

CITY OF HATTIESBURG, MISSISSIPPI

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2019

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

	SCHEDULE/ EXHIBIT NUMBER	PAGE
INTRODUCTORY SECTION (UNAUDITED)		
Letter of Transmittal		1 - 4
List of Public Officials		5
FINANCIAL SECTION		
Independent Auditor's Report		6 - 9
Management's Discussion and Analysis		10 - 20
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	Exhibit A	21 - 22
Statement of Activities	Exhibit B	23
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Exhibit C	24 - 25
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position	Exhibit C.1	26 - 27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Exhibit D	28 - 29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit D.1	30 - 31
Statement of Net Position - Proprietary Fund	Exhibit E	32 - 33
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	Exhibit F	34
Statement of Cash Flows - Proprietary Fund	Exhibit G	35 - 36
Statement of Fiduciary Assets and Liabilities	Exhibit H	37
NOTES TO THE FINANCIAL STATEMENTS		38 - 84
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund	Schedule 1	85 - 92
Notes to the Budgetary Comparison Schedule – General Fund		93
Schedule of the City's Proportionate Share of the Net Pension Liability – PERS	Schedule 2	94
Schedule of City Contributions – Public Employees' Retirement System - PERS	Schedule 3	95

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS - PAGE TWO

	SCHEDULE/ EXHIBIT NUMBER	PAGE
<i>REQUIRED SUPPLEMENTARY INFORMATION (Cont.)</i>		
Schedule of the City's Proportionate Share of the Net Pension Liability - PFDR	Schedule 4	96
Schedule of City Contributions Mississippi Municipal Retirement Systems - PFDR	Schedule 5	97
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	Schedule 6	98
Notes to the Required Supplementary Information		99 - 101
<i>SUPPLEMENTARY INFORMATION</i>		
Combining Balance Sheet – Nonmajor Governmental Funds	Schedule 7	102 - 103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Schedule 8	104 - 105
Combining Balance Sheet – Nonmajor Special Revenue Funds	Schedule 9	106 - 107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	Schedule 10	108 - 109
Combining Balance Sheet – Nonmajor Debt Service Funds	Schedule 11	110 - 111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	Schedule 12	112 - 113
Combining Balance Sheet – Nonmajor Capital Project Funds	Schedule 13	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	Schedule 14	115
Statement of Departmental Expenditures – Budgetary Basis – General Fund	Schedule 15	116 - 119
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	Schedule 16	120 - 121
Schedule of Surety Bonds for Municipal Officials	Schedule 17	122
Full Cost Accounting – Solid Waste Management Services	Schedule 18	123

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS - PAGE THREE

	SCHEDULE/ EXHIBIT NUMBER	PAGE
SUPPLEMENTARY INFORMATION (Cont.)		
Report on Revenues and Expenditures Additional 1% Sales Tax for City Parks & Recreation Projects and Improvements to USM Athletic Facilities - Modified Accrual Basis	Schedule 19	124
Water and Sewer Budget Basis Balance Sheets	Schedule 20	125 - 126
Water and Sewer Budget Basis Statements of Revenues, Expenses, and Changes in Net Position	Schedule 21	127 - 128
Water and Sewer Budget Basis Operation and Maintenance Cost Centers	Schedule 22	129
Schedule of Expenditures of Federal Awards	Schedule 23	130 - 134
Notes to Schedule of Expenditures of Federal Awards		135
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		136 - 137
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance		138 - 140
Schedule of Findings and Questioned Costs	Schedule 26	141 - 154
Auditee Corrective Action Plan		155 - 158
Summary Schedule of Prior Audit Findings		159 - 164
Independent Auditor's Report on Compliance with State Laws and Regulations		165 - 169
STATISTICAL INFORMATION (UNAUDITED)		
Financial Trends:		
Net Position by Components Last Ten Fiscal Years	Table 1	170
Changes in Net Position Last Ten Fiscal Years	Table 2	171 - 172
Fund Balances – Governmental Funds Last Ten Fiscal Years	Table 3	173
Changes in Fund Balances – Governmental Funds Last Ten Fiscal Years	Table 4	174
Revenue Capacity:		
Governmental Funds – Tax Revenues by Source Last Ten Fiscal Years	Table 5	175 - 176
Direct and Overlapping Property Tax Rates – Forrest and Lamar Counties Last Ten Fiscal Years	Table 6	177

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS - PAGE FOUR

	SCHEDULE/ EXHIBIT NUMBER	PAGE
STATISTICAL INFORMATION (UNAUDITED) (Cont.)		
Top Ten Property Taxpayers Property Taxes Assessed in Fiscal Year 2018, Collected Fiscal Year 2019	Table 7	178
Debt Capacity:		
Computation of Legal Debt Margin Using Most Current Tax Rolls	Table 8	179
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Fiscal Years	Table 9	180
Water and Sewer Revenue Bond Coverage Last Ten Fiscal Years	Table 10	181
Demographic Information:		
Demographic Statistics	Table 11	182
Operating Information:		
City Employees by Function Last Ten Fiscal Years	Table 12	183 - 184
Construction, Bank Deposits, and Assessed Property Values Last Ten Fiscal Years	Table 13	185
Capital Asset and Infrastructure Statistics by Function Last Ten Fiscal Years	Table 14	186

INTRODUCTORY SECTION (UNAUDITED)



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Mary Dryden

COUNCIL - WARD FIVE
Nicholas Brown

June 24, 2020

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

The Department of Administration is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hattiesburg, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2019. These accompanying financial statements are prepared and presented in conformity with GASB Statement No 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, and we believe the report is accurate in all material respects.

