been paid by the City of Petal. The initial fiscal year rate to be calculated under the agreement is not yet determinable.

***Grants***

The City has received approximately \$4.2 million in grant funding for various services and programs. The largest of these grants funds runway improvements at the Bobby L. Chain Municipal Airport. Other recipients include Community Development Block Grants, Housing Assistance Programs, and Mass Transit. Matching requirements vary by grant.

***Subsequent Claim***

Subsequent to year-end, the City was named as a defendant in an alleged wrongful conviction of three plaintiffs, each of whom spent approximately 25 years in prison before being exonerated by new DNA evidence. The City, through its police officer assigned to a multi-jurisdictional task force, had limited connection to and involvement in the case. Since the matter is still in early stages of litigation, management is unable to predict the outcome of the case or estimate the range of any loss in the event of an unfavorable outcome. Defense of this matter is being conducted in conjunction with the Mississippi Municipal Service Company, which provides the City's liability insurance.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**City of Hattiesburg, Mississippi**  
**Schedule 1 - Budgetary Comparison Schedule**  
**General Fund**

*Year ended September 30, 2014*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Intergovernmental:				
Federal grants	\$ 1,312,743	\$ 1,513,470	\$ 1,382,808	\$ (130,662)
State grants	190,144	218,960	197,727	(21,233)
State- shared revenue	21,556,000	21,756,000	22,033,282	277,282
County - shared revenue	80,640	32,849	12,209	(20,640)
General property and taxes	12,385,000	12,385,000	12,917,275	532,275
Other taxes	31,000	31,000	23,824	(7,176)
Licenses and permits	4,459,500	4,459,500	4,506,815	47,315
Charges for services:				
Public safety	190,000	213,232	221,000	7,768
Streets	20,100	20,100	32,746	12,646
Sanitation	2,220,000	2,220,000	2,188,421	(31,579)
Fines and forfeitures	1,602,000	1,602,000	1,656,058	54,058
Miscellaneous	150,540	306,540	421,653	115,113
Non-revenue receipts	1,914,400	4,379,500	649,634	(3,729,866)
<b>Total revenues</b>	<b>46,112,067</b>	<b>49,138,151</b>	<b>46,243,452</b>	<b>(2,894,699)</b>
<b>Expenditures</b>				
General government:				
Personnel	3,878,413	3,974,618	3,500,806	473,812
Supplies and expenses	205,469	246,141	169,802	76,339
Other services and charges	3,075,620	3,748,770	2,951,981	796,789
Capital outlay	372,600	499,605	468,650	30,955
Total general government	7,532,102	8,469,134	7,091,239	1,377,895
Police Department:				
Personnel	9,869,321	9,872,443	8,625,038	1,247,405
Supplies and expenses	729,505	756,767	724,294	32,473
Other services and charges	460,830	499,666	444,801	54,865
Capital outlay	891,970	884,058	760,800	123,258
Total police department	11,951,626	12,012,934	10,554,933	1,458,001
Police and fire training:				
Personnel	33,733	33,733	33,246	487
Supplies and expenses	155,320	179,269	119,831	59,438
Other services and charges	136,710	141,750	120,335	21,415
Capital outlay	25,000	25,000	23,531	1,469
Total police and fire training	350,763	379,752	296,943	82,809

Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 1 - Budgetary Comparison Schedule**  
**General Fund**

*Year ended September 30, 2014*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenditures (Cont.)</b>				
Fire department:				
Personnel	\$ 6,782,570	\$ 6,782,570	\$ 6,597,352	\$ 185,218
Supplies and expenses	358,155	362,338	316,467	45,871
Other services and charges	319,370	323,370	269,069	54,301
Capital outlay	24,700	138,800	126,577	12,223
Total fire department	7,484,795	7,607,078	7,309,465	297,613
Land development administration:				
Personnel	577,594	578,521	486,062	92,459
Supplies and expenses	32,200	32,438	26,494	5,944
Other services and charges	58,150	116,780	94,770	22,010
Capital outlay	-	4,311	3,969	342
Total land development administration	667,944	732,050	611,295	120,755
Public safety contractual services:				
Personnel	191,130	209,650	201,229	8,421
Supplies and expenses	-	-	-	-
Other services and charges	1,892,000	1,892,000	1,417,124	474,876
Capital outlay	-	-	-	-
Total public safety contractual services	2,083,130	2,101,650	1,618,353	483,297
Public services:				
Personnel	5,821,048	5,832,288	4,966,918	865,370
Supplies and expenses	1,443,655	1,586,483	1,370,249	216,234
Other services and charges	3,572,570	4,046,677	3,295,818	750,859
Capital outlay	1,137,769	3,413,876	910,926	2,502,950
Total public services	11,975,042	14,879,324	10,543,911	4,335,413
Animal Control:				
Personnel	143,749	143,749	131,980	11,769
Supplies and expenses	23,950	23,950	17,911	6,039
Other services and charges	122,423	124,933	121,950	2,983
Capital outlay	20,000	20,000	19,641	359
Total animal control	310,122	312,632	291,482	21,150

Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 1 - Budgetary Comparison Schedule**  
**General Fund**

*Year ended September 30, 2014*

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Expenditures (Cont.)</b>				
Human/social assistance:				
Personnel	\$ -	\$ -	\$ -	\$ -
Supplies and expenses	-	-	-	-
Other services and charges	160,000	160,000	154,962	5,038
Capital outlay	-	-	-	-
Total human/social assistance	160,000	160,000	154,962	5,038
Economic development:				
Personnel	-	-	-	-
Supplies and expenses	-	-	-	-
Other services and charges	160,000	160,000	160,000	-
Capital outlay	-	-	-	-
Total economic development	160,000	160,000	160,000	-
Airport:				
Personnel	104,025	104,025	55,939	48,086
Supplies and expenses	56,195	56,195	34,988	21,207
Other services and charges	72,975	77,975	43,314	34,661
Capital outlay	53,510	53,510	44,922	8,588
Total airport	286,705	291,705	179,163	112,542
Cemetery:				
Personnel	691,862	691,862	596,879	94,983
Supplies and expenses	89,350	89,350	81,815	7,535
Other services and charges	53,450	53,450	39,957	13,493
Capital outlay	69,500	127,800	122,433	5,367
Total cemetery	904,162	962,462	841,084	121,378
Parking garages:				
Personnel	197,043	200,253	191,054	9,199
Supplies and expenses	7,250	7,250	3,389	3,861
Other services and charges	88,544	91,024	43,270	47,754
Capital outlay	10,000	10,000	1	9,999
Total parking garages	302,837	308,527	237,714	70,813

Continued

*The accompanying notes are an integral part of this schedule.*



**City of Hattiesburg, Mississippi**  
**Schedule 1 - Budgetary Comparison Schedule**  
**General Fund**

*Year ended September 30, 2014*

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Expenditures (Cont.)</b>				
Debt service:				
Principal payments	\$ 1,223,140	\$ 1,925,840	\$ 1,566,493	\$ 359,347
Interest payments	145,675	168,955	137,115	31,840
Total debt service	1,368,815	2,094,795	1,703,608	391,187
<b>Total expenditures</b>	<b>45,538,043</b>	<b>50,472,043</b>	<b>41,594,152</b>	<b>8,877,891</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>574,024</b>	<b>(1,333,892)</b>	<b>4,649,300</b>	<b>5,983,192</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	604,000	604,000	-	(604,000)
Transfers out	(3,465,500)	(3,465,500)	(3,465,500)	-
Total other financing sources (uses)	(2,861,500)	(2,861,500)	(3,465,500)	(604,000)
<b>Net Change in Fund Balances</b>	<b>(2,287,476)</b>	<b>(4,195,392)</b>	<b>1,183,800</b>	<b>5,379,192</b>
Fund balances - beginning (Non-GAAP Budgetary Basis)	4,600,000	5,023,225	6,638,642	
Prior period adjustments	-	-	(1,615,417)	
Fund balances - beginning , as restated (Non-GAAP Budgetary Basis)	4,600,000	5,023,225	5,023,225	
Fund balances, ending (Non-GAAP Budgetary Basis)	\$ 2,312,524	\$ 827,833	\$ 6,207,025	
<b>Adjustments to GAAP Basis, net</b>			<b>1,574,644</b>	
Fund balances - ending (GAAP Basis)			<b>\$ 7,781,669</b>	

Concluded

*The accompanying notes are an integral part of this schedule.*



**City of Hattiesburg, Mississippi**  
**Notes to the Budgetary Comparison Schedule**  
**General Fund**

**NOTE 1: BASIS OF PRESENTATION**

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

**NOTE 2: BUDGET/GAAP RECONCILIATION**

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

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) or encumbered for goods and services received as opposed to when susceptible to accrual (GAAP).

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

**City of Hattiesburg, Mississippi**  
**Schedule 2 - Schedule of Funding Progress**  
**Policemen & Firemen Retirement System**  
**Last Ten Fiscal Years**

*Year ended September 30, 2014*

Plan Year End	(1) Actuarial Value of Assets (in \$1,000s)	(2) Actuarial Accrued Liability (AAL) Entry Age (in \$1,000s)	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1) (in \$1,000s)	(5) Annual Covered Payroll (in \$1,000s)	(6) Unfunded AAL as A Percentage of Covered Payroll (4) / (5)
9/30/2005	\$ 24,095	\$ 36,792	65.5%	\$ 12,697	\$ 695	1826.9%
9/30/2006	24,458	37,377	65.4%	12,919	510	2533.1%
9/30/2007	25,345	37,638	67.3%	12,293	442	2781.2%
9/30/2008	25,543	37,347	68.4%	11,804	289	4084.4%
9/30/2009	24,340	39,166	62.1%	14,826	308	4813.6%
9/30/2010	22,892	38,779	59.0%	15,887	260	6110.4%
9/30/2011	21,940	38,274	57.3%	16,334	210	7778.1%
9/30/2012	20,487	37,820	54.2%	17,333	156	11110.9%
9/30/2013	19,968	37,105	53.8%	17,137	94	18172.8%
9/30/2014	20,826	36,598	56.9%	15,772	95	16602.1%

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Notes to the Schedule of Funding Progress**  
**Policemen & Firemen Retirement System**

**NOTE 1: ACTUARIAL ASSUMPTIONS**

Presented below are the actuarial assumptions used for the most recent five years presented in the analysis of funding progress:

**Actuarial Assumptions 2010**

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Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	23 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%

**Actuarial Assumptions 2011**

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Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	22 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%

**City of Hattiesburg, Mississippi**  
**Notes to the Schedule of Funding Progress**  
**Policemen & Firemen Retirement System**

**NOTE 1: ACTUARIAL ASSUMPTIONS (Continued)**

**Actuarial Assumptions 2012**

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Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	21 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%

**Actuarial Assumptions 2013**

---

Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%
Cost of living adjustments	2.50% per year, not to exceed 30%

**City of Hattiesburg, Mississippi**  
**Notes to the Schedule of Funding Progress**  
**Policemen & Firemen Retirement System**

**NOTE 1: ACTUARIAL ASSUMPTIONS (Continued)**

**Actuarial Assumptions 2014**

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Actuarial Cost Method	Entry age
Amortization Method	Level dollar closed
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.00%
Projected Salary Increases	4.50% - 6.00%
Includes Price Inflation At	3.50%
Includes Wage Inflation At	4.25%
Cost of living adjustments	2.50% per year, not to exceed 30%

## **SUPPLEMENTARY INFORMATION**

**City of Hattiesburg, Mississippi**  
**Schedule 3 - Combining Balance Sheet**  
**Nonmajor Government Funds**

September 30, 2014

	<b>Special Revenue Funds (Schedule 5)</b>	<b>Debt Service Funds (Schedule 7)</b>	<b>Capital Project Funds (Schedule 9)</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,694,619	\$ 3,743,696	\$ 50,515	\$ 7,488,830
Due from other funds	193,993	-	-	193,993
Intergovernmental receivable	285,157	-	-	285,157
Other receivables	17,128	-	-	17,128
Property taxes receivable	1,032,467	2,820,912	-	3,853,379
<b>Total assets</b>	<b>\$ 5,223,364</b>	<b>\$ 6,564,608</b>	<b>\$ 50,515</b>	<b>\$ 11,838,487</b>
<b>Liabilities</b>				
Accounts payable	\$ 47,805	\$ -	\$ -	\$ 47,805
Accrued wages and benefits	107,850	-	-	107,850
Due to other funds	39,553	-	-	39,553
Other liabilities	352,288	-	-	352,288
Advances from other funds	300,000	-	-	300,000
<b>Total liabilities</b>	<b>847,496</b>	<b>-</b>	<b>-</b>	<b>847,496</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue-property taxes	1,025,000	2,800,000	-	3,825,000
<b>Total deferred inflows of resources</b>	<b>1,025,000</b>	<b>2,800,000</b>	<b>-</b>	<b>3,825,000</b>
<b>Fund Balances</b>				
<b>Restricted:</b>				
Street improvements and repairs	789,863	-	-	789,863
Law enforcement	297,864	-	-	297,864
Airport projects	397,600	-	-	397,600
Mass transit	309,405	-	-	309,405
Debt service	-	3,764,608	-	3,764,608
Parks and recreation	-	-	2,400	2,400
Economic development	-	-	48,115	48,115
<b>Committed:</b>				
Parks and recreation	654,653	-	-	654,653
Fire protection	871,532	-	-	871,532
Street improvements and repairs	3,904	-	-	3,904
Law enforcement	36,640	-	-	36,640
Unassigned	(10,593)	-	-	(10,593)
<b>Total fund balances</b>	<b>3,350,868</b>	<b>3,764,608</b>	<b>50,515</b>	<b>7,165,991</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,223,364</b>	<b>\$ 6,564,608</b>	<b>\$ 50,515</b>	<b>\$ 11,838,487</b>

*The accompanying notes are an integral part of this schedule.*



**City of Hattiesburg, Mississippi**  
**Schedule 4 - Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Government Funds**

*Year ended September 30, 2014*

	<b>Special Revenue Funds (Schedule 6)</b>	<b>Debt Service Funds (Schedule 8)</b>	<b>Capital Project Funds (Schedule 10)</b>	<b>Total Nonmajor Governmental Funds (Exhibit D)</b>
<b>Revenues</b>				
General property taxes	\$ 1,061,145	\$ 3,785,901	\$ -	\$ 4,847,046
Fines, forfeitures and penalties	159,373	-	-	159,373
Interest, rents and concessions	7,114	2,548	451	10,113
Intergovernmental	7,102,636	179,905	-	7,282,541
Charges for services	193,419	-	-	193,419
Other revenues	219,412	213,975	-	433,387
<b>Total revenues</b>	<b>8,743,099</b>	<b>4,182,329</b>	<b>451</b>	<b>12,925,879</b>
<b>Expenditures</b>				
Current:				
Public safety	270,789	-	-	270,789
Public services	4,100,202	-	-	4,100,202
Other services	945,953	29,043	-	974,996
Mass Transit	1,375,538	-	-	1,375,538
Culture and recreation	3,849,933	-	255,185	4,105,118
Human/social assistance	961,568	-	-	961,568
Economic development	-	-	2,304,222	2,304,222
Debt Service:				
Principal payments	177,451	3,612,431	-	3,789,882
Interest and fiscal charges	23,532	827,287	-	850,819
<b>Total expenditures</b>	<b>11,704,966</b>	<b>4,468,761</b>	<b>2,559,407</b>	<b>18,733,134</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,961,867)</b>	<b>(286,432)</b>	<b>(2,558,956)</b>	<b>(5,807,255)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,465,500	647,259	-	4,112,759
Transfers out	-	-	(247,924)	(247,924)
Other sources	-	-	2,600,000	2,600,000
<b>Total other financing sources (uses)</b>	<b>3,465,500</b>	<b>647,259</b>	<b>2,352,076</b>	<b>6,464,835</b>
<b>Net Change in Fund Balances</b>	<b>503,633</b>	<b>360,827</b>	<b>(206,880)</b>	<b>657,580</b>
Fund balances, beginning of year	2,847,235	3,403,781	257,395	6,508,411
<b>Fund balances, end of year</b>	<b>\$ 3,350,868</b>	<b>\$ 3,764,608</b>	<b>\$ 50,515</b>	<b>\$ 7,165,991</b>

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 5 - Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**

September 30, 2014

	Parks & Recreation	Municipal Fire Protection	Special Street	Police Forfeitures	Airport Improvement	Municipal Road & Bridge
<b>Assets</b>						
Cash and cash equivalents	\$ 479,066	\$ 884,521	\$ 10,779	\$ 360,545	\$ 266,768	\$ 666,300
Due from other funds	-	-	-	2,335	-	-
Intergovernmental receivable	-	-	-	-	131,444	104,048
Other receivables	-	-	-	-	1,995	15,133
Property taxes receivable	825,979	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,305,045</b>	<b>\$ 884,521</b>	<b>\$ 10,779</b>	<b>\$ 362,880</b>	<b>\$ 400,207</b>	<b>\$ 785,481</b>
<b>Liabilities</b>						
Accounts payable	\$ 18,585	\$ 12,989	\$ -	\$ 695	\$ 2,607	\$ 2,493
Accrued wages and benefits	54,927	-	-	-	-	-
Due to other funds	18,667	-	-	-	-	-
Other liabilities	-	-	-	27,681	-	-
Advances from other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>92,179</b>	<b>12,989</b>	<b>-</b>	<b>28,376</b>	<b>2,607</b>	<b>2,493</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue-property taxes	820,000	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>820,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>						
<b>Restricted:</b>						
Street improvements and repairs	-	-	6,875	-	-	782,988
Law enforcement	-	-	-	297,864	-	-
Airport projects	-	-	-	-	397,600	-
Mass transit	-	-	-	-	-	-
<b>Committed:</b>						
Parks and recreation	392,866	-	-	-	-	-
Fire protection	-	871,532	-	-	-	-
Street improvements and repairs	-	-	3,904	-	-	-
Law enforcement	-	-	-	36,640	-	-
<b>Unassigned</b>						
	-	-	-	-	-	-
<b>Total fund balances</b>	<b>392,866</b>	<b>871,532</b>	<b>10,779</b>	<b>334,504</b>	<b>397,600</b>	<b>782,988</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,305,045</b>	<b>\$ 884,521</b>	<b>\$ 10,779</b>	<b>\$ 362,880</b>	<b>\$ 400,207</b>	<b>\$ 785,481</b>

Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 5 - Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**

September 30, 2014

<b>Continued</b>	<b>Mass Transit Operating</b>	<b>Community Centers</b>	<b>CDBG Fund</b>	<b>Group Insurance</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 322,441	\$ 311,143	\$ 284,714	\$ 108,342	\$ 3,694,619
Due from other funds	-	-	-	191,658	193,993
Intergovernmental receivable	35,613	-	14,052	-	285,157
Other receivables	-	-	-	-	17,128
Property taxes receivable	206,488	-	-	-	1,032,467
<b>Total assets</b>	<b>\$ 564,542</b>	<b>\$ 311,143</b>	<b>\$ 298,766</b>	<b>\$ 300,000</b>	<b>\$ 5,223,364</b>
<b>Liabilities</b>					
Accounts payable	\$ 9,200	\$ 794	\$ 442	\$ -	\$ 47,805
Accrued wages and benefits	26,394	19,180	7,349	-	107,850
Due to other funds	14,543	4,775	1,568	-	39,553
Other liabilities	-	24,607	-	300,000	352,288
Advances from other funds	-	-	300,000	-	300,000
<b>Total liabilities</b>	<b>50,137</b>	<b>49,356</b>	<b>309,359</b>	<b>300,000</b>	<b>847,496</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	205,000	-	-	-	1,025,000
<b>Total deferred inflows of resources</b>	<b>205,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,025,000</b>
<b>Fund Balances</b>					
<b>Restricted:</b>					
Street improvements and repairs	-	-	-	-	789,863
Law enforcement	-	-	-	-	297,864
Airport projects	-	-	-	-	397,600
Mass transit	309,405	-	-	-	309,405
<b>Committed:</b>					
Parks and recreation	-	261,787	-	-	654,653
Fire protection	-	-	-	-	871,532
Street improvements and repairs	-	-	-	-	3,904
Law enforcement	-	-	-	-	36,640
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>(10,593)</b>	<b>-</b>	<b>(10,593)</b>
<b>Total fund balances</b>	<b>309,405</b>	<b>261,787</b>	<b>(10,593)</b>	<b>-</b>	<b>3,350,868</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 564,542</b>	<b>\$ 311,143</b>	<b>\$ 298,766</b>	<b>\$ 300,000</b>	<b>\$ 5,223,364</b>

Concluded

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 6 - Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**

*Year ended September 30, 2014*

	<b>Parks &amp; Recreation</b>	<b>Municipal Fire Protection</b>	<b>Special Street</b>	<b>Police Forfeitures</b>	<b>Airport Improvement</b>	<b>Municipal Road &amp; Bridge</b>
<b>Revenues</b>						
General property taxes	\$ 849,721	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	501	-	158,872	-	-
Interest, rents and concessions	309	4,551	276	155	1,316	1
Intergovernmental	29,151	250,627	54,522	-	677,648	4,253,331
Charges for services	26,010	95,652	-	6,154	-	-
Other revenues	3,873	550	-	-	23,076	-
<b>Total revenues</b>	<b>909,064</b>	<b>351,881</b>	<b>54,798</b>	<b>165,181</b>	<b>702,040</b>	<b>4,253,332</b>
<b>Expenditures</b>						
Current:						
Public safety	-	194,531	-	76,258	-	-
Public services	-	-	146,300	-	-	3,953,902
Other services	-	-	-	-	754,065	-
Mass Transit	-	-	-	-	-	-
Culture and recreation	3,064,982	-	-	-	-	-
Human/social assistance	-	-	-	-	-	-
Debt Service:						
Principal payments	-	153,344	-	-	-	24,107
Interest and fiscal charges	-	18,743	-	-	-	4,789
<b>Total expenditures</b>	<b>3,064,982</b>	<b>366,618</b>	<b>146,300</b>	<b>76,258</b>	<b>754,065</b>	<b>3,982,798</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,155,918)</b>	<b>(14,737)</b>	<b>(91,502)</b>	<b>88,923</b>	<b>(52,025)</b>	<b>270,534</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	2,045,500	-	-	-	185,000	-
<b>Total other financing sources (uses)</b>	<b>2,045,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(110,418)</b>	<b>(14,737)</b>	<b>(91,502)</b>	<b>88,923</b>	<b>132,975</b>	<b>270,534</b>
Fund balances, beginning of year	503,284	886,269	102,281	245,581	264,625	512,454
<b>Fund balances, end of year</b>	<b>\$ 392,866</b>	<b>\$ 871,532</b>	<b>\$ 10,779</b>	<b>\$ 334,504</b>	<b>\$ 397,600</b>	<b>\$ 782,988</b>

Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 6 - Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**

*Year ended September 30, 2014*

<b>Continued</b>	<b>Mass Transit Operating</b>	<b>Community Centers</b>	<b>CDBG Fund</b>	<b>Group Insurance</b>	<b>Total</b>
<b>Revenues</b>					
General property taxes	\$ 211,424	\$ -	\$ -	\$ -	\$ 1,061,145
Fines, forfeitures and penalties	-	-	-	-	159,373
Interest, rents and concessions	310	194	2	-	7,114
Intergovernmental	840,824	-	996,533	-	7,102,636
Charges for services	42,771	22,832	-	-	193,419
Other revenues	-	25	-	191,888	219,412
<b>Total revenues</b>	<b>1,095,329</b>	<b>23,051</b>	<b>996,535</b>	<b>191,888</b>	<b>8,743,099</b>
<b>Expenditures</b>					
Current:					
Public safety	-	-	-	-	270,789
Public services	-	-	-	-	4,100,202
Other services	-	-	-	191,888	945,953
Mass Transit	1,375,538	-	-	-	1,375,538
Culture and recreation	-	784,951	-	-	3,849,933
Human/social assistance	-	-	961,568	-	961,568
Debt Service:					
Principal payments	-	-	-	-	177,451
Interest and fiscal charges	-	-	-	-	23,532
<b>Total expenditures</b>	<b>1,375,538</b>	<b>784,951</b>	<b>961,568</b>	<b>191,888</b>	<b>11,704,966</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(280,209)</b>	<b>(761,900)</b>	<b>34,967</b>	<b>-</b>	<b>(2,961,867)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	285,000	950,000	-	-	3,465,500
<b>Total other financing sources (uses)</b>	<b>285,000</b>	<b>950,000</b>	<b>-</b>	<b>-</b>	<b>3,465,500</b>
<b>Net Change in Fund Balances</b>	<b>4,791</b>	<b>188,100</b>	<b>34,967</b>	<b>-</b>	<b>503,633</b>
Fund balances, beginning of year	304,614	73,687	(45,560)	-	2,847,235
<b>Fund balances, end of year</b>	<b>\$ 309,405</b>	<b>\$ 261,787</b>	<b>\$ (10,593)</b>	<b>\$ -</b>	<b>\$ 3,350,868</b>

Concluded

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 7- Combining Balance Sheet**  
**Nonmajor Debt Service Funds**

September 30, 2014

	1999 TIF Bond and Interest	City Bond and Interest	2002 TIF Bond And Interest Southern Pointe	2004 TIF Bond And Interest Home Depot	2003 TIF Bond And Interest Chauvet Square	2007 TIF Bond And Interest Lincoln Center	2008 TIF Bond And Interest Lincoln Center	2012 TIF Bond and Interest Kohl's	Total
<b>Assets</b>									
Cash and cash equivalents	\$ 71,740	\$ 2,698,084	\$ 262,642	\$ 123,721	\$ 182,195	\$ 235,337	\$ 139,181	\$ 30,796	\$ 3,743,696
Property taxes receivable	-	2,820,912	-	-	-	-	-	-	2,820,912
<b>Total assets</b>	<b>\$ 71,740</b>	<b>\$ 5,518,996</b>	<b>\$ 262,642</b>	<b>\$ 123,721</b>	<b>\$ 182,195</b>	<b>\$ 235,337</b>	<b>\$ 139,181</b>	<b>\$ 30,796</b>	<b>\$ 6,564,608</b>
<b>Deferred Inflows of Resources</b>									
Unavailable revenue-property taxes	\$ -	\$ 2,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,800,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>2,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,800,000</b>
<b>Fund Balances</b>									
<b>Restricted:</b>									
Debt service	71,740	2,718,996	262,642	123,721	182,195	235,337	139,181	30,796	3,764,608
<b>Total fund balances</b>	<b>71,740</b>	<b>2,718,996</b>	<b>262,642</b>	<b>123,721</b>	<b>182,195</b>	<b>235,337</b>	<b>139,181</b>	<b>30,796</b>	<b>3,764,608</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 71,740</b>	<b>\$ 5,518,996</b>	<b>\$ 262,642</b>	<b>\$ 123,721</b>	<b>\$ 182,195</b>	<b>\$ 235,337</b>	<b>\$ 139,181</b>	<b>\$ 30,796</b>	<b>\$ 6,564,608</b>

The accompanying notes are an integral part of this schedule.

**City of Hattiesburg, Mississippi**  
**Schedule 8- Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**

*Year ended September 30, 2014*

	1999 TIF Bond and Interest	City Bond and Interest	2002 TIF Bond And Interest Southern Pointe	2004 TIF Bond And Interest Home Depot	2003 TIF Bond And Interest Chauvet Square	2007 TIF Bond And Interest Turtle Crossing	2008 TIF Bond And Interest Lincoln Center	2012 TIF Bond and Interest Kohl's	Total
<b>Revenues</b>									
General property taxes	\$ 65,150	\$ 2,972,010	\$ -	\$ 57,732	\$ 225,362	\$ 330,166	\$ 67,444	\$ 68,037	\$ 3,785,901
Interest, rents and concessions	40	1,652	89	94	177	342	131	23	2,548
Intergovernmental	-	5,209	-	29,301	-	114,245	-	31,150	179,905
Other revenues	-	213,975	-	-	-	-	-	-	213,975
<b>Total revenues</b>	<b>65,190</b>	<b>3,192,846</b>	<b>89</b>	<b>87,127</b>	<b>225,539</b>	<b>444,753</b>	<b>67,575</b>	<b>99,210</b>	<b>4,182,329</b>
<b>Expenditures</b>									
Current:									
Other services	-	29,043	-	-	-	-	-	-	29,043
Debt Service:									
Principal payments	60,000	2,952,431	-	80,000	100,000	320,000	40,000	60,000	3,612,431
Interest and fiscal charges	8,040	528,444	-	5,901	94,633	140,479	18,850	30,940	827,287
<b>Total expenditures</b>	<b>68,040</b>	<b>3,509,918</b>	<b>-</b>	<b>85,901</b>	<b>194,633</b>	<b>460,479</b>	<b>58,850</b>	<b>90,940</b>	<b>4,468,761</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,850)</b>	<b>(317,072)</b>	<b>89</b>	<b>1,226</b>	<b>30,906</b>	<b>(15,726)</b>	<b>8,725</b>	<b>8,270</b>	<b>(286,432)</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	399,335	247,924	-	-	-	-	-	647,259
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>399,335</b>	<b>247,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>647,259</b>
<b>Net Change in Fund Balances</b>	<b>(2,850)</b>	<b>82,263</b>	<b>248,013</b>	<b>1,226</b>	<b>30,906</b>	<b>(15,726)</b>	<b>8,725</b>	<b>8,270</b>	<b>360,827</b>
Fund balances, beginning of year	74,590	2,636,733	14,629	122,495	151,289	251,063	130,456	22,526	3,403,781
<b>Fund balances, end of year</b>	<b>\$ 71,740</b>	<b>\$ 2,718,996</b>	<b>\$ 262,642</b>	<b>\$ 123,721</b>	<b>\$ 182,195</b>	<b>\$ 235,337</b>	<b>\$ 139,181</b>	<b>\$ 30,796</b>	<b>\$ 3,764,608</b>

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 9- Combining Balance Sheet**  
**Nonmajor Capital Project Funds**

September 30, 2014

	Mississippi Development Bank Project	MS Bond Zoo Improvements	Southern Pointe Development	Kemper Park/Zoo Improvements	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 16	\$ 146	\$ 48,115	\$ 2,238	\$ 50,515
<b>Total assets</b>	<b>\$ 16</b>	<b>\$ 146</b>	<b>\$ 48,115</b>	<b>\$ 2,238</b>	<b>\$ 50,515</b>
<b>Fund Balances</b>					
<b>Restricted:</b>					
Parks and recreation	\$ 16	\$ 146	\$ -	\$ 2,238	\$ 2,400
Economic development	-	-	48,115	-	48,115
<b>Total fund balances</b>	<b>16</b>	<b>146</b>	<b>48,115</b>	<b>2,238</b>	<b>50,515</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16</b>	<b>\$ 146</b>	<b>\$ 48,115</b>	<b>\$ 2,238</b>	<b>\$ 50,515</b>

*The accompanying notes are an integral part of this schedule.*



**City of Hattiesburg, Mississippi**  
**Schedule 10 - Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Project Funds**

*Year ended September 30, 2014*

	Mississippi Development Bank Project	MS Bond Zoo Improvements	Southern Pointe Development	Kemper Park/Zoo Improvements	Total
<b>Revenues</b>					
Interest, rents and concessions	\$ 43	\$ 146	\$ 261	\$ 1	\$ 451
<b>Total revenues</b>	43	146	261	1	451
<b>Expenditures</b>					
Current:					
Culture and recreation	109,824	145,361	-	-	255,185
Economic development	-	-	2,304,222	-	2,304,222
<b>Total expenditures</b>	109,824	145,361	2,304,222	-	2,559,407
<b>Excess (deficiency) of revenues over expenditures</b>	(109,781)	(145,215)	(2,303,961)	1	(2,558,956)
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	(247,924)	-	(247,924)
Other sources	-	-	2,600,000	-	2,600,000
<b>Total other financing sources (uses)</b>	-	-	2,352,076	-	2,352,076
<b>Net Change in Fund Balances</b>	(109,781)	(145,215)	48,115	1	(206,880)
Fund balances, beginning of year	109,797	145,361	-	2,237	257,395
<b>Fund balances, end of year</b>	\$ 16	\$ 146	\$ 48,115	\$ 2,238	\$ 50,515

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 11 - Statement of Departmental**  
**Expenditures - Budgetary Basis**  
**General Fund**

*Year ended September 30, 2014*

	Personal Services	Supplies & Expenses	Other Services/ Charges	Capital Outlays	Debt Service	Total
<b>General Government</b>						
City Council	\$ 206,811	\$ 1,722	\$ 160,758	\$ -	\$ -	\$ 369,291
Mayor/Administration	454,926	12,603	83,053	38,000	-	588,582
Elections	-	-	15,753	-	-	15,753
Municipal Clerk	141,418	2,597	18,298	-	-	162,313
Accounting Division	263,139	2,770	1,005	-	-	266,914
Purchasing Division	133,932	4,621	1,407	-	-	139,960
City Attorney	93,911	-	1,031	-	-	94,942
Human Resource Division	181,528	6,251	1,050	-	-	188,829
Loss Control Division	106,576	5,195	2,072	-	-	113,843
Planning Division	375,857	30,972	78,376	-	-	485,205
Data Processing	377,159	50,437	291,637	425,859	-	1,145,092
Metro Planning	192,445	6,536	49,117	3,992	-	252,090
General Government Building	-	14,097	99,546	-	-	113,643
General Government - Other	768	283	1,947,905	-	-	1,948,956
Intermodal Facility	-	11,238	140,069	-	-	151,307
Federal Grant Administration	118,651	4,883	21,986	799	-	146,319
City Court	853,685	15,597	38,918	-	-	908,200
<b>Total General Government</b>	<b>3,500,806</b>	<b>169,802</b>	<b>2,951,981</b>	<b>468,650</b>	<b>-</b>	<b>7,091,239</b>
<b>Public Safety</b>						
Police Department	8,625,038	724,294	444,801	760,800	-	10,554,933
Police and Fire Training	33,246	119,831	120,335	23,531	-	296,943
Fire Department	6,597,352	316,467	269,069	126,577	-	7,309,465
Land Use Code	486,062	26,494	94,770	3,969	-	611,295
Contractual Services	201,229	-	1,417,124	-	-	1,618,353
<b>Total Public Safety</b>	<b>15,942,927</b>	<b>1,187,086</b>	<b>2,346,099</b>	<b>914,877</b>	<b>-</b>	<b>20,390,989</b>

Continued

**City of Hattiesburg, Mississippi**  
**Schedule 11 - Statement of Departmental**  
**Expenditures - Budgetary Basis**  
**General Fund**

Year ended September 30, 2014

	Personal Services	Supplies & Expenses	Other Services/ Charges	Capital Outlays	Debt Service	Total
<b>Public Service</b>						
Traffic Maintenance	347,372	150,414	37,443	19,804	-	555,033
Street Division	1,458,224	467,431	233,554	268,488	-	2,427,697
Street Lights	-	-	1,133,026	-	-	1,133,026
Engineering	273,459	9,768	265,355	7,316	-	555,898
Shop Division	413,523	40,361	43,852	-	-	497,736
Garage and Office	195,226	10,991	13,882	3,102	-	223,201
Drainage Division	173,449	54,943	228,967	487,091	-	944,450
Construction Division	584,982	133,319	138,499	100,825	-	957,625
Sanitation Division	1,087,345	324,951	1,193,982	24,300	-	2,630,578
Street Cleaning Division	57,052	16,116	1,146	-	-	74,314
Public Works - Health Division	376,286	161,955	6,112	-	-	544,353
<b>Total Public Service</b>	<b>4,966,918</b>	<b>1,370,249</b>	<b>3,295,818</b>	<b>910,926</b>	<b>-</b>	<b>10,543,911</b>
<b>Health and Welfare</b>						
Human/Social Assistance	-	-	154,962	-	-	154,962
<b>Total Health and Welfare</b>	<b>-</b>	<b>-</b>	<b>154,962</b>	<b>-</b>	<b>-</b>	<b>154,962</b>
<b>Economic Development</b>						
Human/Social Assistance	-	-	160,000	-	-	160,000
<b>Total Economic Development</b>	<b>-</b>	<b>-</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>160,000</b>
<b>Other Services</b>						
Animal Control	131,980	17,911	121,950	19,641	-	291,482
Airport	55,939	34,988	43,314	44,922	-	179,163
Cemetery	596,879	81,815	39,957	122,433	-	841,084
Parking Operations	191,054	3,389	43,270	1	-	237,714
<b>Total Other Services</b>	<b>975,852</b>	<b>138,103</b>	<b>248,491</b>	<b>186,997</b>	<b>-</b>	<b>1,549,443</b>
<b>Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,703,608</b>	<b>1,703,608</b>
<b>Total Departmental Expenditures</b>	<b>\$ 25,386,503</b>	<b>\$2,865,240</b>	<b>\$9,157,351</b>	<b>\$2,481,450</b>	<b>\$ 1,703,608</b>	<b>\$ 41,594,152</b>

Concluded

**City of Hattiesburg, Mississippi**  
**Schedule 12 - Combining Statement of Other**  
**Fiduciary Funds, Assets, and Liabilities**  
**Agency Funds**

*September 30, 2014*

	<b>Payroll Withholding Fund</b>	<b>Tax Collectors Fund</b>	<b>Hattiesburg Special Sales Tax</b>	<b>Industrial Park Fund</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 341,295	\$ 1,071,679	\$ -	\$ 660,928	\$ 2,073,902
Property taxes and fees receivable	-	148,446	-	-	148,446
Sales tax receivable	-	-	442,766	-	442,766
<b>Total assets</b>	<b>\$ 341,295</b>	<b>\$ 1,220,125</b>	<b>\$ 442,766</b>	<b>\$ 660,928</b>	<b>\$ 2,665,114</b>
<b>Liabilities</b>					
Employee contributions payable	\$ 338,720	\$ -	\$ -	\$ -	\$ 338,720
Due to other agencies	-	1,220,125	442,766	-	1,662,891
Accounts payable and other liabilities	2,575	-	-	47,000	49,575
Amounts held in custody for others	-	-	-	613,928	613,928
<b>Total liabilities</b>	<b>\$ 341,295</b>	<b>\$ 1,220,125</b>	<b>\$ 442,766</b>	<b>\$ 660,928</b>	<b>\$ 2,665,114</b>

**City of Hattiesburg, Mississippi**  
**Schedule 13 - Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2014**

<b>Name</b>	<b>Position</b>	<b>Insurance Company</b>	<b>Amount</b>
Kim Bradley	Council Member	FCCI Insurance Co.	\$ 100,000
Deborah Denard Delgado	Council Member	FCCI Insurance Co.	100,000
Edmond Carter Carroll	Council Member	FCCI Insurance Co.	100,000
Mary Dryden	Council Member	FCCI Insurance Co.	100,000
Henry E. Naylor	Council Member	FCCI Insurance Co.	100,000
Johnny L. Dupree	Mayor	FCCI Insurance Co.	100,000
Eddie R. Myers	City Clerk	FCCI Insurance Co.	100,000
Frazier Bolton	Police Chief	FCCI Insurance Co.	50,000

**City of Hattiesburg, Mississippi**  
**Schedule 14 - Full Cost Accounting**  
**Solid Waste Management Services**  
**Year Ended September 30, 2014**

*Year ended September 30, 2014*

<b>Expenses - Sanitation Cost Center (General Fund):</b>	
Personnel Costs	\$ 1,141,331
Supplies	318,631
Other services and charges	1,273,867
<hr/>	
Total expenses (other than capital outlay) Sanitation Cost Center	\$ 2,733,829
<b>Interest on capital leases - sanitation trucks and containers</b>	32,529
<b>Depreciation Expense</b>	548,617
Allocation of certain expenses in Other Cost Centers:	
50% of shop cost center - Repair and maintenance	260,067
Indirect cost allocation - 10% of administration cost centers	282,075
<hr/>	
<b>Total calculated expenses - full cost basis</b>	<b>\$ 3,857,117</b>
<hr/>	
Number of tons of solid waste collected and disposed of by City:	
Sanitation trucks:	
Garbage (tons)	11,124
Trash (tons)	4,122
<hr/>	
<b>Total tons solid waste</b>	<b>15,246</b>
<hr/>	
<b>Distribution of residential and non-residential costs:</b>	
Residential (84%)	\$ 3,239,978
Non-residential (16%)	617,139
<hr/>	
<b>Total distribution</b>	<b>\$ 3,857,117</b>
<hr/>	

Pursuant to Section 17-17-347 of the Mississippi Code, this schedule is presented to provide a full cost accounting of sanitation services. "Residential" solid waste service includes routine household garbage and yard waste collections and disposal. Additionally, duplexes and smaller apartments with individual water meters are also considered to be "residential" customers. "Nonresidential" classification includes garbage and trash service to City-owned facilities, overgrown lot and demolition debris, and waste generated by tree crews or other city departments. The City "Commercial" solid waste service was discontinued in the fall months of 2000. The distribution of "Residential" and "Non-residential" costs at 84%/16% is based upon regularly scheduled direct labor hours. Unusual occurrences, such as severe storm damage or demolition of large structures will cause significant fluctuations both in labor hours and debris removal costs. Calculations in this schedule include changes in methodology first utilized in fiscal year 1996 as a result of State Department of Audit performance audit recommendations.

**City of Hattiesburg, Mississippi**  
**Schedule 15 - Water & Sewer Budget Basis Operation**  
**and Maintenance Cost Centers**  
**Year Ended September 30, 2014**

*Year ended September 30, 2014*

	<b>Personal Services</b>	<b>Supplies &amp; Expenses</b>	<b>Other Services and Charges</b>	<b>Capital Outlays</b>	<b>Total</b>
Office	\$ 371,382	\$ 29,580	\$ 138,506	\$ 17,250	\$ 556,718
Transmission	653,742	214,983	631,027	67,674	1,567,426
Plant	554,731	130,897	1,025,826	14,529	1,725,983
Sewer	548,985	295,162	1,049,218	4,540	1,897,905
Sewer lagoon	247,468	392,118	1,476,478	486,703	2,602,767
<b>Total expenses</b>	<b>\$ 2,376,308</b>	<b>\$ 1,062,740</b>	<b>\$ 4,321,055</b>	<b>\$ 590,696</b>	<b>\$ 8,350,799</b>

**City of Hattiesburg, Mississippi**  
**Schedule 16 - Water & Sewer Budget Basis**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Year Ended September 30, 2014**

September 30, 2014

	Water & Sewer Revenue Fund	Water & Sewer O&M Fund	Water & Sewer Construction Fund	Water & Sewer Bond & Interest Fund	Water & Sewer USA Yeast B & I Fund	2013 Water & Sewer Construction Fund	2012 Water & Sewer Construction Fund	2010 Water & Sewer Construction Fund	2009 Water & Sewer Construction Fund
<b>Operating Revenues</b>	\$ 15,922,260	\$ 26,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>									
Personal Services	-	2,376,308	-	-	-	-	-	-	-
Supplies and expenses	-	1,062,740	-	-	-	-	-	-	-
Other services and charges	7,075	4,321,055	97,036	1,045	-	1,422,728	-	-	33,871
Capital outlays	-	590,696	3,267,711	-	-	1,511,186	767,945	-	-
Total operating expense	7,075	8,350,799	3,364,747	1,045	-	2,933,914	767,945	-	33,871
<b>Operating Income (Loss)</b>	15,915,185	(8,324,179)	(3,364,747)	(1,045)	-	(2,933,914)	(767,945)	-	(33,871)
<b>Non-Operating Revenues (Expenses)</b>									
Interest revenue	2,410	4,439	577	1,067	43	1,410	19	165	24
Intergovernmental revenues	-	-	2,119,944	-	-	-	-	-	-
Rents	-	-	205,155	-	-	-	-	-	-
Other revenue	-	2,341	-	-	-	-	-	-	-
Other expense	-	-	-	-	-	(1,015,427)	-	-	-
Proceeds from bonds and general obligation notes	-	-	-	-	-	28,000,000	-	-	-
Interest expense	(65,721)	-	-	(1,734,717)	-	-	-	-	-
Debt principal payments	(375,287)	-	-	(2,125,000)	-	-	-	-	-
Bonds redeemed	-	-	-	(3,000,000)	-	-	-	-	-
Total non-operating revenues (expenses)	(438,598)	6,780	2,325,676	(6,858,650)	43	26,985,983	19	165	24
<b>Income (Loss) Before Operating Transfers</b>	15,476,587	(8,317,399)	(1,039,071)	(6,859,695)	43	24,052,069	(767,926)	165	(33,847)
<b>Operating Transfers</b>									
Operating transfers in	-	7,995,911	1,719,791	8,380,970	-	-	-	200,000	-
Operating transfers out	(15,274,322)	-	-	-	-	(3,022,350)	-	-	-
Total operating transfers	(15,274,322)	7,995,911	1,719,791	8,380,970	-	(3,022,350)	-	200,000	-
<b>Net Income (Loss)</b>	\$ 202,265	\$ (321,488)	\$ 680,720	\$ 1,521,275	\$ 43	\$ 21,029,719	\$ (767,926)	\$ 200,165	\$ (33,847)



**City of Hattiesburg, Mississippi**  
**Schedule 17 - Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Natural Resources Conservation Service			
U.S. Army Corp of Engineers			
Emergency Watershed Protection Program - Mississippi Environmental Infrastructure Section 592	10.923	280351203, 1205, 1202	\$ 295,626
Total U.S. Department of Agriculture			<u>295,626</u>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-Through Programs From:			
Governor's Department of Housing and Urban Development			
<i>CDBG Entitlement Grants - Cluster:</i>			
Community Development Block Grants/Entitlement Grants	14.218	MC-28-0006	<u>599,428</u>
Total - CDBG Entitlement Grants Cluster			<u>599,428</u>
Home Investment Partnerships Program	14.239	MC-28-0201	<u>386,727</u>
Pass-Through Programs From:			
Mississippi Development Authority			
Community Development Block Grants/State's Program:			
Katrina Community Revitalization - Water Plant #2	14.228	R-110-205-02GZ	10,000
Katrina Community Revitalization - USA Yeast Wastewater Pretreatment	14.228	R-103-205-03-KED	<u>1,397,146</u>
Total Community Development Block Grants/State's Program			<u>1,407,146</u>
			Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 17 - Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development (Cont.)</b>			
Pass-Through Programs:			
Community Challenge Planning Grants and Department of Transportation's Tiger II Planning Grants	14.704	CCPMS001410	\$ 3,898
Total U.S. Department of Housing and Urban Development Pass-Through Programs			<u>2,397,199</u>
<b>U.S. Department of Justice</b>			
Pass-Through Programs From:			
Office of Justice Programs			
OVW Technical Assistance Initiative	16.526	12-WF-AX-0056	17,523
OVW Technical Assistance Initiative	16.526	13-WF-AX-0011	<u>5,097</u>
			<u>22,620</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0931	9,774
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0444	<u>(2,675)</u>
			7,099
Total U.S. Department of Justice Pass-Through Programs			<u>29,719</u>

Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 17 - Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation</b>			
Federal Aviation Administrations			
Airport Improvement Program	20.106	3-28-0031-0020-2013	547,551
Airport Improvement Program	20.106	3-28-0031-0021-2014	130,098
			<u>677,649</u>
Federal Transit Administration			
<i>Federal Transit Cluster:</i>			
ARRA - Federal Transit Capital Investment Grants	20.500	MS-96-X001	156,728
Federal Transit Formula Grants:			
Mass Transit Preventative	20.507	MS-90-0090	38,826
Mass Transit Capital	20.507	MS-90-X086	172,466
Mass Transit Operating	20.507	MS-90-4086	354,211
Mass Transit Preventative	20.507	MS-90-0086	118,593
Total - Federal Transit Formula Grants			<u>684,096</u>
Total - <i>Federal Transit Cluster</i>			<u>840,824</u>
Total U.S. Department of Transportation Direct Programs			<u>1,518,473</u>

Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 17 - Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Transportation (Cont.)</b>			
Federal Highway Administration			
Pass-Through Programs From:			
Mississippi Department of Transportation			
Highway Planning and Construction:			
Metropolitan Planning Organization	20.205	MS-80-0002/202304-101000	\$ 249,177
Urban Youth Corps Transportation Enhancement Project	20.205	STP-9999-09(037)/106845-320000	25,000
Fourth Street Improvements	20.205	HPP-8750-00(003)/104873/801000	1,630,343
Safe Routes to Schools Project (Woodley)	20.205	SRSP-0210-00(024)	94,511
Traffic Signal - Bonhomie/Tatum	20.205	STP-8791-00(001)/106430-701000	26,438
Western Beltway	20.205	STPD-8776-00(004)/105844/811000	80,405
Hardy Street Widening	20.205	HPP-6098-00(007)/105194-801000	12,432
Total - Highway Planning and Construction			2,118,306
National Highway Traffic Safety Administration			
Pass-Through Programs From:			
Office of Highway Safety			
A605 Safe & Sober	20.607	14-MD-2151	17,799
A605 Safe & Sober	20.607	14-ST-2151	76,337
			94,136
Total U.S. Department of Transportation Pass-Through Programs			2,212,442
Total U.S. Department Transportation			3,730,915
			Continued

*The accompanying notes are an integral part of this schedule.*

**City of Hattiesburg, Mississippi**  
**Schedule 17 - Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Pass-Through Programs From:			
Mississippi Bureau of Narcotics			
HIDTA-High Intensity Drug Trafficking Areas Program	95.001	G13GC0003A	\$ 6,899
Total U.S. Department of Health and Human Services			<u>\$ 6,899</u>
<b>U.S. Department of Homeland Security</b>			
Pass-Through Programs From:			
Mississippi Office of Homeland Security:			
Domestic Preparedness-Citizens Corps Grant	97.004	11CC205	\$ 4,329
Homeland Security Grant Program	97.067	A11HS205T	47,000
Homeland Security Grant Program	97.067	M11HS205T	9,524
			<u>60,853</u>
Pass-Through Programs From:			
Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1604-DR-MS	<u>(476,091)</u>
Total Mississippi Emergency Management Agency Pass-Through Programs			<u>(476,091)</u>
Total U.S. Department of Homeland Security Pass-Through Programs			<u>(415,238)</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,045,120</u>
			Concluded

*The accompanying notes are an integral part of this schedule.*



## City of Hattiesburg, Mississippi

### Notes to Schedule of Expenditures of Federal Awards

#### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant expenditure activity of the City of Hattiesburg under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Hattiesburg, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Hattiesburg.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Expenditures***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

##### ***Pass-Through Entity Identifying Numbers***

Pass-through entity identifying numbers are presented when available.

Schedule 18

**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**

To the Honorable Mayor and Members of the City  
Council City of Hattiesburg, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements and have issued our report thereon dated March 25, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-005 and 2014-007 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2014-006 and 2014-008 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hattiesburg, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-007 and 2014-008.

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
March 25, 2016





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Schedule 19

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited the City of Hattiesburg, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hattiesburg, Mississippi's major federal programs for the year ended September 30, 2014. The City of Hattiesburg, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Hattiesburg, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hattiesburg, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Basis for Qualified Opinion on the Federal Transit Formula Grant Program**

As described in the accompanying schedule of findings and questioned costs, the City of Hattiesburg, Mississippi did not comply with requirements regarding CFDA 20.507 Federal Transit Formula Grants Program as described in Finding 2014-007 for Cash Management. Compliance with such requirement is necessary, in our opinion, for the City of Hattiesburg, Mississippi to comply with the requirements applicable to that program.

### **Qualified Opinion on the Federal Transit Formula Grant Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Hattiesburg, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Transit Formula Grants Program for the year ended September 30, 2014.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the City of Hattiesburg, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-008. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Hattiesburg, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the City of Hattiesburg, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hattiesburg, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-007 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-008 to be a significant deficiency.