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

Profile of Government

The City of Hattiesburg has a land area of 55.4 square miles and is located strategically in the southeast section of Mississippi. It has historically been designated as the "Hub City," since its location is within a 100-mile radius of Jackson, Mississippi, New Orleans, Louisiana, Mobile, Alabama, and the Mississippi Gulf Coast. Because of its location, it is a regional center of trade, medical services, 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. Property tax revenue increased 5.75% over the prior year, and sales tax revenue saw a 4% increase. Part of the sales tax increase is due to a new 1% tax on motels and restaurants to be used for improvements to parks and recreation facilities in the city and improvements to the University of Southern Mississippi's athletic facilities. This tax was authorized through legislation and voted on by the qualified electors of the city. The tax is in effect for a three-year period.

The General Fund's ending fund balance increased 17% from FY 2018, due in part to structural changes to various departments, streamlining job duties and elimination of some positions as employees resigned or retired. A portion of the increase was due to reclassification of some funds held from the prior fiscal year, pending distribution to various state agencies and revenue accounts of the city.

Hattiesburg's diverse economic base continues to minimize the impact of a cyclical economy. Fiscal year 2019 saw notable increases in the number of residential and commercial building permits issued. 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

Growth continues in the Midtown District, and infrastructure improvements in this area are contributing much to the aesthetic appearance, as well as providing better traffic flow and accessibility. Planet Fitness opened and has contributed to an increased tax base in the Midtown area. Improvements to the 38th Avenue corridor have begun with addition of sidewalks and widening of the street with dedicated turn lanes to aid in traffic flow, as this is a major north-south corridor adjacent to the university campus.

Demolition was completed on the Public Safety Complex site, and construction on the new facility has begun. Property was purchased in the northern section of the city for construction of a new fire station. Proceeds from a five-year loan will be used to cover the construction costs, and the station should be operational in FY 2021. The second phase of the Public Safety Complex development will include road improvements and construction of an overpass over the railway system in the eastern section of the City. Issuance of bonds is scheduled for the fall of 2020. The City has been awarded grant funds to aid in the construction of the road improvements.

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 reduce and eventually eliminate the structural spending deficit in the General Fund. For several years, the City's expenditure budget has exceeded the revenue budget. This can be detrimental to building a strong fund balance. Based upon today's economy, it is recommended that the City seek to have a \$7 Million to \$8 Million ending cash balance. It is Mayor Barker's goal to accomplish these objectives during his term of office.

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

Enterprise Funds

Hattiesburg's enterprise operation is the 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, 2019, the City's remaining margin for further debt issuance stands at \$36,062,951. As stated earlier, the City placed high importance on completing prior year financial audits and correcting findings reported in those audits. Those efforts resulted in the City having the Aa3 bond rating restored in December 2018. This accomplishment enabled the City to enter the bond market and issue \$29,850,000 in special obligation bonds for the Public Safety Complex renovation and construction.

Risk Management

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

Independent Auditors

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

Acknowledgments

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

Sincerely,



Connie Everett
Chief Financial Officer

* * * * *

PUBLIC OFFICIALS

* * * * *

TOBY BARKER
MAYOR

COUNCIL MEMBERS

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

* * * * *

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

- 6 -



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 1842
Gulfport, MS 39502-1842

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Deficit Fund Balance

As described in Note 16 to the financial statements, a deficit fund balance was reported in a governmental fund as a result of modified accrual recognition of expenditures for which reimbursements were not available resources. Our opinion is not modified with respect to this matter.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedules 1 through 6, including related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, on our consideration of the City of Hattiesburg, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hattiesburg, Mississippi's internal control over financial reporting and compliance.



Hattiesburg, Mississippi
June 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Year Ended September 30, 2019

The Discussion and Analysis of the City of Hattiesburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. 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 2019 were as follows:

- Total net position for 2019 decreased \$1,145,761, or .96% from 2018.
- Total assets of governmental activities increased \$31,106,405, or 16.47% from 2018.
- Total liabilities of governmental activities increased \$38,957,136 or 34.13% from 2018.
- In total, equity in cash and cash equivalents of governmental activities increased \$32,309,347, or 178.18% from 2018.
- Total book value of capital assets for governmental activities increased \$1,275,568, or .95% from fiscal year 2018.

Using this Annual Financial Report:

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

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

Reporting the City of Hattiesburg as a Whole:

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

Changes to Net Revenue

Net Expenses exceeded revenues by \$2,770,014 in 2019. For 2018, Net Revenues exceeded expenses by \$2,080,644. This amounts to a reduction in Net Revenue in 2019 of \$4.85 million from 2018. There are number of factors affecting this reduction in Net Revenues:

- An increase in Public Safety expenditures of \$2.5 million is attributed in part to staffing and salary realignments, additional demolition of unsafe properties and lot clearing, hiring of additional fire and police personnel to fill vacancies, and purchase of land for construction of a new fire station.
- An increase in Public Services expenditures of \$1.6 million is attributed to increased paving of streets throughout the City.
- An increase in Mass Transit expenditures of \$578 thousand is attributed to construction of a new transit facility to replace the structure destroyed by a tornado in 2017.
- Interest expenses for a 2019 general obligation bond issue increased by \$463 thousand.
- A reduction in Operating Grants in the amount of \$619 thousand is attributable to reduced grant revenue, much of which was represented by FEMA grant reimbursements for storm damages from a 2017 tornado.