The City of Hattiesburg, Mississippi's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Hattiesburg, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
March 25, 2016

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

*For the year ended September 30, 2014*

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**Section I: Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Aggregate Remaining Governmental Funds	Unmodified
Proprietary Fund	Qualified

Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	Yes

Type of auditors' report issued on compliance for major programs:	
Community Development Block Grants/Entitlement Grants	Unmodified
Home Investment Partnerships Program	Unmodified
Highway Planning and Construction	Unmodified
ARRA-Federal Transit Capital Investment Grants	Unmodified
Federal Transit Formula Grants	Qualified

Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)? Yes

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section I: Summary of Auditors' Results (Continued)**

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
14.218	<i>CDBG Entitlement Grants Cluster:</i> Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction
20.500	<i>Federal Transit Cluster:</i> ARRA-Federal Transit Capital Investment Grants
20.507	Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**Section II: Financial Statement Findings**

**Finding:**

*Finding #:* 2014-001 - Information, Communication and Monitoring

*Finding Type:* Material weakness

*Criteria:*

The complexity of the City's financial reporting requirements under generally accepted accounting principles requires an effective system of internal accounting controls and procedures in order to capture, maintain, monitor, and properly report financial information. Controls should be sufficient to ensure that the City (1) obtains or generates and uses relevant, quality information to facilitate financial reporting and compliance with major federal award program requirements, (2) communicates internally and with outside parties information necessary for such reporting and compliance, and (3) performs ongoing evaluations of performance and effectiveness of such controls. The City's internal accounting control policies and procedures should be sufficient to ensure that information is completely and properly reported in its financial statements in accordance with generally accepted accounting principles.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-001 - Information, Communication and Monitoring (Continued)

*Condition:*

The City's entity-wide controls and procedures do not effectively ensure that all information relevant to the financial reporting process is timely identified and communicated for assessment of financial reporting impact and for assimilation into the financial reporting process. Deficiencies in the information accumulation and communication process contribute to weaknesses in the City's controls over compliance with agreements and regulations, as well as controls over monitoring the overall financial reporting process. Relevant data is not timely and adequately assessed for ramifications on the financial reporting process and compliance requirements. Certain information necessary for preparing financial statements in conformity with generally accepted accounting principles could not be readily produced by the City.

*Context:*

Information relevant to the preparation of basic financial statements, disclosures, supplementary and other information originates in many areas, including external sources and governing bodies and departments of the City. Therefore, data must be captured from various sources and assimilated into the financial reporting process. Such information is critical to preparation of financial statements in conformity with generally accepted accounting principles. However, during the course of our audit, we noted that the City's financial reporting process lacks effective controls over information accumulation and communications to ensure that all relevant information is appropriately incorporated into the financial reporting process in a timely manner. This in turn limits the City's ability to effectively maintain and monitor compliance with agreements and reporting requirements.

During the course of our audit, we noted that the City had not recorded certain non-cash transactions with its discretely presented component unit which originated outside the routine accounting process. Such transactions included receipt of a material contributed capital asset, as well as existence of a long-term receivable which had originated in a prior year.

We also noted that certain relevant data maintained by third parties, including reconciled detail of beginning capital assets and reports of health insurance claims payment lag activity, was not readily available to support recorded amounts. Also, the City had not obtained or estimated fiscal year investment income for an agency fund administered by the State Public Employees Retirement System.

Further, we noted that detail information regarding the nature, purpose, and amounts of restrictions, commitments, and assignments of resources, as well as related expenditures therefrom, was not readily available.

In addition, we noted that the City could not readily provide a list of covenants and compliance requirements related to debt and other agreements and had no formal documentation of monitoring compliance with such provisions. The City could not readily produce a schedule of its

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-001 - Information, Communication and Monitoring (Continued)

commitments or contingencies necessary for disclosure in its financial statements in conformity with generally accepted accounting principles. In a related matter, we determined that a material asset under construction would be transferred to a third party upon expiration of a related agreement, however no related commitment had been disclosed in the financial statements. We also identified a material judgment against the City which had not been subsequently paid but was omitted from reported liabilities of the City.

During the course of our audit, we determined that approval of a mandated long-term construction project varied from typical project approval processes and that, as a result, certain material costs which should have been capitalized as construction in progress were expensed in error. The City's procedures did not result in appropriate distinction between feasibility study and design costs related to this project.

We also noted that certain unresolved variances in proprietary fund operational activity, which could affect amounts billed and therefore collected, were not communicated to financial management for analysis.

*Cause:*

The City's financial reporting process lacks established and effective procedures for contemporaneously identifying, communicating, and monitoring certain information originating outside the routine accounting function. While information relevant to financial reporting may originate from external sources, through City governance activities, or within various departmental units of the City, current processes do not ensure timely assessment for financial reporting impact. Therefore, relevant information may not be adequately identified and timely communicated to those responsible for the financial reporting process. Since such information is not contemporaneously and completely captured, City finance and accounting personnel utilize prior financial reports to trigger inquiry and collection of information necessary for annual financial reporting, relying upon personal knowledge to identify such information to be reported.

*Effect:*

Since certain data relevant to the financial reporting process is not contemporaneously captured and maintained, the City cannot readily assimilate such information into its year-end financial statements. As a result, critical information may be omitted from the City's financial statements, and omissions may be material. The risk that material misstatement could result from deficiencies in the City's ability to properly capture and report relevant information in its financial statements represents a pervasive material weakness in internal controls.

Further, timely, adequate financial information is not available as a basis for assessing compliance with regulations and agreements and as basis for decisions made by City management and those in governance. Lack of timely data related to compliance with laws, regulations, grants, and

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-001 - Information, Communication and Monitoring (Continued)

agreements may result in failure to maintain compliance or address and resolve noncompliance matters within an acceptable timeframe. Noncompliance with agreements may adversely affect availability of funding or result in debt acceleration, and decisions made by City leadership may be based on incomplete or inadequate information. Further, due to the requirements of the City's mandated sewer system rehabilitation, it is critical that management have access to appropriate financial information in order to monitor compliance with agreements and to assess effects of decisions on credit ratings and current and long-range sources and uses of resources.

*Recommendation:*

The City should formalize its information, communications, and monitoring processes to ensure that data from external and internal sources is timely captured, retained, and available for financial reporting purposes. Such processes should produce documentation sufficient for efficient incorporation into the financial reporting process without necessitating extensive forensic reconstruction or retrospective procedures. Projects, programs, funding, and policies approved by leadership should be summarized and evaluated for financial reporting impact. Other salient data originating outside the accounting and finance departments should be timely communicated thereto for assimilation into the financial reporting process. Related files should be maintained within the department(s) responsible for financial reporting. Appropriate management personnel should meet periodically to assess the completeness and ramifications of gathered information.

Commitments and compliance requirements imposed by funding agencies, oversight bodies, or contractual agreements should be summarized and formally monitored within the financial reporting function. Requirements and related assessments of compliance should be made available to City leadership as support for decisions and actions.

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

**Finding:**

*Finding #:* 2014-002 - Financial statement adjustment and disclosure

*Finding Type:* Material weakness

*Criteria:*

An effective internal accounting control system should ensure that all transactions are properly initiated, authorized, recorded, processed, and reported in the financial statements, including disclosures, in accordance with generally accepted accounting principles. Accounting procedures



**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-002 - Financial statement adjustment and disclosure (Continued)

and controls should be sufficient to ensure that transactions and account balances are completely and accurately recorded and reported in the proper period and that any errors are prevented or timely detected and corrected. In addition, internal controls should be sufficient to ensure that amounts are properly classified, that accounts are properly valued, and that pertinent rights and obligations are properly reflected in the financial statements in accordance with generally accepted accounting principles. An entity's internal accounting control system encompasses all accounting systems utilized, including automated, peripheral, and manual processes and outsourced functions.

Furthermore, an entity's independent auditor may not be considered part of the internal control system.

*Condition:*

The City's internal accounting controls are not sufficient to ensure that transactions and account balances are properly reported in conformity with bases of accounting required by generally accepted accounting principles. Adjustments necessary to convert cash basis transaction data to appropriate accounting bases cannot be readily produced. Further, required disclosures, supplementary schedules, and other reporting information cannot be readily produced or derived from the City's accounting system. In addition, controls over the City's accounting systems, including its use of peripheral systems, are insufficient to ensure proper cut-off and valuation of transactions and balances.

*Context:*

The City's accounting and reporting functions rely upon its systems, procedures, and personnel resources. Weaknesses in certain of these elements may be mitigated by strengths in others. During the course of our procedures, we noted that the City's accounting software systems are not able to readily produce certain financial information necessary for reporting under U.S. generally accepted accounting principles. Pursuant to State of Mississippi requirements, the City maintains its transaction accounting system on a cash basis of accounting, modified for certain encumbrances consistent with the municipal budget basis. Financial reporting in conformity with generally accepted accounting principles requires conversion of that modified cash basis information to the bases required for fund and government-wide financial statements.

Because the City's general ledger accounting software is capable only of maintaining cash basis information, certain data necessary for financial reporting in conformity with generally accepted accounting principles must be captured and maintained peripherally in automated and manual files. Software constraints increase the necessity for sufficient personnel resources and effective peripheral system processes in order to capture and maintain data necessary for the financial reporting process. Effective internal controls over these accounting systems and procedures, including peripheral systems which function as an integral part of the financial reporting process,

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-002 - Financial statement adjustment and disclosure (Continued)

are essential to preparation of financial statements in accordance with generally accepted accounting principles. However, we noted that constraints in personnel and weaknesses in procedural processes impaired mitigation of automated system limitations.

Preparation of the City's financial statements requires manual assimilation of data from numerous sources; however the City has no formal process for ensuring the accuracy and completeness of information maintained in various peripheral systems and files, including spreadsheets and subsidiary journals and ledgers. The City does not routinely capture and maintain data necessary for conversion of cash basis to appropriate fund and accrual basis financial presentation or for preparation of necessary disclosures and supplementary information reported in its financial statements. Therefore, such information was not readily available. Further, the City does not consistently perform periodic assessments of long-term assets for impairment or evaluations of collectability of receivables in order to determine whether financial statement adjustment is appropriate.

Electronic spreadsheets are used as an integral tool in the City's financial reporting process. Spreadsheets are used extensively in allocations, reconciliations, conversion adjustments, and preparation of entries and financial reports. Because electronic spreadsheets can be easily changed and generally lack certain formalized controls, they are subject to increased inherent risk and error. During the course of our procedures, we reviewed certain essential peripheral system reports and spreadsheets for accuracy of data and calculations and to gain an understanding of procedures used in preparation, review, and monitoring of such spreadsheets. While the methodology applied appears to be appropriate, it was noted that controls over data maintained in integral peripheral systems and spreadsheets were not adequate to ensure that potential material mistakes would be prevented or timely detected and corrected for financial reporting purposes. We noted instances of calculation error, input error, and data omission in certain schedules and reports supporting accrual adjustments and control account balances. These errors and omissions indicated ineffective controls over data entry, reconciliation, and review of data maintained in peripheral systems.

*Cause:*

The City's general ledger accounting software system functions only on the cash basis of accounting. Accounting periods may not remain open while next period activity is recorded. Therefore, entries may only be made to the period currently open. This severely limits the usability of the system for maintaining and reporting data under the fund basis or accrual basis of accounting required for financial reporting in accordance with generally accepted accounting principles. Additional peripheral software tools, including function-specific software applications, spreadsheets, and manual records must be utilized to capture, maintain, monitor, and properly report information in the City's financial statements. Since the City maintains its interim financial

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-002 - Financial statement adjustment and disclosure (Continued)

information on the cash basis, it does not routinely maintain and monitor data on the bases of accounting required for its annual financial reporting in accordance with generally accepted accounting principles. The City does not maintain a separate financial reporting system or process in which to record noncash and conversion adjustments necessary for financial statements in accordance with generally accepted accounting principles. Therefore, it does not routinely prepare and record year-end adjustments required for annual financial reporting. The City does not maintain or monitor non-cash activity as part of a recurring process or routinely record accrual and conversion adjustments, and few internal controls have been implemented for those processes. In addition, the City did not effectively verify, review, reconcile, and monitor reports generated through peripheral systems, including spreadsheets, to ensure reliability of information to be reflected in the financial statements.

Personnel resource and software limitations impair the City's ability to effectively maintain, reconcile, and monitor noncash transactions, accrual and conversion adjustments, as well as other data essential to the financial reporting process.

*Effect:*

The City's internally-generated financial information is not prepared in conformity with generally accepted accounting principles, and the City cannot readily produce necessary conversion entries or data for disclosure and supplementary schedule presentation, Although the City is knowledgeable of its financial reporting requirements and responsibilities and also maintains data underlying conversion adjustments, such adjustments are omitted from the City's internal financial statements. Rather than prepare and record appropriate conversion adjustments, the City has historically requested that the independent auditor include these entries as audit adjustments. These adjustments are material and are required prior to the issuance of financial statements presented in conformity with accounting principles generally accepted in the United States.

Also, as a result of noted deficiencies in internal controls, certain accounting data was not correctly prepared, reconciled, reviewed, and retained for verification and corroboration of balances and to support roll-forward of financial activity. In addition, certain material account balances did not agree to underlying subsidiary account detail. Therefore, material adjustments were proposed by the auditor in order to correct misstatements.

*Recommendation:*

The City should assess the quality of existing peripheral processes and implement effective control procedures to ensure that data maintained therein is accurate and that errors or irregularities are prevented or timely detected and corrected. In conjunction with this process, immediate steps should be taken to develop or enhance peripheral processes to ensure completeness and accuracy of data maintained for financial reporting in accordance with generally accepted accounting principles. Such processes should include reconciliation of summary data to underlying detail and

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-002 - Financial statement adjustment and disclosure (Continued)

periodic review and approval of data maintained in peripheral systems, including spreadsheets and manual files. Procedures, such as use of periodic checklists and calculations, should be implemented to timely capture, maintain, and reconcile data supporting adjusting and conversion entries and disclosure information. Such checklists and calculations should be reviewed by an appropriate level of management in order to monitor adequacy and compliance with policies and procedures.

The City should deploy appropriate and adequate personnel resources to its accounting processes in order to achieve effective control. In addition, management should assess the level of additional resources necessary to allow the City to maintain and prepare accrual and conversion adjustments, disclosures, and schedules necessary for financial reporting in accordance with generally accepted accounting principles. The City should consider the cost-benefit of providing additional resources for personnel, accounting software systems, or both.

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

**Finding:**

*Finding #:* 2014-003 - Accounts receivable

*Finding Type:* Material weakness

*Criteria:*

Internal accounting controls should be sufficient to ensure that accounts receivable balances are properly valued and reported.

*Condition:*

The City's accounting policies and procedures related to accounts receivable are not adequate to ensure that Municipal Court fines receivable and Water and Sewer customer accounts receivable are properly valued and reported.

The City's internal controls for recording and reconciling Municipal fines outstanding are not sufficient to ensure proper cut-off and that gross balances outstanding represent valid underlying amounts and that collection activity and account collectability is properly evaluated. The City was unable to provide subsidiary detail reports of customer or defendant balances supporting accounts receivable totals or to provide aging analysis of such detail balances. In addition, the City had no formal documentation of methodology or calculations of allowances for doubtful accounts receivable.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-003 - Accounts receivable (Continued)

The City's internal controls for recording and reconciling Water and Sewer customer account balances outstanding are not sufficient to ensure proper cut-off and that collectability is properly evaluated. The City was unable to provide summary or subsidiary detail reports of customer balances outstanding at fiscal year-end or to provide aging analysis of such balances. In addition, the City had no formal documentation of methodology or calculations of allowances for doubtful accounts receivable.

*Context:*

The City utilizes peripheral software systems to record Municipal Court fines and related assessments due to other agencies upon collection of such fines. Amounts receivable and payable are not recorded in the City's general ledger system until the corresponding cash collection or payment transaction occurs. During the course of our audit procedures, we identified errors in peripheral detail balances and determined that the City did not routinely prepare and reconcile subsidiary detail or activity reports. We also noted that the City was unable to provide or perform effective aging analyses or collection trends in order to support its estimates of the related allowance for doubtful accounts.

The City utilizes a module of its general ledger accounting software for its Water and Sewer billing functions, however the general ledger system does not include an interface between cash basis and accrual basis data. Therefore, billing and receivable balances are not maintained in general ledger accounts. Receivable reports and related activity reports cannot be regenerated after period cut-off, therefore the City cannot generate or reproduce accounts receivable reports after the calendar period close. During the course of our audit procedures, the City was unable to produce accurate reports for the fiscal year.

*Cause:*

City procedures do not require periodic generation, reconciliation, and retention of detail accounts receivable and activity reports. Periodic subsidiary detail reports may not be regenerated after period end due to application software limitations.

*Effect:*

Failure to routinely generate, reconcile, review, and retain detail and summary reports at the end of each accounting period impairs the City's ability to properly account for and assess collectability of its accounts receivable balances. These factors could cause the City's valuation of its accounts receivable balances to be misstated.

*Recommendation:*

The City should generate, reconcile, review, and retain monthly receivable detail and summary reports, including agings of outstanding fines and Water and Sewer customer account balances. Periodic reports and related trends should be analyzed in assessing collectability and in estimating the allowance for doubtful accounts.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-003 - Accounts receivable (Continued)

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

**Finding:**

*Finding #:* 2014-004 - Non-routine and noncash transactions

*Finding Type:* Material weakness

*Criteria:*

Internal accounting controls should be sufficient to ensure that noncash and non-routine transactions are properly captured, recorded, and reported in the City's financial statements in accordance with generally accepted accounting principles.

*Condition:*

The City's accounting policies and procedures generally address cash basis transactions and certain recurring accrual adjustments recorded at the end of each fiscal year. Procedures do not provide an appropriate mechanism for capturing, recording, and reporting noncash or non-routine information to ensure that such information is properly reflected in the financial statements and disclosures. As a result, the City was unable to readily provide detail of judgments and awards, contributed assets, health insurance claims reserve liabilities, current period amortization amounts, compensated absences, or long-term receivables. In addition, certain disclosure and supplementary information was not readily available.

*Context:*

During the course of our audit, we requested information supporting certain disclosures and account balances from City management which was not readily available. We determined that, while the City was able to readily provide summary and detail information for cash-basis transactions for the fiscal year, data necessary for conversion to fund basis and accrual basis financial reporting was not readily available. In addition, we noted that the City had no formal processes for maintaining information necessary for certain disclosures and supplementary information. Further, the City was unable to provide evidence of formal or effective monitoring of such data throughout the period.

*Cause:*

The City generally assimilates financial reporting information after the close of each fiscal year. The City has no formal process for collecting, maintaining, and assimilating information other than cash transactions processed.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-004 - Non-routine and noncash transactions (Continued)

*Effect:*

Ineffective procedures for maintaining noncash and non-routine transaction data and relevant disclosure information could result in omission from the financial statements or material misstatement of related account balances.

*Recommendation:*

We recommend that City management develop and implement procedures to collect and manage non-routine, noncash, and disclosure-related information so that it may be timely reviewed and monitored and readily available for year-end financial reporting purposes. Monthly and annual closing procedures should incorporate checklists and assignment of responsibility for data collection, preparation, review, and retention. We further recommend that management consider the use of standard disclosure checklists in developing its procedures for managing non-routine, noncash, and disclosure information. Also, compliance with procedures should be routinely documented each period.

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

**Finding:**

*Finding #:* 2014-005 - Capital assets

*Finding Type:* Material weakness

*Criteria:*

Internal accounting controls over capital assets should be sufficient to ensure that such assets are properly recorded, depreciated, assessed for impairment, and reported. Detail descriptions should be adequate to allow identification of specific underlying assets, and detail subsidiary ledgers should be reconciled to reported amounts. Appropriate costs should be capitalized in accordance with generally accepted accounting principles for assets acquired or constructed. Disposals should be timely recognized and reported. Rights and obligations related to ownership and pledges of capital assets should be properly reported.

*Condition:*

The City's detail subsidiary ledgers of capital assets did not readily reconcile to its reported balances as of the beginning of the fiscal year. Subsequent to fiscal year-end the City obtained in-house depreciation software and converted prior year data into that system for reconciliation and roll-forward. Certain duplications of assets and other errors were noted during the reconciliation process, and certain item descriptions were inadequate to allow identification of the specific assets

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-005 - Capital assets (Continued)

to which descriptions and balances related. In addition, certain constructed assets did not properly include capitalization of interest costs. Also, certain design costs were improperly excluded from amounts capitalized. Also, some errors in depreciation calculations in prior years were noted.

*Context:*

During the course of our audit procedures, we noted that detail depreciation schedules and other peripheral schedules did not readily reconcile to capital asset recorded amounts. During the course of testing, errors in cost basis of certain constructed assets were identified. Further, detail asset records included some items which had been disposed.

*Cause:*

The City did not routinely and formally reconcile capital asset subsidiary detail to its financial statements. Also, the City did not routinely capture construction period data or calculate construction period interest which should be capitalized for certain proprietary fund assets. City procedures do not permit disposing of assets from City records without Council approval, however procedures in place did not timely identify assets destroyed or lost for submission for disposal approval.

The City has a material long-term ongoing sewer project which will be funded through incremental measures but which was initially approved in total. This project was mandated under an MDEQ order, which varied from the City's normal construction activity process of initiating projects and related funding simultaneously. The City's process for segregating feasibility study costs to be expensed from design costs to be capitalized was ineffective in this case.

*Effect:*

As a result of deficiencies in the City's accounting policies and procedures for capital assets, material adjustments were proposed by the auditor to properly capitalize costs of additions and to properly reflect capital asset balances net of accumulated depreciation. Noted deficiencies could result in material misstatement of capital assets balances and disclosures and of interest and design costs. Further, deficiencies in detail asset descriptions impairs the City's ability to effectively inventory its physical assets.

*Recommendation:*

We recommend that the City implement policies and procedures to initially identify approved construction projects and to effectively segregate feasibility study costs from project design costs. We also recommend that capital asset subsidiary detail descriptions include sufficient information to allow physical identification of specific assets. Unlocated or destroyed assets should be timely submitted to the City Council for approval of deletion from City records. Control account totals should be periodically reconciled to detail subsidiary account balances. Expenditure accounts



**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-005 - Capital assets (Continued)

should be periodically reviewed for propriety of coding feasibility study costs and project design capital outlays. Periodically, management should evaluate the City's long-term assets for indications of impairment. Any indicated impairment should be evaluated and adjusted as appropriate.

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

**Finding:**

*Finding #:* 2014-006 - Water and Sewer billings

*Finding Type:* Significant deficiency

*Criteria:*

Effective internal accounting controls should ensure that recorded transactions are complete and accurate. In order to ensure that the City bills for all Water and Sewer services to customers, procedures should include comparison of volumes processed to volumes billed, and differences should be timely investigated and resolved or explained.

*Condition:*

The City's internal controls do not include analysis of accounting data in conjunction with underlying operations data for Water and Sewer volumes processed and billed. Further, the City does not compare the volumes used by City facilities to total unbilled volume in order to identify adverse trends or anomalies which could identify major system breaches due to leaks or unauthorized tie-ins to City infrastructure.

*Context:*

During the course of our audit procedures, we analyzed certain volume data for consistency with system billings and considered trends and reasonableness of unbilled volume percentages.

*Cause:*

Certain City facilities are not metered for Water and Sewer volumes. Further, no periodic analysis or summary of usage by the City's metered facilities is prepared or considered in overall analysis or review of volumes not billed, also known as "unaccounted for" volumes. During the year ended September 30, 2014, the City identified certain new construction which had been connected to City Water and Sewer systems but which had no installed meters. The City then estimated usage based on periods following meter installation and billed entities accordingly. However, no additional internal control procedures were implemented to address this known internal control deficiency.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section II: Financial Statement Findings (Continued)**

*Finding #:* 2014-006 - Water and Sewer billings (Continued)

*Effect:*

As a result, there is a risk that the City could fail to detect Water and Sewer usage at unmetered locations or significant leaks in City infrastructure. Unmetered usage would not be routinely billed by the City, resulting in failure to realize related revenues. Unmanaged infrastructure leaks could lead to extensive repair and maintenance costs and increased damage to capital assets.

*Recommendation:*

We recommend that the City install meters at all City facilities to monitor Water and Sewer system volumes used. In addition, we recommend that the City generate periodic reports of City usage in order to monitor economic resources and system usage in order to monitor and manage unaccounted for volumes. The City should also establish thresholds for tolerable unaccounted for volumes and percentage changes so that significant breaches from leaks, pipe tests, or unauthorized system access may be timely detected and addressed. The City should also consider allocating costs among user departments at established system rates in order to effectively manage departmental overhead and full cost.

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

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

**Findings:**

*Finding #:* 2014-007 - Cash management

*Finding Type:* Material Weakness

*Program Tested:* CFDA No. 20.205: Highway Planning and Construction:  
U. S. Department of Transportation Federal Highway  
Administration Pass-Through from Mississippi  
Department of Transportation

*Criteria:*

The requirements for cash management are contained in the A-102 Common Rule ((§\_\_.21), OMB Circular A-110 (2 CFR section 215.22), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and conditions of the award. Non-federal entities shall include in their internal controls policies and procedures designed to allow for compliance with applicable cash management requirements.

*Condition:*

During fiscal year ended September 30, 2014, the City received reimbursements from Mississippi Department of Transportation (MDOT) for expenditures that had not been paid by the City at the time the reimbursement was received from MDOT. The consulting engineering firm associated with certain projects submitted project invoices directly to MDOT for reimbursement and to the Engineering Department of the City of Hattiesburg for payment. The City's Engineering Department submitted the invoices to the Accounting Department for payment through normal processes. MDOT processed certain reimbursements from submitted invoices before vendor payment processing was completed by the City.

*Questioned Costs:*

Undetermined

*Context:*

During the course of our fiscal year 2014 audit procedures, which included examination of cash management compliance documentation, we noted two instances in a sample of twenty-two items for which the City had received reimbursement from MDOT for expenditures that had not yet been paid by the City.

*Cause:*

As described above, the City allowed its third party consultant to directly submit requests for reimbursement to MDOT, the grant's funding agency. The consulting engineer was responsible for review and approval of project invoices and submitted grant reimbursement requests to MDOT

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

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

*Finding #:* 2014-007 - Cash management (Continued)

simultaneously with submission of invoices to the City for payment processing. Personnel turnover within the City Engineering Department delayed certain invoice processing, and City procedures did not effectively ensure that only paid invoices were submitted for reimbursement.

*Effect:*

The City received reimbursements for the transactions described above prematurely based upon the reimbursement requirements that were applicable to this grant.

*Recommendation:*

The City should implement policies and procedures to ensure that project costs are paid before related requests for reimbursement are submitted to its funding agency.

*Views of Responsible Officials:*

The City agrees with this finding. The City's Corrective Action Plan is presented on page 140.

*Finding #:* 2014-008 - Subrecipient monitoring

*Finding Type:* Significant Deficiency

*Program Tested:* CFDA No. 14.218: CDGB Entitlement Grants – Cluster:  
Community Development Block Grants/Entitlement Grants  
U.S. Housing & Urban Development Pass-  
through from Governor's Department of HUD

*Criteria:*

The requirements for subrecipient monitoring are contained in OMB Circular A-133, Subpart D, §.400(d), §.500(d) and 24 CFR 92.506 and compliance with CDBG Guidebook for Grantees on Subrecipient Oversight. The City, as grantee, is required to develop a monitoring and tracking system for monitoring subrecipients' compliance with the Single Audit Act of 1996 as contained in OMB Circular A-133. While data may be contained in individual files, certain elements must be compiled and tracked within a tracking system so that audit compliance can be verified and easily reviewed in a single location.

*Condition:*

During fiscal year ended September 30, 2014, the City did not maintain a tracking and monitoring system that provided a single location for verifying and reviewing specified elements of its subrecipients' compliance with the requirements of the Single Audit Act of 1996 as contained in OMB Circular A-133 and compliance with CDBG Guidebook for Grantees on Subrecipient Oversight. Although data is maintained in individual files, the City did not have a system for overall tracking and monitoring as required.

**City of Hattiesburg, Mississippi**  
**Schedule 20 - Schedule of Findings and Questioned Costs**

**Section III: Federal Awards Findings and Questioned Costs (Continued)**

*Finding #:* 2014-008 - Subrecipient monitoring (Continued)

*Questioned Costs:*  
Undetermined

*Context:*

Pursuant to our fiscal year 2014 audit procedures, which included examination of program and activities files for the projects and activities selected for testing, we noted that the City had not developed or implemented the required compliance monitoring and tracking system so that subrecipients' compliance with program policies and procedures and the requirements contained in the Single Audit Act of 1996 as contained in OMB Circular A-133 could be verified and easily reviewed in a single location.

*Cause:*

Personnel turnover in the City's Department of Federal and State Programs resulted in failure to implement and maintain an appropriate tracking and monitoring system for subrecipient compliance with the Single Audit Act of 1996 as contained in OMB Circular A-133.

*Effect:*

The City does not have an audit tracking and monitoring system to ensure compliance with requirements of OMB Circular A-133. Non-compliance could result in loss of funding from this program.

*Recommendation:*

The City must implement an audit monitoring and tracking system to meet its requirements for subgrantee monitoring. In conjunction with this, the City should review its existing policies and procedures to ensure that current compliance requirements are met.

*Views of Responsible Officials:*

The City's Corrective Action Plan is presented on page 140.

**CITY OF HATTIESBURG, MISSISSIPPI**

**AUDITEE CORRECTIVE ACTION PLAN**

**Year Ended September 30, 2014**



**Mayor**

*Johnny L. DuPree, Ph.D.*

**Council - Ward 1**  
*Kim Bradley*

**Council - Ward 2**  
*Deborah Denard Delgado*

**Council - Ward 3**  
*Carter Carroll*

**Council - Ward 4**  
*Mary Dryden*

**Council - Ward 5**  
*Henry Naylor*

### **Auditee Corrective Action Plan**

March 25, 2016

The City of Hattiesburg respectfully submits the following corrective action plan for the year ended September 30, 2014.

Carr, Riggs & Ingram, LLC  
P. O. Box 2418  
Ridgeland, MS 39158-2418

Audit period: September 30, 2014

The findings from the September 30, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### **FINDINGS – FINANCIAL STATEMENT AUDIT**

##### **MATERIAL WEAKNESSES**

**Finding 2014-001** Information, communication, and monitoring

*Recommendation:*

The City should formalize its information, communications, and monitoring processes to ensure that data from external and internal sources is timely captured, retained, and available for financial reporting purposes. Such processes should produce documentation sufficient for efficient incorporation into the financial reporting process without necessitating extensive forensic reconstruction or retrospective procedures. Projects, programs, funding, and policies approved by leadership should be summarized and evaluated for financial reporting impact. Other salient data originating outside the accounting and finance departments should be timely communicated thereto for assimilation into the financial reporting process. Related files should be maintained within the department(s) responsible for financial reporting. Appropriate management personnel should meet periodically to assess the completeness and ramifications of gathered information.

Commitments and compliance requirements imposed by funding agencies, oversight bodies, or contractual agreements should be summarized and formally monitored within the financial reporting function. Requirements and related assessments of compliance should be made available to City leadership as support for decisions and actions.

*Action Taken:*

City management concurs with the recommendation and is in the process of formalizing and implementing standard processes and procedures to ensure data from both internal and external sources is properly and timely identified and captured for financial reporting purposes. Processes will include procedures for information capture from City Council actions, third party attorneys and consultants, and funding sources. Other process for interdepartmental communication, including data originating from both internal and external sources, are being developed. Appropriate management personnel will periodically communicate to assess completeness of data incorporated in the financial reporting process and its ramifications.

*Name of Responsible Person:* Sharon Waits, CFO

*Name of Department Contact:* Sharon Waits, CFO

*Expected Date of Completion:* December 31, 2016



**Finding 2014-002**

**Financial statement adjustment and disclosure**

*Recommendation:*

The City should assess the quality of existing peripheral processes and implement effective control procedures to ensure that data maintained therein is accurate and that errors or irregularities are prevented or timely detected and corrected. In conjunction with this process, immediate steps should be taken to develop or enhance peripheral processes to ensure completeness and accuracy of data maintained for financial reporting in accordance with generally accepted accounting principles. Such processes should include reconciliation of summary data to underlying detail and periodic review and approval of data maintained in peripheral systems, including spreadsheets and manual files. Procedures, such as use of periodic checklists and calculations, should be implemented to timely capture, maintain, and reconcile data supporting adjusting and conversion entries and disclosure information. Such checklists and calculations should be reviewed by an appropriate level of management in order to monitor adequacy and compliance with policies and procedures.

The City should deploy appropriate and adequate personnel resources to its accounting processes in order to achieve effective control. In addition, management should assess the level of additional resources necessary to allow the City to maintain and prepare accrual and conversion adjustments, disclosures, and schedules necessary for financial reporting in accordance with generally accepted accounting principles. The City should consider the cost-benefit of providing additional resources for personnel, accounting software systems, or both. Processes to reconcile summary data to underlying detail and for periodic review and approval of data maintained in peripheral systems, including spreadsheets and manual files should be implemented immediately.

*Action Taken:*

City management concurs with the recommendation. Management is also undertaking a project to assess the City's computer accounting systems (overall financial reporting systems), including general ledger and peripheral software applications, in order to develop recommendations to more adequately meet the accounting and reporting needs of the City. City management will submit recommendations for software solutions and personnel resources to the City Council for approval.

The City's Finance and Accounting Departments are in the process of developing checklists and templates for use at the departmental levels in order to capture data maintained in peripheral systems. Management will periodically review checklists and templates for compliance and to determine impact of information on financial reporting in accordance with generally accepted accounting principles. Management will also develop additional reconciliation procedures and investigate the availability of customized system-generated reports to reduce reliance on individually developed peripheral spreadsheets which require manual data entry and may have risk of undetected error.

*Name of Responsible Person:* Sharon Waits, CFO

*Name of Department Contact:* Lisa Hanson

*Expected Date of Completion:* December 31, 2016

**Finding 2014-003**

Accounts receivable

*Recommendation:*

The City should generate, reconcile, review, and retain monthly detail and summary reports, including agings of outstanding fines, and Water and Sewer customer account balances. Periodic reports and related trends should be analyzed in assessing collectability and in estimating the allowance for doubtful accounts.

*Action Taken:*

City management concurs with the recommendation. Procedures will be implemented to ensure that periodic and summary reports are generated retained and reconciled. Procedures will be developed to ensure that municipal court receivables and water/sewer billing receivables are properly valued and reported under the appropriate basis of accounting.

In prior years, the Municipal Court had undertaken a process of manual conversion of data to a single system. Due to deficiencies in this process, management will determine the feasibility of pursuing electronic conversion options and submit appropriate proposals to the mayor and council. In addition, management will develop an alternate process for reconciliation and reporting of court transaction activity and related receivables until such time as any electronic system enhancements are completed. Interim reports will be processed and analyzed by knowledgeable personnel in order to identify unusual trends or activity. No less than annually management will estimate an allowance for doubtful accounts based on identified trends.