Revenues

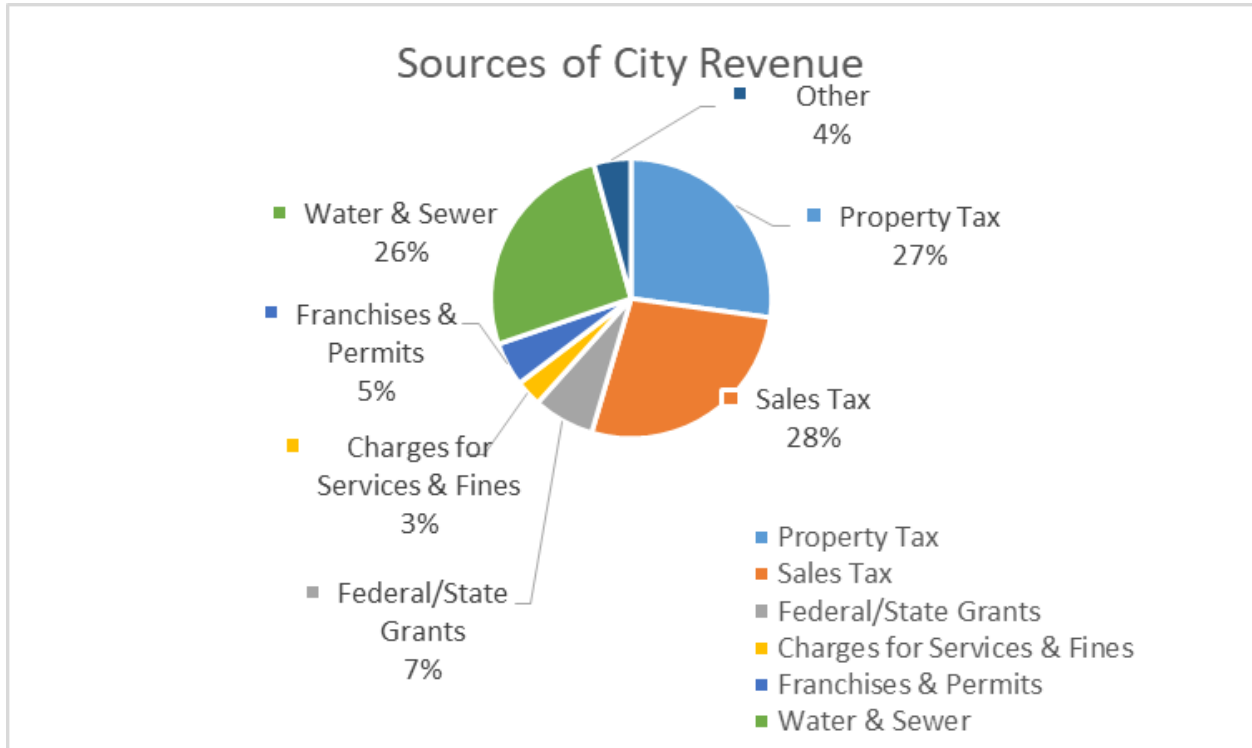
The major components of primary government revenues are property tax and sales tax. The City's Combined Water & Sewer System comprises revenue for business-type activities.

Property Tax – One of the major sources of revenue for the City, at 27% of total revenues, property tax revenue increased \$1,280,465 from FY 2018. Adjustments to property values based on home sales and new construction contributed to the increased in total property valuations.

Sales Tax – An equally significant component of City revenue is sales tax, at 28% of total revenue. Sales tax revenue increased \$1,010,020 from FY 2018. This represents a 4% increase, which is the average annual rate of increase when looking at this source of revenue over a multi-year period.

The Mississippi Legislature passed a bill in 2019 that authorized the City to levy an additional tax on hotels, motels, and restaurants to be used to promote tourism and parks and recreation, and additionally to distribute a portion to the University of Southern Mississippi to be used for improvements to their athletic facilities. This tax was effective only if 60% of the qualified electors voted in favor of the tax. The referendum passed and collection of the additional 1% tax began on July 1, 2019, effective for a three-year period, after which it must be renewed by new legislation and referendum. The amount of \$930,768 was received in FY 2019, half of which was remitted to the University for their projects, as per the legislation. The portion retained by the City was used for repairs to two gymnasiums. Plans are being formulated for other projects such as tennis court upgrades, upgrades to a building donated to the City for a Community Arts Center, splash pads, ballfield improvements, and improvements to various parks throughout the city.

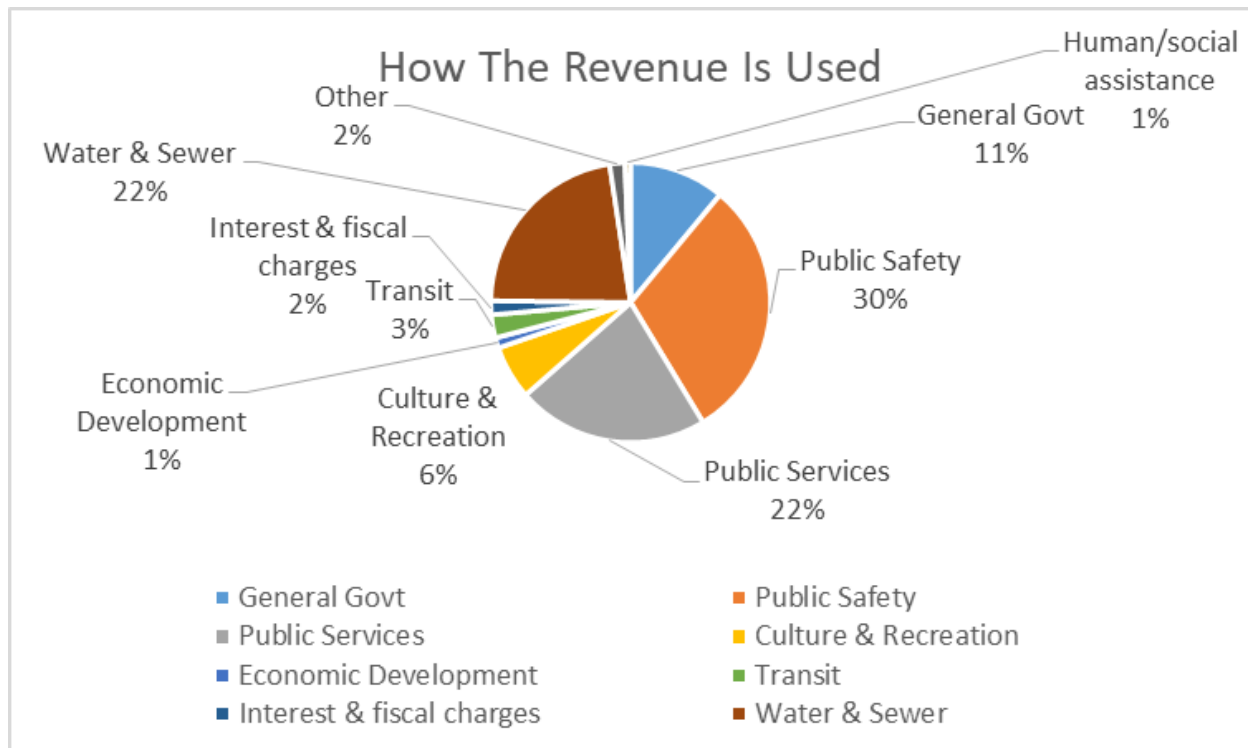
Water & Sewer - The City's Combined Water & Sewer System comprises a significant portion of the total revenues, and its revenues are used almost exclusively for water & sewer system maintenance and improvements.



Expenses

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

(See Chart on Next Page)



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

Governmental Funds:

Information about the City's major governmental funds begins with items presented on the Governmental Funds Balance Sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$63,058,281, net other financing sources of \$33,990,506, and expenditures of \$69,212,716.

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

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

The General Fund is the primary governmental operating fund, containing expenditures for public safety, public services, economic development, human/social assistance and general government. The governmental funds account for 74% of total revenues, with the General Fund alone accounting for 60% of total revenues. The governmental funds account for 78% of total expenses, and the General Fund alone accounts for 54% of total expenses.

Total expenditures for the General Fund increased by \$2,621,647, or 5.76% from FY 2018. The General Fund's ending fund balance increased \$1,784,134, or 17% from FY 2018.

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.

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

Operating expenses for the system were \$146,776, or .84% more in FY 2019 than FY 2018. This nominal increase is the result of differences in materials costs required for the various water and sewer line repairs.

Operating revenues decreased \$873,578, or 3.8% in FY 2019 from FY 2018. Revenue reductions in the area of sewer charges and sewer connections were the result of changes to the fee structures for large commercial entities, in order to provide more accurate measurement of sewer discharge into the lagoons.

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 2019.

Table 2 shows the Changes in Net Position for the year ended September 30, 2019.

The most significant changes in the information included in Table 1 are reflected in the *Liabilities* section. The increase in Long-term Liabilities payable after one year from FY 2018 of \$25,694,615 is due mostly for issuance of general obligation bonds for renovation and construction of the Public Safety Complex. The increase in net pension liability from FY 2018 of \$5,180,368 is Hattiesburg's share of liability of the Public Employees Retirement System, from information provided by the Retirement System in their annual financial report. The increase in total OPEB liability from FY 2018 of \$2,942,336 is due to recommended changes in industry standards of measurement and reporting utilized by the consultants who performed the analysis, as well as the fact that health insurance premiums for retirees and dependents have not increased. These items are under review by administration officials with the intent to make adjustments in accordance with current industry standards within the year. The change in Total OPEB liability accounts mostly for the reduction in governmental activities Total Net Position of \$3,614,104.

(This Space Intentionally Left Blank)

TABLE 1
CITY OF HATTIESBURG'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 84,695,076	\$ 54,864,239	\$ 23,497,629	\$ 31,478,122	\$ 108,192,705	\$ 86,342,361
Capital assets, net	135,238,217	133,962,649	114,377,503	108,449,228	249,615,720	242,411,877
Total assets	219,933,293	188,826,888	137,875,132	139,927,350	357,808,425	328,754,238
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	6,860,658	4,709,784	497,182	393,394	7,357,840	5,103,178
Related to OPEB	1,880,136	15,654	154,068	1,250	2,034,204	16,904
Prepaid bond insurance	148,251	126,751	104,817	146,598	253,068	273,349
Total deferred outflows of resources	8,889,045	4,852,189	756,067	541,242	9,645,112	5,393,431
LIABILITIES						
Long-term liabilities, outstanding:						
Due within one year	3,680,562	3,566,647	5,429,423	5,262,061	9,109,985	8,828,708
Payable after one year	59,173,685	28,206,981	59,795,950	65,068,039	118,969,635	93,275,020
Other liabilities	4,059,470	3,779,506	2,701,994	2,336,299	6,761,464	6,115,805
Net pension liability	75,907,605	71,030,509	4,997,542	4,694,270	80,905,147	75,724,779
Total OPEB liability	10,279,360	7,559,903	826,448	603,569	11,105,808	8,163,472
Total liabilities	153,100,682	114,143,546	73,751,357	77,964,238	226,852,039	192,107,784
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	824,928	1,299,599	43,877	81,692	868,805	1,381,291
Deferred revenues	-	-	507,109	562,149	507,109	562,149
Unearned revenues - property taxes	21,467,500	21,192,600	-	-	21,467,500	21,192,600
Total deferred inflows of resources	22,292,428	22,492,199	550,986	643,841	22,843,414	23,136,040
NET POSITION						
Net investment in capital assets	76,522,662	106,200,635	50,999,854	39,832,512	127,522,516	146,033,147
Restricted	8,817,108	7,169,815	8,094,960	8,094,960	16,912,068	15,264,775
Unrestricted	(31,910,542)	(56,327,118)	5,234,042	13,933,041	(26,676,500)	(42,394,077)
Total net position	\$ 53,429,228	\$ 57,043,332	\$ 64,328,856	\$ 61,860,513	\$ 117,758,084	\$ 118,903,845