*Name of Responsible Person:* Sharon Waits, CFO

*Name of Department Contact:* Kermas Eaton

*Expected Date of Completion:* December 31, 2016

**Finding 2014-004**

Non-routine and noncash transactions

*Recommendation:*

City management should develop and implement procedures to collect and manage non-routine, noncash, and disclosure-related information so that it may be timely reviewed and monitored and readily available for year-end financial reporting purposes. Monthly and annual closing procedures should incorporate checklists and assignment of responsibility for data collection, preparation, review, and retention. Management should consider the use of standard disclosure checklists in developing its procedures for managing non-routine, noncash, and disclosure information. Also, compliance with procedures should be routinely documented each period.

*Action Taken:*

City management concurs with the recommendation. Management will implement a disclosure checklist for its annual reporting. In addition, management will develop procedures for the capture and dissemination of relevant council actions to ensure appropriate accounting and reporting records are maintained. Management is working to develop better communication of external and third party information to appropriate departments and personnel.

*Name of Responsible Person:* Sharon Waits, CFO

*Name of Department Contact:* Kermas Eaton, City Clerk

*Expected Date of Completion:* September 30, 2016

**Finding 2014-005**

Capital assets

*Recommendation:*

The City should implement policies and procedures to initially identify approved construction projects and to effectively segregate feasibility study costs from project design costs. Capital asset subsidiary detail descriptions should include sufficient information to allow physical identification of specific assets. Unlocated or destroyed assets should be timely submitted to the City Council for approval of deletion from City records. Control account totals should be periodically reconciled to detail subsidiary account balances. Expenditure accounts should be periodically reviewed for propriety of coding feasibility study costs and project design capital outlays. Periodically, management should evaluate the City's long-term assets for indications of impairment. Any indicated impairment should be evaluated and adjusted as appropriate.

*Action Taken:*

City management concurs with the recommendation. Management has obtained fixed asset accounting software and has converted beginning data into this system. Procedures are being reviewed and updated to ensure the capture of design costs and capitalized interest. Management will periodically review construction in progress to ensure appropriate costs have been captured.

*Name of Responsible Person:* Sharon Waits, CFO

*Name of Department Contact:* Lisa Hanson, Comptroller

*Expected Date of Completion:* September 30, 2016

## SIGNIFICANT DEFICIENCIES

### **Finding 2014-006**                      Water and Sewer system billings

*Recommendation:*

The City should install meters at all City facilities to monitor Water and Sewer system volumes used. In addition, the City should generate periodic reports of City usage in order to monitor economic resources and system usage in order to monitor and manage unaccounted for volumes. The City should also establish thresholds for tolerable unaccounted for volumes and percentage changes so that significant breaches from leaks, pipe tests, or unauthorized system access may be timely detected and addressed. The City should also consider allocating costs among user departments at established system rates in order to effectively manage departmental overhead and full cost.

*Action Taken:*

City management concurs with the recommendation. City management has undertaken an analysis of City facilities metered in order to identify those locations where meters should be installed. City management has also initiated procedures to periodically report usage by City facilities in order to monitor trends and identify unacceptable levels of volume unaccounted for. These processes will allow the City to effectively monitor volumes processed and billed and to identify areas where usage is inconsistent with billings. The City has also engaged a third party to complete a system performance evaluation and install a SCADA monitoring system in order to enhance control over system operations.

*Name of Responsible Person:* Sharon Waits, CFO

*Name of Department Contact:* Sharon Waits, CFO

*Expected Date of Completion:* December 31, 2016

**Finding 2014-007**

**Program:** Highway Planning and Construction  
**CFDA No.:** 20.205  
**Federal Agency:** U.S. Department of Transportation, Federal Highway Administration  
Pass- Through from Mississippi Department of Transportation  
**Award Year:** Fiscal Year 2013-2014  
**Compliance Requirement:** Cash Management  
**Questioned Costs:** None

**Recommendation:**

The City should implement policies and procedures to ensure that project costs are paid before related requests for reimbursement are submitted to its funding agency.

**Department's Response:**

The Department of Administration concurs with the finding.

**Corrective Action Plan:**

*Response from the Department of Administration:*

The city will establish procedures to ensure payments to contractors are processed by the city prior to submission of reimbursement requests by consulting engineers.

**Name of Responsible Person:** Sharon Waits, CFO  
**Name of Department Contact:** Lisa Hanson, Comptroller (Janet Beech, Accountant, Engineering)  
**Expected date of Completion:** December 31, 2015

**Finding 2014-008**

**Program:** CDGB Entitlement Grants – Cluster: Community Development Block Grants/Entitlement Grants

**CFDA No.:** 14.218

**Federal Agency:** U.S. Housing & Urban Development Pass- Through from Governor's Department of HUD

**Award Year:** Fiscal Year 2013-2014

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** None

**Recommendation:**

The City must implement an audit monitoring and tracking system to meet its requirements for subgrantee monitoring. In conjunction with this, the City should review its existing policies and procedures to ensure that current compliance requirements are met.

**Department's Response:**

The Department of Administration concurs with the finding.

**Corrective Action Plan:**

*Response from the Department of Administration:*

The city will implement an audit monitoring and tracking system for subgrantee monitoring in accordance with compliance requirements. The city will also review existing policies and procedures to ensure that current compliance requirements are met.

**Name of Responsible Person:** Sharon Waits, CFO (LaKeylah White, Federal and State Programs Director)

**Name of Department Contact:** Lisa Hanson, Comptroller (Clarence P Williams, Division Manager)

**Expected date of Completion:** December 31, 2015

**CITY OF HATTIESBURG, MISSISSIPPI**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended September 30, 2014**





**Mayor**

*Johnny L. DuPree, Ph.D.*

**Council - Ward 1**  
*Kim Bradley*

**Council - Ward 2**  
*Deborah Denard Delgado*

**Council - Ward 3**  
*Carter Carroll*

**Council - Ward 4**  
*Mary Dryden*

**Council - Ward 5**  
*Henry Naylor*

**Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2014**

The following is an update of the prior audit finding and is prepared in accordance with the Office of Management and Budget Circular A-133, Section .315(b).

**2013-1: Material Weakness**

Summary of prior audit finding – The city did not have a policy in place that consistently required the termination of water services or the payment of past due amounts prior to the resumption of services.

Recommendation: The auditor recommended the City update the water services cutoff ordinance, and implement consistent enforcement of the policy. The auditor also recommended the policy include appropriate segregation of duties that allow for the water billing function to independently facilitate these procedures as authorized by the adopted ordinance.

Current Status – Fully Corrected

The City updated its water and sewer ordinance on February 18, 2014, which shall be applied consistently to all water and sewer accounts.

Contact: Kermas Eaton, City Clerk

**2013-2: Cash management procedures - Federal Transit Formula Grants, U.S. Department of Transportation, Federal Transit Administration, Pass-Through Entity Identifying Numbers, CFDA 20.507**

Summary of prior audit finding – This finding was a significant deficiency stating that cash reimbursement requests were initiated before payment of related transactions had been made by the City.

Recommendation: The auditor recommended that the City's accounting department implement procedures to prepare reimbursement requests from reliable expenditure reports that accurately identify paid transactions to ensure that such requests include only amounts which have been paid.

Current Status – Partially corrected

The City implemented procedures to use cash-basis docket reports for preparation of reimbursement requests to ensure that unpaid transactions were not included in such requests. However, the City allowed certain third-party consulting engineers to submit reimbursement requests directly to the funding agency simultaneously with submission of project construction invoices to the City for payment. As a result, some reimbursements were received by the City before its payments of the underlying invoices were processed. The City has since implemented procedures requiring all pay applications be processed through the City Engineering Department and paid by the City before submission for reimbursement. In addition, third parties are no longer allowed to submit reimbursement requests on behalf of the City.

Contact: Lisa Hanson, Comptroller

Schedule 21

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

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

We were engaged to audit the basic financial statements of City of Hattiesburg, Mississippi for the year ended September 30, 2014, and have issued our report dated March 25, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards.

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

The results of those procedures and our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information disclosed the following instances of noncompliance with laws and regulations:

### **Finding 1 – Vehicle Markings**

Vehicle inspections conducted revealed that several of the City's vehicles are not in compliance with Section 25-1-87, Mississippi Code of 1972, Annotated. Vehicle markings were not the appropriate width, height and in a color which is in contrast with the color of the vehicle.

#### **Finding**

Section 25-1-87, Mississippi Code of 1972, Annotated, requires all municipal vehicles be marked, except police vehicles used for undercover operation and authorized by governing authorities. All state vehicles owned or leased by any agency of the State shall have a permanent decal or paint on both sides of the vehicle. If permanent decals are utilized they should be at least twelve inches in height and twelve inches in width on both sides of the vehicle. If painted on both sides then the letters should be at least three inches in height, and on the rear in letters not less than one and one-half inches in height. The color should be in a contrasting color with the color of the vehicle. While the City initiated corrective action subsequent to the fiscal year ended September 30, 2014, such action had not been fully completed as of the date of this report.

**Recommendation**

The City should take necessary steps to ensure that all of their vehicles are brought into compliance with Section 25-1-87, Mississippi Code of 1972, Annotated.

**Response**

The City Administration agrees with this finding and has implemented procedures under which all purchased vehicles will be marked with standard signage applied by the Public Works department mechanical shop. Additionally, the City is in the process of replacing noncompliant markings with markings of appropriate size, contrast, and placement. The City's corrective action regarding this matter is expected to be fully completed by December 31, 2016.

**Finding 2 – City Court Accounting Procedures**

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

**Finding**

Mississippi Code Section 21-23-11 explains that the municipal court shall administer the collection and settlement of collections. Mississippi law requires the Office of the State Auditor to prescribe procedures for the handling of certain court funds, pursuant to which the State Auditor has set forth procedures for Municipal Court accounting systems and partial payment accounting. Among these procedures are the requirements to maintain an accounts receivable system, to balance such accounts monthly, and to periodically analyze such things as the age of accounts. Reports should then be made to the judge and Council, containing such information as those parties require. While the City records fines by case and posts collections against those fines, it did not prepare appropriate reconciliations and was unable to generate an accurate aging of accounts. Further, the City did not produce reliable aging reports of outstanding fines or provide related reports to the judge and City Council during the year ended September 30, 2014. Noncompliance with prescribed reporting procedures is a recurring finding. While the City initiated corrective action subsequent to the fiscal year ended September 30, 2014, such action had not been fully completed as of the date of this report.

**Recommendation**

The Administration should implement procedures to produce periodic detail reports of case fines and collections thereon and to timely reconcile related balances. The adequacy of the case management software applications utilized by the Municipal Court should be assessed, and any noted accounting or reporting limitations should be addressed through peripheral applications and procedures. Periodic reports should be made to the judge and the City Council of outstanding fines and related analyses.

## **Response**

The City Administration agrees with this finding, and management is in the process of developing its corrective action plan. The City's corrective action plan is expected to be completed and implementation begun by December 31, 2016.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
March 25, 2016

**STATISTICAL INFORMATION  
(UNAUDITED)**

**City of Hattiesburg, Mississippi**  
**Table 1 - Net Position by Components <sup>(1)</sup>**  
**Last Nine Fiscal Years**

<i>September 30,</i>	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities:</b>									
Invested in capital assets, net of related debt	\$ 108,266,535	\$ 114,040,889	\$ 108,901,420	\$ 94,987,280	\$ 93,714,770	\$ 94,294,279	\$ 94,307,180	\$ 93,482,416	\$ 85,543,514
Restricted for:									
Capital projects	50,515	-	-	915,715	3,047,031	3,161,144	277,340	421,986	355,132
Debt service	3,764,608	3,403,781	535,670	4,202,271	4,001,449	3,634,390	2,831,189	2,361,894	1,711,307
Other purposes	1,805,325	-	-	-	-	-	-	-	-
Unrestricted	12,182,338	10,786,999	13,801,803	12,534,415	11,374,445	8,926,370	10,695,572	12,335,482	11,324,642
Governmental activities, net position	\$ 126,069,321	\$ 128,231,669	\$ 123,238,893	\$ 112,639,681	\$ 112,137,695	\$ 110,016,183	\$ 108,111,281	\$ 108,601,778	\$ 98,934,595
<b>Business-Type Activities:</b>									
Invested in capital assets, net of related debt	\$ 60,747,195	\$ 62,627,053	\$ 45,223,694	\$ 44,616,923	\$ 42,142,047	\$ 37,239,290	\$ 32,131,585	\$ 26,516,342	\$ 22,705,571
Restricted for debt service	4,838,130	-	-	-	-	-	-	-	-
Unrestricted	4,758,857	5,925,014	17,607,456	8,940,970	6,140,570	7,863,497	10,522,245	13,847,699	15,874,687
Business-type activities, net position	\$ 70,344,182	\$ 68,552,067	\$ 62,831,150	\$ 53,557,893	\$ 48,282,617	\$ 45,102,787	\$ 42,653,830	\$ 40,364,041	\$ 38,580,258
<b>Primary Government:</b>									
Invested in capital assets, net of related debt	\$ 169,013,730	\$ 176,667,942	\$ 154,125,114	\$ 139,604,203	\$ 135,856,817	\$ 131,533,569	\$ 126,438,765	\$ 119,998,758	\$ 108,249,085
Restricted for:									
Capital projects	50,515	-	-	915,715	3,047,031	3,161,144	277,340	421,986	355,132
Debt service	8,602,738	3,403,781	535,670	4,202,271	4,001,449	3,634,390	2,831,189	2,361,894	1,711,307
Other purposes	1,805,325	-	-	-	-	-	-	-	-
Unrestricted	16,941,195	16,712,013	31,409,259	21,475,385	17,515,015	16,789,867	21,217,817	26,183,181	27,199,329
Governmental activities, net position	\$ 196,413,503	\$ 196,783,736	\$ 186,070,043	\$ 166,197,574	\$ 160,420,312	\$ 155,118,970	\$ 150,765,111	\$ 148,965,819	\$ 137,514,853

<sup>(1)</sup> Information not available for the last ten years of reporting, but will be acculated over time as it becomes available.

**City of Hattiesburg, Mississippi**  
**Table 2 - Changes in Net Position <sup>(1)</sup>**  
**Last Nine Fiscal Years**

<i>September 30,</i>	<b>Fiscal Year</b>								
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Governmental Activities:</b>									
General government	\$ 7,641,758	\$ 6,424,709	\$ 7,329,898	\$ 6,925,636	\$ 6,592,285	\$ 6,414,171	\$ 6,415,817	\$ 5,518,515	\$ 5,266,006
Public safety	21,476,883	22,162,945	20,763,051	20,097,532	19,961,821	19,507,269	18,985,991	17,937,548	15,474,025
Public services	15,253,508	17,533,037	17,341,042	17,767,209	18,248,607	19,790,101	20,398,976	16,846,291	20,251,044
Other services	1,847,824	1,751,307	6,281,474	5,384,474	6,089,579	5,594,820	5,727,212	5,596,293	4,921,694
Mass Transit	1,203,191	1,104,428	1,176,837	1,145,590	993,835	925,506	1,054,153	753,752	718,518
Cultural and recreation	4,039,345	4,636,434	3,916,227	4,421,402	4,494,146	4,175,345	4,247,864	3,902,787	3,818,198
Human/social assistance	1,130,925	889,795	1,310,363	1,864,618	567,679	569,049	617,544	635,505	831,362
Economic development	286,500	160,000	160,000	150,000	150,000	150,000	159,502	196,000	196,000
Interest and fiscal changes	893,887	1,089,410	1,287,540	1,299,623	1,261,015	1,427,014	1,718,149	1,740,731	1,664,988
<b>Total Governmental activities expenses</b>	<b>53,773,821</b>	<b>55,752,065</b>	<b>59,566,432</b>	<b>59,056,084</b>	<b>58,358,967</b>	<b>58,553,275</b>	<b>59,325,208</b>	<b>53,127,422</b>	<b>53,141,835</b>
<b>Business-Type Activities:</b>									
Water and Sewer System	16,384,240	12,178,164	11,167,044	9,582,704	10,263,712	8,302,628	8,318,670	7,433,290	7,000,869
<b>Total primary government expenses</b>	<b>\$ 70,158,061</b>	<b>\$ 67,930,229</b>	<b>\$ 70,733,476</b>	<b>\$ 68,638,788</b>	<b>\$ 68,622,679</b>	<b>\$ 66,855,903</b>	<b>\$ 67,643,878</b>	<b>\$ 60,560,712</b>	<b>\$ 60,142,704</b>
<b>Program Revenues:</b>									
<b>Governmental Activities:</b>									
Charges for services	\$ 5,718,952	\$ 4,654,384	\$ 8,558,345	\$ 8,287,847	\$ 8,853,022	\$ 8,467,560	\$ 7,773,432	\$ 2,693,409	\$ 3,008,496
Operating grants and contributions	4,783,239	4,988,000	4,982,172	5,956,487	5,375,052	7,624,535	6,262,995	10,480,188	11,175,693
Capital grants and contributions	3,669,922	3,185,681	2,813,432	2,800,969	3,186,741	2,355,657	5,098,683	4,179,064	5,681,530
<b>Total governmental activities program revenues</b>	<b>14,172,113</b>	<b>12,828,065</b>	<b>16,353,949</b>	<b>17,045,303</b>	<b>17,414,815</b>	<b>18,447,752</b>	<b>19,135,110</b>	<b>17,352,661</b>	<b>19,865,719</b>
<b>Business-Type Activities:</b>									
Charges for services	\$ 16,361,169	\$ 14,811,137	\$ 13,218,896	\$ 11,734,715	\$ 12,245,747	\$ 9,907,131	\$ 9,197,894	\$ 8,537,545	\$ 8,660,771
Capital grants and contributions	1,407,145	3,152,032	7,053,303	3,023,224	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>17,768,314</b>	<b>17,963,169</b>	<b>20,272,199</b>	<b>14,757,939</b>	<b>12,245,747</b>	<b>9,907,131</b>	<b>9,197,894</b>	<b>8,537,545</b>	<b>8,660,771</b>
<b>Total program revenues</b>	<b>31,940,427</b>	<b>30,791,234</b>	<b>36,626,148</b>	<b>31,803,242</b>	<b>29,660,562</b>	<b>28,354,883</b>	<b>28,333,004</b>	<b>25,890,206</b>	<b>28,526,490</b>