TABLE 2
CITY OF HATTIESBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for services	\$ 2,640,705	\$ 3,986,607	\$ 21,947,492	\$ 22,821,070	\$ 24,588,197	\$ 26,807,677
Operating grants and contributions	3,814,222	4,433,288	-	228,348	3,814,222	4,661,636
Capital grants and contributions	2,262,474	1,227,481	-	-	2,262,474	1,227,481
Total program revenues	8,717,401	9,647,376	21,947,492	23,049,418	30,664,893	32,696,794
General revenues:						
Property taxes	23,540,801	22,260,336	-	-	23,540,801	22,260,336
Other taxes	28,091,953	27,007,695	-	-	28,091,953	27,007,695
Grants and contributions not restricted to specific programs	39,254	41,100	-	-	39,254	41,100
Other general revenues	3,730,844	3,096,238	533,545	398,825	4,264,389	3,495,063
Total general revenues	55,402,852	52,405,369	533,545	398,825	55,936,397	52,804,194
Total revenues	64,120,253	62,052,745	22,481,037	23,448,243	86,601,290	85,500,988
PROGRAM EXPENSES						
General government	9,856,181	10,331,281	-	-	9,856,181	10,331,281
Public safety	27,096,070	24,554,459	-	-	27,096,070	24,554,459
Public services	19,589,388	18,216,227	-	-	19,589,388	18,216,227
Other services	1,579,771	1,395,047	-	-	1,579,771	1,395,047
Mass transit	2,380,293	1,802,171	-	-	2,380,293	1,802,171
Culture and recreation	5,565,089	4,893,041	-	-	5,565,089	4,893,041
Human/social assistance	576,634	947,143	-	-	576,634	947,143
Water & Sewer	-	-	17,715,761	17,568,985	17,715,761	17,568,985
Economic development	1,070,757	305,000	-	-	1,070,757	305,000
Interest and fiscal charges	1,644,427	960,978	2,296,933	2,446,012	3,941,360	3,406,990
Total program expenses	69,358,610	63,405,347	20,012,694	20,014,997	89,371,304	83,420,344

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Increase (decrease) in net position before inclusion of transfers	<u>\$ (5,238,357)</u>	<u>\$ (1,352,602)</u>	<u>\$ 2,468,343</u>	<u>\$ 3,433,246</u>	<u>\$ (2,770,014)</u>	<u>\$ 2,080,644</u>
Transfers In (Out)	-	500,000	-	(500,000)	-	-
<i>Increase (decrease) in net position after inclusion of transfers</i>	<u>(5,238,357)</u>	<u>(852,602)</u>	<u>2,468,343</u>	<u>2,933,246</u>	<u>(2,770,014)</u>	<u>2,080,644</u>
Net position - Beginning	57,043,332	63,503,991	61,860,513	59,332,924	118,903,845	122,836,915
Prior period adjustment	1,624,253	(5,608,057)	-	(405,657)	1,624,253	(6,013,714)
Net position - Beginning, as restated	<u>58,667,585</u>	<u>57,895,934</u>	<u>61,860,513</u>	<u>58,927,267</u>	<u>120,528,098</u>	<u>116,823,201</u>
Net position - Ending	<u>\$ 53,429,228</u>	<u>\$ 57,043,332</u>	<u>\$ 64,328,856</u>	<u>\$ 61,860,513</u>	<u>\$ 117,758,084</u>	<u>\$ 118,903,845</u>

General Fund Budgetary Highlights

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From a budgetary accounting point of view, sales tax collections increased by \$158,269, or .7% from FY 2018.

The 2019 budget of the General Fund realized an increase in ending fund balance of \$2,861,708, due to structural changes within departments, which allowed for consolidation of some job duties and elimination of certain positions as employees resigned or retired. Some of the savings generated was used to provide raises for remaining employees. It is a goal of the current administration to eliminate the current structural deficit in the General Fund, whereby budgeted expenditures exceed budgeted revenues, which forces utilization of the fund balance in order to balance the budget.

(This Space Intentionally Left Blank)

In December 2018, City officials met with representatives with Moody's Investors Service, seeking to obtain a bond rating pursuant to issuance of general obligation bonds for the purpose of renovating and constructing a new Public Safety Complex on the site of the current structure in the southeast section of the City, and associated infrastructure improvements to the adjoining area. Due in part to providing up-to-date financial audits and sound fiscal management with long-range goals for improvements to the City's infrastructure, the City was given a Aa3 bond rating in connection with planned issuance of up to \$45 million in general obligation bonds.

Other significant expenditures for FY 2019 include paving throughout the City, new sidewalks in various sections of the City, especially near schools, upgrading of major traffic corridors, such as 38th Avenue near the university campus and 4th Street, extension of the Longleaf Trace walking trail, infrastructure improvements on Lamar Boulevard to accommodate increased traffic flow due to construction of a major banking facility, as well as continuation of infrastructure improvements considered more routine in nature.

From a budgetary point of view, the City's original General Fund revenue budget for FY 2019 totaled \$52,798,150 (exclusive of projected beginning cash at October 1, 2018 of \$6 million). The final revenue budget totaled \$53,315,967, with actual revenue collections of \$53,843,272 (100% collected). Amendments to the General Fund budget were attributable mostly to state grant awards.

The original FY 2019 budget for General Fund expenditures was \$52,839,476, and the final amended total was \$54,163,751. Actual expenditures totaled \$47,632,324 (88% of budget expended). The unexpended budget total of \$6,210,948 is mostly attributable to unexpended personnel costs for unfilled positions, unexpended grant funds, and unexpended funds for capital purchases which were not completed prior to the end of the fiscal year.

Capital Assets and General Long-Term Obligations

Capital Assets

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

Table 3
Capital Assets (Net of Depreciation)

	2019	2018
Land and construction in progress	\$ 49,542,751	\$ 40,528,324
Infrastructure	161,620,669	163,556,279
Buildings and improvements	33,325,260	33,018,106
Machinery and equipment	5,127,040	5,309,168
Total	\$ 249,615,720	\$ 242,411,877

The increase in the "Land and construction in progress" category is the result of construction on the Public Safety Complex as well as other major street improvements throughout the city. The increase to Building and Improvements is due to completion of construction to the city's transit facility, which was destroyed in the 2017 tornado. The decreases to Infrastructure and Machinery and Equipment are the result of depreciation on existing assets.

General Long-Term Debt Obligations

At September 30, 2019, the City of Hattiesburg had \$33,202,000 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, 2019 was calculated to be \$69,264,951. This number is based on the city's most current property tax rolls in conjunction with existing general obligation debt. In addition to traditional general obligation debt, certain debt issues are secured by tax interceptor agreements with the State of Mississippi. Tax Increment Financing Bonds are secured by the incremental increase in property taxes at various taxing districts. The City has opted to maintain a margin of at least \$10 million as a matter of policy. Table 4 summarizes the total outstanding long-term debt obligations of the City.

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

	2019	2018
Governmental Funds		
General Obligation Bonds	\$ 33,202,000	\$ 3,655,000
Economic Development Bonds and Notes	1,594,398	1,709,925
Tax Increment Financing Bonds	9,721,000	10,039,000
Equipment Leases	7,474,830	8,370,081
Certificates of participation	4,940,000	5,125,000
Unamortized premium	3,195,499	367,347
Claims and judgments	599,250	599,250
Subtotal governmental funds	<u>60,726,977</u>	<u>29,865,603</u>
Proprietary Fund		
Water and Sewer Revenue Bonds	54,935,000	57,945,000
Unamortized Bond Premium	301,649	347,033
Water and Sewer General Obligation Bonds and Notes	8,141,000	10,300,000
State Revolving Loan Funds	-	24,683
Subtotal proprietary fund	<u>63,377,649</u>	<u>68,616,716</u>
Compensated Absences	<u>2,280,862</u>	<u>2,061,320</u>
Total Long-Term Obligations	<u>\$ 126,385,488</u>	<u>\$ 100,543,639</u>

Issuance of general obligation bonds not to exceed \$15,150,000 is planned for FY 2020, which is Phase II of the FY 2019 bonds issued for the Public Safety Complex. The Phase II issue will be used for infrastructure improvements to areas near the Complex and in the downtown area to relieve traffic congestion due to the railroad crossings. These improvements will eliminate blocking of major east-west traffic corridors and greatly improve response time for emergency situations.

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

(This Space Intentionally Left Blank)

Current Financial Related Activities:

Sales tax collections, a major source of revenue for the General Fund, have been a strong indicator of the local economy, showing an approximate 4% increase in FY 2019. This is also the average rate of increase when looking at the history of collections over the period of several years. Hattiesburg has a diverse economy, driven by regional medical facilities, two universities, and a major military training installation south of the city limits. Efforts to bring sporting events and tournaments to the city have been successful, contributing to this revenue.

Property tax values did, in fact, increase from 2018 valuations, and this resulted in a 5.75% increase in property tax revenues for FY 2019. There was a strong real estate market in Hattiesburg during 2019, reflecting the federal and local economies. Low mortgage lending rates added impetus, and a decreasing supply of homes available for sale contributed to the increase in home values.

Contacting the City of Hattiesburg:

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

(This Space Intentionally Left Blank)

FINANCIAL STATEMENTS

EXHIBIT A
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position
September 30, 2019**

	PRIMARY		GOVERNMENT	Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 47,765,635	\$ 10,866,180	\$ 58,631,815	\$ 5,909,935
Cash with fiscal agent	2,676,515	11,639,122	14,315,637	-
Sales tax receivable	4,200,341	-	4,200,341	791,207
Property taxes receivable	22,214,732	-	22,214,732	-
Accounts receivable - Water and Sewer (net of allowance for doubtful accounts of \$3,499,832)	-	1,166,149	1,166,149	-
Accounts receivable - Solid Waste Services	212,228	-	212,228	-
Intergovernmental receivable	1,549,826	-	1,549,826	-
Fines receivable (net of allowance for doubtful accounts of \$23,484,461)	3,459,463	-	3,459,463	-
Other receivables	980,687	-	980,687	100,090
Internal balances	173,822	(173,822)	-	-
Due from other agencies	9,597	-	9,597	-
Inventory - food and beverage	-	-	-	91,417
Inventory - gas and oil	40,058	-	40,058	-
Notes receivable	1,412,172	-	1,412,172	-
Capital assets not being depreciated:				
Land and construction in progress	36,419,514	13,123,237	49,542,751	3,433,313
Capital assets, net of accumulated depreciation:				
Infrastructure	60,957,159	100,663,510	161,620,669	-
Buildings and improvements	33,165,667	159,593	33,325,260	14,333,650
Machinery and equipment	4,695,877	431,163	5,127,040	368,953
Total assets	219,933,293	137,875,132	357,808,425	25,028,565
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	6,860,658	497,182	7,357,840	-
Related to OPEB	1,880,136	154,068	2,034,204	-
Prepaid bond insurance	148,251	104,817	253,068	-
Total deferred outflows of resources	8,889,045	756,067	9,645,112	-