Continued



**City of Hattiesburg, Mississippi**  
**Table 2 - Changes in Net Position <sup>(1)</sup>**  
**Last Nine Fiscal Years**

<i>September 30,</i>	<b>Fiscal Year</b>								
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net Revenues (Expenses):</b>									
Governmental activities	\$ (39,601,708)	\$ (42,924,000)	\$ (43,212,483)	\$ (42,010,781)	\$ (40,944,152)	\$ (40,105,523)	\$ (40,190,098)	\$ (35,774,761)	\$ (33,276,116)
Business-type activities	1,384,074	5,785,005	9,105,155	5,175,235	1,982,035	1,604,503	879,224	1,104,255	1,659,902
Total primary government, net (expenses)	(38,217,634)	(37,138,995)	(34,107,328)	(36,835,546)	(38,962,117)	(38,501,020)	(39,310,874)	(34,670,506)	(31,616,214)
<b>General Revenues and Other Changes in Net Position</b>									
<b>Governmental Activities:</b>									
Property taxes	17,685,196	17,528,265	16,812,683	17,261,796	16,978,749	15,273,539	13,753,217	15,103,579	12,216,587
Sales taxes	21,777,709	21,596,080	20,709,684	19,902,590	19,746,092	20,520,329	22,350,027	22,446,221	24,717,190
Franchise and other taxes	4,728,782	4,820,407	3,977,566	4,493,197	4,719,547	4,538,419	4,602,087	4,324,217	4,089,915
Grants and contributions (not restricted)	-	4,795	-	126,500	-	25	1,600	1,325	1,325
Unrestricted investment earnings	181,505	171,405	145,510	149,627	357,369	382,761	757,656	1,003,549	895,411
Other local sources	454,117	544,200	-	-	-	-	-	-	-
Miscellaneous revenues	1,002,980	1,764,272	1,637,625	1,348,789	1,264,527	1,295,352	1,231,625	936,361	1,607,522
Gain on sale of assets	77,984	(15,116)	-	-	-	-	-	-	-
Total governmental activities	45,908,273	46,414,308	43,283,068	43,282,499	43,066,284	42,010,425	42,696,212	43,815,252	43,527,950
<b>Business-Type Activities:</b>									
Unrestricted investment earnings	10,144	7,949	11,101	21,264	17,758	34,590	240,797	637,473	215,478
Miscellaneous revenues	207,496	(186,177)	157,001	78,777	52,826	809,864	1,169,768	42,055	3,361
Total business-type activities	217,640	(178,228)	168,102	100,041	70,584	844,454	1,410,565	679,528	218,839
Total primary government	46,125,913	46,236,080	43,451,170	43,382,540	43,136,868	42,854,879	44,106,777	44,494,780	43,746,789
<b>Change in Net Position</b>									
Governmental activities	6,306,565	3,490,308	70,585	1,271,718	2,122,132	1,904,902	2,506,114	8,040,491	10,251,834
Business-type activities	1,601,714	5,606,777	9,273,257	5,275,276	2,052,619	2,448,957	2,289,789	1,783,783	1,878,741
<b>Total primary government</b>	<b>\$ 7,908,279</b>	<b>\$ 9,097,085</b>	<b>\$ 9,343,842</b>	<b>\$ 6,546,994</b>	<b>\$ 4,174,751</b>	<b>\$ 4,353,859</b>	<b>\$ 4,795,903</b>	<b>\$ 9,824,274</b>	<b>\$ 12,130,575</b>

Concluded

**City of Hattiesburg, Mississippi**  
**Table 3 - Fund Balances - Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

<i>September 30,</i>	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General fund:</b>										
Nonspendable	\$ 386,595	\$ 330,950	\$ 332,300	\$ 30,750	\$ 252,349	\$ 82,057	\$ 65,400	\$ 53,763	\$ 21,533	\$ 252,104
Restricted	10,593	-	-	-	-	-	-	-	-	-
Assigned	2,587,414	720,979	452,842	386,144	-	-	-	-	-	-
Unassigned	4,797,067	6,624,690	6,963,113	7,661,673	6,824,621	7,739,081	8,484,316	10,165,200	8,910,441	6,138,963
<b>Total general fund</b>	<b>7,781,669</b>	<b>7,676,619</b>	<b>7,748,255</b>	<b>8,078,567</b>	<b>7,076,970</b>	<b>7,821,138</b>	<b>8,549,716</b>	<b>10,218,963</b>	<b>8,931,974</b>	<b>6,391,067</b>
<b>% Change from Prior Year</b>	<b>1.4%</b>	<b>-0.9%</b>	<b>-4.1%</b>	<b>14.2%</b>	<b>-9.5%</b>	<b>-8.5%</b>	<b>-16.3%</b>	<b>14.4%</b>	<b>39.8%</b>	<b>-7.5%</b>
<b>Other Governmental Funds</b>										
Debt service funds										
Restricted	3,764,608	3,403,781	3,814,777	4,202,271	4,001,449	2,718,167	3,683,691	3,569,062	3,536,711	2,465,587
Special revenue funds										
Restricted	1,794,732	1,638,380	1,596,461	2,616,964	-	-	-	-	-	-
Committed	1,566,729	1,466,250	1,132,055	1,019,456	-	-	-	-	-	-
Unassigned	(10,593)	-	-	-	3,540,426	3,634,390	2,831,189	2,361,894	1,711,307	1,556,481
Capital projects funds										
Restricted	50,515	-	382,454	915,715	3,047,031	3,161,144	277,340	379,848	286,497	429,947
<b>Total other governmental fund</b>	<b>7,165,991</b>	<b>6,508,411</b>	<b>6,925,747</b>	<b>8,754,406</b>	<b>10,588,906</b>	<b>9,513,701</b>	<b>6,792,220</b>	<b>6,310,804</b>	<b>5,534,515</b>	<b>4,452,015</b>
<b>Total governmental funds</b>	<b>\$ 14,947,660</b>	<b>\$ 14,185,030</b>	<b>\$ 14,674,002</b>	<b>\$ 16,832,973</b>	<b>\$ 17,665,876</b>	<b>\$ 17,334,839</b>	<b>\$ 15,341,936</b>	<b>\$ 16,529,767</b>	<b>\$ 14,466,489</b>	<b>\$ 10,843,082</b>
<b>% Change from Prior Year</b>	<b>5.4%</b>	<b>-3.3%</b>	<b>-12.8%</b>	<b>-4.7%</b>	<b>1.9%</b>	<b>13.0%</b>	<b>-7.2%</b>	<b>14.3%</b>	<b>33.4%</b>	<b>12.0%</b>

(1) This schedule reports using the modified accrual basis of accounting. See Table 4 for changes in fund balances from year to year.

(2) Under GASB Statement No. 54, the balance sheet reporting categories are based upon a hierarchy of classifications based upon the constraints on resources reported in the funds. With the City's implementation of this reporting format in fiscal year 2011, prior year components of fund balances are presented on this table based upon prior reporting classifications for special revenue funds as unreserved. The City's debt service and capital project fund balances are, however, presented as restricted due to the underlying statutory spending requirements in Mississippi applicable to debt repayment resources and debt proceeds.

**City of Hattiesburg, Mississippi**  
**Table 4 - Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**

<i>September 30,</i>	<b>Fiscal Year</b>									
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Revenue</b>										
Property taxes	\$ 17,761,953	\$ 17,166,167	\$ 16,455,997	\$ 16,892,639	\$ 16,978,749	\$ 15,273,539	\$ 13,753,217	\$ 15,103,579	\$ 12,327,064	\$ 12,173,753
Sales taxes	21,630,769	21,502,243	20,612,267	19,925,608	19,746,092	20,381,753	22,350,027	22,446,221	24,717,190	17,873,911
Licenses and permits	4,458,451	4,526,547	3,690,104	4,114,371	4,305,480	4,296,709	4,188,526	3,901,213	3,697,193	2,831,557
Fines and forfeitures	1,895,137	1,786,960	1,770,972	1,846,516	2,009,057	1,589,861	1,554,656	1,065,269	1,018,354	971,467
Interest, rents, concessions	119,886	158,110	153,158	170,965	170,191	211,214	582,741	807,617	598,136	261,132
Intergovernmental	8,484,671	8,480,909	8,250,033	9,281,209	9,354,293	10,291,647	8,073,409	8,570,904	10,692,038	10,054,395
Charges for services	2,570,846	2,586,517	2,603,300	2,572,647	2,650,845	2,763,676	2,359,464	1,667,251	1,804,014	1,762,323
Other revenues	1,184,732	1,408,970	794,243	512,591	251,219	888,749	4,389,090	2,798,041	3,956,796	676,246
<b>Total revenues</b>	<b>58,106,445</b>	<b>57,616,423</b>	<b>54,330,074</b>	<b>55,316,546</b>	<b>55,465,926</b>	<b>55,697,148</b>	<b>57,251,130</b>	<b>56,360,095</b>	<b>58,810,785</b>	<b>46,604,784</b>
<b>% Change from Prior Year</b>	<b>0.9%</b>	<b>4.2%</b>	<b>-1.8%</b>	<b>-0.3%</b>	<b>-0.4%</b>	<b>-2.7%</b>	<b>1.6%</b>	<b>-4.2%</b>	<b>26.2%</b>	<b>12.8%</b>
<b>Expenditures</b>										
General government	7,045,870	6,227,218	6,930,283	6,271,409	6,081,588	5,679,589	5,674,985	5,235,266	5,246,079	4,897,698
Public safety	20,861,852	21,433,140	20,330,009	18,632,140	18,436,079	18,269,998	17,309,920	16,319,725	14,299,637	14,227,840
Public services	14,639,074	15,680,396	14,350,951	11,454,151	12,698,983	13,739,073	14,567,346	12,494,900	16,326,824	10,651,948
Other services	2,545,714	2,143,005	7,681,825	5,175,661	5,924,909	5,463,648	5,619,828	5,692,145	4,866,672	4,019,276
Mass transit	1,375,538	1,110,275	1,408,435	858,601	773,695	719,882	787,422	677,515	652,909	554,888
Cultural and recreation	4,105,118	4,512,676	4,796,921	3,840,540	4,125,885	3,877,083	3,783,572	3,547,792	3,546,341	3,010,508
Human/social assistance	1,116,530	870,323	1,291,384	740,165	545,507	547,544	595,945	604,661	1,005,953	437,146
Economic development	2,464,222	160,000	2,160,000	150,000	150,000	150,000	159,502	196,000	196,000	210,280
Capital outlays	-	-	-	8,364,094	12,058,220	7,299,488	9,160,136	17,111,494	13,270,430	14,498,353
Debt service:										
Principal	5,356,375	5,753,744	5,257,186	5,044,999	17,181,940	11,440,741	10,462,369	4,215,614	3,407,540	3,470,925
Interest and fiscal charges	987,934	1,153,639	1,281,791	1,447,781	1,101,913	1,376,530	1,744,949	1,690,106	1,625,228	1,383,084
<b>Total expenditures</b>	<b>60,498,227</b>	<b>59,044,416</b>	<b>65,488,785</b>	<b>61,979,541</b>	<b>79,078,719</b>	<b>68,563,576</b>	<b>69,865,974</b>	<b>67,785,218</b>	<b>64,443,613</b>	<b>57,361,946</b>
<b>% Change from Prior Year</b>	<b>2.5%</b>	<b>-9.8%</b>	<b>5.7%</b>	<b>-21.6%</b>	<b>15.3%</b>	<b>-1.9%</b>	<b>3.1%</b>	<b>5.2%</b>	<b>12.3%</b>	<b>5.5%</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(2,391,782)</b>	<b>(1,427,993)</b>	<b>(11,158,711)</b>	<b>(6,662,995)</b>	<b>(23,612,793)</b>	<b>(12,866,428)</b>	<b>(12,614,844)</b>	<b>(11,425,123)</b>	<b>(5,632,828)</b>	<b>(10,757,162)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	2,600,000	-	3,588,096	1,718,710	18,836,240	10,112,970	6,733,377	8,394,533	5,019,686	7,559,737
Transfers from other funds	4,112,759	4,326,191	5,075,412	3,854,721	4,609,574	4,671,908	4,862,491	5,416,316	4,333,268	4,482,512
Transfers to other funds	(3,713,424)	(3,307,283)	(3,966,924)	(2,914,020)	(3,678,323)	(3,977,272)	(3,939,037)	(4,411,343)	(3,346,379)	(3,222,425)
Other sources	155,077	119,492	4,292,047	3,940,413	4,176,339	4,051,725	3,770,182	4,088,895	3,249,660	3,297,295
<b>Net other financing sources</b>	<b>3,154,412</b>	<b>1,138,400</b>	<b>8,988,631</b>	<b>6,599,824</b>	<b>23,943,830</b>	<b>14,859,331</b>	<b>11,427,013</b>	<b>13,488,401</b>	<b>9,256,235</b>	<b>11,917,119</b>
<b>Net Change in Fund Balance</b>	<b>\$ 762,630</b>	<b>\$ (289,593)</b>	<b>\$ (2,170,080)</b>	<b>\$ (63,171)</b>	<b>\$ 331,037</b>	<b>\$ 1,992,903</b>	<b>\$ (1,187,831)</b>	<b>\$ 2,063,278</b>	<b>\$ 3,623,407</b>	<b>\$ 1,159,957</b>
<b>Debt service as % of non-capital expenditures</b>	<b>14.3%</b>	<b>13.2%</b>	<b>11.1%</b>	<b>13.8%</b>	<b>37.5%</b>	<b>26.5%</b>	<b>25.2%</b>	<b>13.2%</b>	<b>13.1%</b>	<b>13.1%</b>

**City of Hattiesburg, Mississippi**  
**Table 5 - Governmental Funds - Tax Revenues by Source <sup>(1)</sup>**  
**Last Ten Fiscal Years**

Fiscal Year	Property Taxes	Sales Tax (City's Share)	Total Property and Sales Tax	Gross Sales Subject to Sales Taxes (Per State Sales Tax Bureau)	Gross Sales Subject to Sales By County - Forrest	%	Gross Sales Subject to Sales By County - Lamar	%	Component Unit - 2% Food & Beverage Tax
2014	\$17,761,953	\$ 21,594,665	\$ 39,356,618	\$ 1,841,668,570	\$ 966,051,109	52%	\$ 875,617,461	48%	\$ 4,945,135
2013	17,166,167	21,474,084	38,640,251	1,777,513,216	907,039,107	51%	870,474,109	49%	4,981,959
2012	16,455,997	20,612,267	37,068,264	1,725,142,031	889,634,286	52%	835,507,745	48%	4,887,222
2011	16,892,639	19,902,590	36,795,229	1,662,704,275	877,852,622	53%	784,851,653	47%	4,655,680
2010	16,978,749	19,746,092	36,724,841	1,624,585,790	866,344,980	53%	780,912,173	48%	4,625,748
2009	15,273,539	20,381,753	35,655,292	1,720,117,514	899,713,933	52%	807,144,739	47%	4,627,244
2008	13,753,217	22,350,027	36,103,244	1,823,222,841	978,033,753	54%	845,189,088	46%	4,566,654
2007	15,103,579	22,446,221	37,549,800	1,892,188,843	1,043,502,246	55%	848,686,597	45%	4,345,317
2006	12,327,064	24,717,190	37,044,254	1,942,486,919	814,593,191	42%	827,893,728	43%	3,916,424
2005	12,173,753	17,873,911	30,047,664	1,479,451,805	836,057,117	57%	643,394,688	43%	3,145,585
% Change in Dollars over the 10 Year Period:									
	37.5%	27.4%	31.7%	27.2%	12.3%		47.5%		71.2%

(1) This schedule reports using the modified accrual basis of accounting. State Sales Tax Bureau totals are based upon the State's June 30th fiscal year.