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

EXHIBIT A
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position
September 30, 2019**

	PRIMARY		GOVERNMENT	Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 1,763,119	\$ 2,109,440	\$ 3,872,559	\$ 414,175
Accrued wages and benefits	793,483	71,672	865,155	109,895
Other liabilities	413,416	18,626	432,042	-
Due to other agencies	280,332	-	280,332	-
Accrued expenses	302,171	-	302,171	-
Accrued interest	506,949	502,256	1,009,205	-
Non-current liabilities:				
Portion due or payable within one year:				
General obligation bonds	1,048,125	2,206,000	3,254,125	-
Revenue bonds	-	3,155,000	3,155,000	-
Unamortized bond premium	142,983	45,384	188,367	-
Limited obligation tax increment financing bonds	1,186,000	-	1,186,000	-
Economic development limited obligation bonds and notes	115,590	-	115,590	-
Certificates of participation	190,000	-	190,000	-
Capital leases	615,616	-	615,616	-
Unamortized certificate of participation premium	13,157	-	13,157	-
Compensated absences	319,091	23,039	342,130	-
Claims and judgements payable	50,000	-	50,000	-
Portion due or payable after one year:				
General obligation bonds	32,153,875	5,935,000	38,088,875	-
Revenue bonds	-	51,780,000	51,780,000	-
Unamortized bond premium	2,828,845	256,265	3,085,110	-
Limited obligation tax increment financing bonds	8,535,000	-	8,535,000	-
Economic development limited obligation bonds and notes	1,478,808	-	1,478,808	-
Certificates of participation	4,750,000	-	4,750,000	-
Capital leases	6,859,214	-	6,859,214	-
Unamortized certificate of participation premium	210,514	-	210,514	-
Compensated absences	1,808,179	130,553	1,938,732	134,571
Claims and judgements payable	549,250	-	549,250	-
Net pension liability	75,907,605	4,997,542	80,905,147	-
Total OPEB liability	10,279,360	826,448	11,105,808	-
Customer meter deposits	-	1,694,132	1,694,132	-
Total liabilities	153,100,682	73,751,357	226,852,039	658,641
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	824,928	43,877	868,805	-
Deferred revenues	-	507,109	507,109	-
Special event revenue	-	-	-	169,083
Unearned revenue - property taxes	21,467,500	-	21,467,500	-
Total deferred inflows of resources	22,292,428	550,986	22,843,414	169,083
NET POSITION				
Net investment in capital assets	76,522,662	50,999,854	127,522,516	18,135,916
Restricted for:				
Debt service	8,817,108	8,094,960	16,912,068	-
Unrestricted	(31,910,542)	5,234,042	(26,676,500)	6,064,925
Total net position	\$ 53,429,228	\$ 64,328,856	\$ 117,758,084	\$ 24,200,841

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

EXHIBIT B

CITY OF HATTIESBURG, MISSISSIPPI

Statement of Activities
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government	\$ 9,856,181	\$ -	\$ -	\$ -	\$ (9,856,181)		\$ (9,856,181)	
Public safety	27,096,070	387,971	1,203,347	144,101	(25,360,651)		(25,360,651)	
Public services	19,589,388	2,137,947	1,004,229	-	(16,447,212)		(16,447,212)	
Other services	1,579,771	-	-	942,368	(637,403)		(637,403)	
Mass transit	2,380,293	29,865	1,088,350	1,103,582	(158,496)		(158,496)	
Culture and recreation	5,565,089	84,922	-	72,423	(5,407,744)		(5,407,744)	
Human/social assistance	576,634	-	518,296	-	(58,338)		(58,338)	
Economic development	1,070,757	-	-	-	(1,070,757)		(1,070,757)	
Interest and fiscal charges	1,644,427	-	-	-	(1,644,427)		(1,644,427)	
Total governmental activities	69,358,610	2,640,705	3,814,222	2,262,474	(60,641,209)		(60,641,209)	
Business-Type Activities:								
Water and sewer system	17,715,761	21,947,492	-	-	-	\$ 4,231,731	4,231,731	
Interest and fiscal charges	2,296,933	-	-	-	-	(2,296,933)	(2,296,933)	
Total business-type activities	20,012,694	21,947,492	-	-	-	1,934,798	1,934,798	
Total primary government	\$ 89,371,304	\$ 24,588,197	\$ 3,814,222	\$ 2,262,474	(60,641,209)	1,934,798	(58,706,411)	
COMPONENT UNIT:								
Hattiesburg Convention Commission	\$ 7,746,850	\$ 3,062,892	\$ -	\$ -				\$ (4,683,958)
Total component unit	\$ 7,746,850	\$ 3,062,892	\$ -	\$ -				(4,683,958)
GENERAL REVENUES:								
Taxes:								
Property taxes, levied for general purposes					20,708,707	-	20,708,707	-
Property taxes, levied for debt service					2,832,094	-	2,832,094	-
Sales taxes					22,767,871	-	22,767,871	-
Franchise taxes and other licenses and permits					4,393,314	-	4,393,314	-
Special sales tax					930,768	-	930,768	5,505,101
Grants and contributions not restricted to specific programs					39,254	-	39,254	-
Unrestricted investment earnings					239,531	413,039	652,570	78,860
Other local sources					2,034,815	-	2,034,815	-
Miscellaneous					909,020	120,506	1,029,526	3,600
Gain (loss) on sale of assets					49,277	-	49,277	-
TRANSFERS:								
Transfers, component unit					498,201	-	498,201	(498,201)
Total general revenues and transfers					55,402,852	533,545	55,936,397	5,089,360
CHANGE IN NET POSITION					(5,238,357)	2,468,343	(2,770,014)	405,402
NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED					57,043,332	61,860,513	118,903,845	23,795,439
Prior period adjustment					1,624,253	-	1,624,253	-
NET POSITION - BEGINNING, AS ADJUSTED					58,667,585	61,860,513	120,528,098	23,795,439
NET POSITION - ENDING					\$ 53,429,228	\$ 64,328,856	\$ 117,758,084	\$ 24,200,841