**City of Hattiesburg, Mississippi**

**Table 6 - Direct and Overlapping Property Tax Rates - Forrest and Lamar Counties**

**Last Ten Fiscal Years**

<b>Forrest County:</b>		<b>City of Hattiesburg</b>				<b>Hattiesburg School District</b>			<b>Forrest County</b>	
<b>Year Ended Sept. 30,</b>	<b>Tax Roll Year</b>	<b>Operations</b>	<b>City Bond &amp; Interest</b>	<b>Other (Library &amp; Pension Funds)</b>	<b>City - Total</b>	<b>Hattiesburg School District Operations</b>	<b>School Bond &amp; Interest Taxes</b>	<b>Total - Schools</b>	<b>Taxes</b>	<b>Total</b>
2005	2004	33.50	7.58	6.47	47.55	58.30	7.34	65.64	55.44	168.63
2006	2005	33.50	7.58	6.47	47.55	58.30	7.54	65.84	56.96	170.35
2007	2006	33.50	7.58	6.47	47.55	58.30	7.54	65.84	56.82	170.21
2008	2007	33.50	7.58	6.47	47.55	58.30	7.54	65.84	60.86	174.25
2009	2008	33.50	7.58	6.47	47.55	58.30	7.54	65.84	60.86	174.25
2010	2009	33.50	7.15	6.27	46.92	51.75	6.43	58.18	55.09	160.19
2011	2010	33.50	7.15	6.27	46.92	54.13	7.52	61.65	55.09	163.66
2012	2011	33.50	7.15	6.77	47.42	57.23	6.08	63.31	55.09	165.82
2013	2012	34.65	7.00	5.77	47.42	58.50	7.73	66.23	57.08	170.73
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49

<b>Lamar County:</b>		<b>City of Hattiesburg</b>				<b>Hattiesburg School District</b>			<b>Forrest County</b>	
<b>Year Ended Sept. 30,</b>	<b>Tax Roll Year</b>	<b>Operations</b>	<b>City Bond &amp; Interest</b>	<b>Other (Library &amp; Pension Funds)</b>	<b>City - Total</b>	<b>Hattiesburg School District Operations</b>	<b>School Bond &amp; Interest Taxes</b>	<b>Total - Schools</b>	<b>Taxes</b>	<b>Total</b>
2005	2004	33.50	7.58	6.47	47.55	58.30	7.34	65.64	52.14	165.33
2006	2005	33.50	7.58	6.47	47.55	58.30	7.54	65.84	51.37	164.76
2007	2006	33.50	7.58	6.47	47.55	58.30	7.54	65.84	51.37	164.76
2008	2007	33.50	7.58	6.47	47.55	58.30	7.54	65.84	50.87	164.26
2009	2008	33.50	7.58	6.47	47.55	58.30	7.54	65.84	50.87	164.26
2010	2009	33.50	7.15	6.27	46.92	51.75	6.43	58.18	50.86	155.96
2011	2010	33.50	7.15	6.27	46.92	54.13	7.52	61.65	50.86	159.43
2012	2011	33.50	7.15	6.77	47.42	57.23	6.08	63.31	50.85	161.58
2013	2012	34.65	7.00	5.77	47.42	58.50	7.73	66.23	50.83	164.48
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.83	163.14

**City of Hattiesburg, Mississippi**  
**Table 7 - Top Ten Property Taxpayers**  
**Property Taxes Assessed in Fiscal Year 2013, Collected Fiscal Year 2014**

Taxpayer	Type of Business	Assessment	Percentage of Total Assessed Valuation	Taxes
Mississippi Power	Public Utility	\$ 14,376,231	3.5%	\$ 2,019,307
Wal-Mart	Retail	7,407,822	1.8%	1,226,210
Wesley Health Systems	Health Care	6,738,858	1.6%	1,092,032
Hattiesburg Clinic	Health Care	6,079,793	1.5%	1,051,760
Bell South	Public Utility	4,825,062	1.2%	837,100
Western Container	Industrial	4,397,847	1.1%	762,985
Kohler Company	Industrial	4,151,420	1.0%	644,819
Turtle Creek LP	Real Estate	4,825,062	1.2%	638,099
ACC OP (Eagles Trail) LLC	Real Estate	4,470,052	1.1%	306,659
Bennet York	Commercial	2,999,552	0.7%	234,417
Total of top ten taxpayers		60,271,699	14.5%	<u>\$ 8,813,388</u>
Tax roll total - all other tax payers		354,085,679	85.5%	
<b>Total taxable assessed values for FY 2013</b>		<b>\$ 414,357,378</b>	<b>100.0%</b>	

**City of Hattiesburg, Mississippi**  
**Table 8 - Computation of Legal Debt Margin**  
**Using Most Current Tax Rolls**  
**September 30, 2014**

	15% Test	20% Test
Property tax base valuation as prepared by Tax Assessors during the summer months of 2013 for property taxes to be collected in the fiscal year 2014	\$ 414,357,378	\$ 414,357,378
Times Applicable %	X 15%	X 20%
Product of Tax Base Times Applicable Percentage (a)	62,153,607	82,871,476
Present General Obligation Debt Subject to Statutory Debt Limits:		
General obligation bonds outstanding at September 30, 2014	25,100,170	25,100,170
Less: exempt bonds	(11,255,170)	(11,255,170)
Add: water & sewer general obligation bonds	n/a	9,718,571
Total general obligation debt outstanding (b)	13,845,000	23,563,571
<u>Margin for Additional General Obligation Debt - (a) minus (b)</u>	<u>\$ 48,308,607</u>	<u>\$ 59,307,905</u>

The City is subject to the limitations of indebtedness prescribed by MS Code Section 21-33-303. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bonded indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in that Code Section. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of municipal debt excluded from the authorized debt limit tests. Excluded from this test would be tax increment financing bonds, water and sewer revenue bonds, debt secured by tax intercept agreements (sales tax collections, as opposed to the property tax base) and leases subject to annual appropriations.

The municipality is limited to the smaller of the two calculated percentages, and as of September 30, 2014, the 15% test would apply with a calculated margin for additional general obligation debt in the amount of \$48,308,607.

**City of Hattiesburg, Mississippi**  
**Table 9 - Ratio of Net General Obligation Bonded**  
**Debt to Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

<b>Year Ended Sept. 30,</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Bonded General Obligation Debt</b>	<b>Less: Bonded Debt Service Funds Available</b>	<b>Net Bonded General Obligation Debt</b>	<b>Ratio of G.O. Bonded Debt to Assessed Values</b>	<b>Net General Obligation Debt Per Capita</b>
2005	47,598	\$ 310,609,766	\$ 20,590,000	\$ 1,321,947	\$ 19,268,053	6.20%	\$ 404.81
2006	47,598	331,105,907	18,690,000	1,569,644	17,120,356	5.17%	359.69
2007	47,598	350,838,275	16,660,000	2,207,580	14,452,420	4.12%	303.64
2008	47,598	351,031,031	14,640,000	2,297,231	12,342,769	3.52%	259.31
2009	48,012	409,111,676	26,138,549	3,048,077	23,090,472	5.64%	480.93
2010	53,582	409,750,752	34,652,244	3,366,824	31,285,420	7.64%	583.88
2011	45,989	395,386,255	32,952,977	3,529,802	29,423,175	7.44%	639.79
2012	46,626	403,598,585	30,307,943	3,040,255	27,267,688	6.76%	584.82
2013	47,169	414,357,378	26,217,567	2,616,326	23,601,241	5.70%	500.35
2014	47,016	414,357,378	25,100,170	2,698,084	22,402,086	5.41%	476.48



**City of Hattiesburg, Mississippi**  
**Table 10 - Water and Sewer Revenue Bond Coverage**  
**Last Ten Fiscal Years**

<b>Year Ended Sept. 30,</b>	<b>Gross Revenue</b>	<b>Expenses</b>	<b>Net Revenues Available for Debt Service</b>	<b>Required Ratio Based Upon Applicable % Times Prescribed Annual P &amp; I</b>		<b>Debt Service Requirement Calculated with Applicable %</b>	<b>Coverage Ratio</b>
2005	\$ 8,127,768	\$ 4,967,317	\$ 3,160,451	115% of P & I	(1)	\$ 1,782,026	1.77
2006	8,831,622	6,316,769	2,514,853	105% of P & I	(1)	1,652,024	1.52
2007	8,495,274	6,481,746	2,013,528	105% of P & I	(1)	1,652,024	1.22
2008	9,107,728	5,796,631	3,311,097	105% of P & I	(1)	1,650,640	2.01
2009	9,907,131	6,797,027	3,110,104	105% of P & I	(1)	1,650,640	1.88
2010	12,245,747	7,006,259	5,239,488	105% of P & I	(1)	1,650,640	3.17
2011	11,734,715	8,937,208	2,797,507	105% of P & I	(1)	1,650,640	1.69
2012	13,218,896	9,700,671	3,518,225	105% of P & I	(2)	2,555,155	1.38
2013	14,726,058	9,416,826	5,309,232	105% of P & I	(2)	2,585,546	2.05
2014	17,768,314	13,021,792	4,746,522	105% of P & I	(3)	3,116,786	1.52

- (1) Calculations based upon debt service for the 2006 revenue Bonds.
- (2) Calculation based upon debt service for the 2006 and 2012 revenue Bonds.
- (3) Calculations based upon debt service for the 2006, 2012, and 2013 revenue Bonds.

"Expenses" includes all operating expenses, exclusive of depreciation

**City of Hattiesburg, Mississippi**  
**Table 11 - Demographic Statistics**

Year	Hattiesburg	Forrest County	Hattiesburg MSA
1975	39,553	64,659	n/a
1980	40,829	66,018	n/a
1985	41,356	67,166	n/a
1986	41,463	67,396	n/a
1987	41,570	67,625	n/a
1988	41,678	67,855	n/a
1989	41,785	68,084	n/a
1990	41,885	68,314	98,738
1991	42,174	68,743	99,656
1992	42,465	69,175	100,172
1993	42,758	69,609	101,215
1994	43,053	70,046	102,492
1995	43,350	70,486	104,705
1996	43,649	70,929	106,443
1997	43,950	71,374	107,806
1998	44,254	71,822	109,556
1999	44,559	72,274	110,650
2000	44,779	72,727	111,674
2001	45,088	73,184	113,179
2002	45,538	73,916	114,438
2003	45,779	73,465	115,849
2004	45,988	74,565	117,599
2005	47,598	76,056	119,135
2006	48,012	76,372	123,102
2007	48,012	78,241	126,259
2008	48,012	79,425	128,546
2009	48,012	81,078	143,093
2010	53,582	81,078	143,093
2011	45,989	74,934	144,666
2012	46,626	75,842	142,842
2013	47,169	76,894	148,675
2014	47,016	76,330	147,835

(West Hattiesburg-Lamar County portion has population of 6,305 included in 2005 Hattiesburg total.)

**City of Hattiesburg, Mississippi**  
**Table 11 - Demographic Statistics**

*Demographic Age Groupings Are Projections Based on Census 2010 Totals:*

Age	Hattiesburg 2010	Forrest County 2010
0 - 17 Years	9,696	17,703
18 - 44 Years	18,360	23,285
45 - 64 Years	12,983	25,282
Over 65 Years	4,950	8,664
Median Age	27.1 Years	29.7 Years
% Population under 18 Years	68.10%	64.82%
% Population over 18 Years	10.80%	11.56%

Source: U.S. Bureau of Census. July 1, 2010 information is provided as the most recent year for which data is available.

**City of Hattiesburg, Mississippi**  
**Table 12 - City Employees by Function<sup>(1)</sup>**  
**Last Nine Fiscal Years**

<i>September 30,</i>	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees
<b>Governmental Activities</b>									
<i>General fund:</i>									
City Council	7	8	7	6	6	6	6	6	7
Department of Administration	36	33	35	37	36	32	32	33	32
Urban Planning:									
Planning	9	9	8	10	11	11	14	14	11
Intermodal Facility	-	-	-	-	-	-	-	3	-
MPO	4	4	5	4	5	5	4	3	4
Federal Programs Administration	2	1	1	2	2	-	-	-	-
Code Enforcement	13	13	14	12	13	13	-	11	10
Public Safety:									
City Courts	19	19	25	27	25	26	27	24	21
Police - Officers	113	111	120	120	124	132	122	129	99
Police Department - Non-Sworn	62	61	62	64	61	69	69	70	50
Fire Department - Firefighters	104	112	114	119	114	118	106	111	124
Fire Department - Other	6	6	4	5	6	6	5	4	6
Other	1	1	1	1	1	1	1	1	1
Public Services:									
Traffic Maintenance	10	7	8	8	9	9	7	7	7
Streets	41	42	42	46	38	40	40	40	38
Engineering	7	7	7	7	5	7	8	8	9
Shop	12	11	12	11	12	13	11	13	11
Construction	15	16	13	15	15	14	12	13	15
Sanitation	32	34	33	34	51	58	60	58	56
Other Public Services	23	26	29	31	28	29	33	32	32
Animal Control	4	4	2	4	3	4	3	3	4
Cemetery and Forestry	18	18	18	18	17	17	17	16	17
Parking Operations	8	8	8	8	8	9	9	9	9
<b>Total General Fund</b>	<b>546</b>	<b>551</b>	<b>568</b>	<b>589</b>	<b>590</b>	<b>619</b>	<b>586</b>	<b>608</b>	<b>563</b>
<i>Other governmental funds:</i>									
Parks and Recreation	37	34	37	32	38	69	63	66	65
Community Centers	14	14	14	13	15	14	14	13	13
Mass Transit	16	15	14	15	14	14	14	13	14
CDBG	4	5	5	6	6	5	6	6	5
<b>Total Governmental Activities</b>	<b>617</b>	<b>619</b>	<b>638</b>	<b>655</b>	<b>663</b>	<b>721</b>	<b>683</b>	<b>706</b>	<b>660</b>
<b>Business-Type Activities</b>									
<i>Water and Sewer System:</i>									
Customer Accounts	12	10	7	7	7	7	7	7	7
Water - Plant and Transmission	34	31	31	32	37	38	41	45	44
Sewers and Lagoons	20	21	20	24	24	26	27	25	24
<b>Total Business-Type Activities</b>	<b>66</b>	<b>62</b>	<b>58</b>	<b>63</b>	<b>68</b>	<b>71</b>	<b>75</b>	<b>77</b>	<b>75</b>
<b>Total Primary Government</b>	<b>683</b>	<b>681</b>	<b>696</b>	<b>718</b>	<b>731</b>	<b>792</b>	<b>758</b>	<b>783</b>	<b>735</b>

(1) Information based upon last payroll processed in the month of September. Information not available for last ten years of reporting but will be accumulated over time as it becomes available. This schedule is based upon full-time and part-time employees for whom checks were processed as of the last September payroll.

**City of Hattiesburg, Mississippi**  
**Table 13 - Construction, Bank Deposits, and Assessed Property Values**  
**Last Ten Fiscal Years**

Year Ended Sept. 30,	Permits Issued	Value	Permits Issued	Value	Hattiesburg MSA Bank Deposits (000's omitted)	Total Assessed Valuation
2005	87	\$ 52,893,843	100	\$ 21,985,228	\$ 1,744,946	\$ 310,609,766
2006	180	70,375,827	144	18,386,947	2,133,000	331,905,907
2007	106	55,150,982	232	36,446,885	2,191,240	351,031,031
2008	98	59,356,851	218	16,707,346	2,100,716	362,674,772
2009	42	83,256,364	67	7,417,942	2,282,467	409,111,676
2010	187	29,397,654	395	7,214,963	2,429,065	409,750,752
2011	247	53,929,531	493	17,926,574	2,495,371	395,386,255
2012	215	85,713,105	430	11,346,201	2,510,860	403,598,585
2013	272	62,005,982	643	13,806,903	2,516,268	414,357,378
2014	200	69,547,891	316	11,020,619	2,597,524	417,449,613

**City of Hattiesburg, Mississippi**  
**Table 14 - Capital Asset and Infrastructure Statistics by Function**  
**Last Eight Fiscal Years <sup>(1)</sup>**

<i>September 30,</i>	2014	2013	2012	2011	2010	2009	2008	2007
<b>Police:</b>								
Stations	1	1	1	1	1	1	1	1
Sub-Stations	4	4	4	4	4	4	4	4
<b>Fire:</b>								
Stations	8	8	8	8	8	8	8	8
Hydrants	2,159	1,950	1,950	1,950	1,950	1,950	1,950	1,850
<b>Solid Waste Management:</b>								
Trucks	24	24	24	24	24	24	24	24
(The City is a member of a regional landfill authority)								
<b>Parks and Recreation:</b>								
Zoo	1	1	1	1	1	1	1	1
Soccer/tennis/softball complex	1	1	1	1	1	1	1	1
Baseball/softball facilities	4	4	4	4	4	4	4	4
<b>Water</b>								
Pumping capacity (gallons per minute)	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,050 GPM	17,050 GPM	17,050 GPM
Average daily water pumping capacity (gallons)	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD
Average daily water pumped (gallons)	11,700,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD	10,800,000 GPD
Miles of water mains-6" through 20"	295 miles	295 miles	295 miles	292 miles	292 miles	292 miles	292 miles	278 miles
Miles of water mains-4" or less	82 miles	50 miles	50 miles	48 miles	48 miles	48 miles	48 miles	30 miles
Number of wells	13	13	13	13	13	13	13	13
Water storage tanks	9	9	9	9	9	9	9	7
<b>Sewer</b>								
Miles of sewer mains	352 miles	352 miles	352 miles	350 miles	350 miles	350 miles	350 miles	350 miles
Average daily treatment (million gallons per day)								
South lagoon	9.47 MGD	11.1 MGD	11.1 MGD	11.1 MGD	11.1 MGD	11.1 MGD	11.1 MGD	10.8 MGD
North lagoon	1.98 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD
Total average daily treatment	11.45 MGD	12.7 MGD	12.7 MGD	12.7 MGD	12.7 MGD	12.7 MGD	12.7 MGD	12.4 MGD
Permitted treatment capacity	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD
<b>Streets:</b>								
Miles of paved streets	352	351	351	350	350	350	350	350
Miles of unpaved streets	-	1	1	1	1	1	1	1
Area of City - square miles	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.0

(1) Information not available for the last ten years of reporting, but will be acculated over time as it becomes available.