EXHIBIT C
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Balance Sheet - Governmental Funds
September 30, 2019**

	General Fund	Series 2019 Bond Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,963,623	\$ 26,875,078	\$ 13,926,934	\$ 47,765,635
Cash with fiscal agent	1,800,000	168,121	708,394	2,676,515
Due from other funds	1,217,722	-	760	1,218,482
Sales tax receivable	1,890,196	-	238,127	2,128,323
Intergovernmental receivables	796,104	-	753,722	1,549,826
Fines receivable, net of allowance	3,459,463	-	-	3,459,463
Other receivables	867,842	-	17,261	885,103
Property taxes receivable	18,582,955	-	3,091,322	21,674,277
Due from other agencies	9,597	-	-	9,597
Gas and oil inventory	40,058	-	-	40,058
Advances to other funds	300,000	-	-	300,000
Prepaid insurance	148,251	-	-	148,251
Total assets	\$ 36,075,811	\$ 27,043,199	\$ 18,736,520	\$ 81,855,530
LIABILITIES				
Accounts payable	\$ 830,308	\$ 498,708	\$ 434,103	\$ 1,763,119
Due to other funds	760	-	1,043,900	1,044,660
Due to other governments	52,115	-	119,064	171,179
Accrued wages and benefits	713,030	-	80,453	793,483
Other liabilities	372,627	-	342,960	715,587
Advances from other funds	-	-	300,000	300,000
Total liabilities	1,968,840	498,708	2,320,480	4,788,028
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	18,400,000	-	3,067,500	21,467,500
Unavailable revenue - fines	3,459,463	-	-	3,459,463
Total deferred inflows of resources	21,859,463	-	3,067,500	24,926,963
FUND BALANCES				
Nonspendable:				
Inventories	40,058	-	-	40,058
Prepaid expenses	148,251	-	-	148,251
Long-term interfund advance	300,000	-	-	300,000
Restricted:				
Fire protection	-	-	346,557	346,557
Law enforcement	-	25,964,703	233,717	26,198,420
Mass transit	-	-	(370,609)	(370,609)

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

EXHIBIT C
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Balance Sheet - Governmental Funds
September 30, 2019**

	General Fund	Series 2019 Bond Projects	Other Governmental Funds	Total Governmental Funds
<i>FUND BALANCES (Cont.)</i>				
Restricted: (Cont.)				
Debt service	\$ -	\$ -	\$ 8,817,108	\$ 8,817,108
Culture and recreation	-	-	380,795	380,795
Economic development	-	579,788	2,407,114	2,986,902
Committed:				
Culture and recreation	-	-	1,439,137	1,439,137
Assigned:				
General government	306,307	-	-	306,307
Public safety	22,014	-	-	22,014
Public services	105,495	-	-	105,495
Other services	38	-	-	38
Unassigned	<u>11,325,345</u>	<u>-</u>	<u>94,721</u>	<u>11,420,066</u>
Total fund balances	<u>12,247,508</u>	<u>26,544,491</u>	<u>13,348,540</u>	<u>52,140,539</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u><u>\$ 36,075,811</u></u>	 <u><u>\$ 27,043,199</u></u>	 <u><u>\$ 18,736,520</u></u>	 <u><u>\$ 81,855,530</u></u>

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

EXHIBIT C.1
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
September 30, 2019**

Total <i>fund balances</i> for governmental funds (Exhibit C)		\$ 52,140,539
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 30,352,721	
Construction in progress	6,066,793	
Infrastructure, net of \$96,311,603 accumulated depreciation	60,957,159	
Buildings and improvements, net of \$31,486,094 accumulated depreciation	33,165,667	
Machinery and equipment, net of \$32,802,535 accumulated depreciation	<u>4,695,877</u>	
Total capital assets		135,238,217
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds.		3,459,463
Receivables not received within thirty days of year end are not reported in the funds.		2,920,285
Notes receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		1,412,172
Deferred outflows related to pensions and OPEB are not reported in the funds		8,740,794

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

EXHIBIT C.1
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
September 30, 2019**

Deferred inflows related to pensions are not reported in the funds.		\$	(824,928)
Payables not paid within thirty days of year end are not reported in the funds.			(109,153)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position.			
Balances for these liabilities at September 30, 2019 are:			
Accrued interest on bonds and notes			(506,949)
General obligation bonds	\$	(33,202,000)	
Limited obligation tax increment financing bonds		(9,721,000)	
Limited obligation economic development bonds and notes		(1,594,398)	
Unamortized premiums on bonds		(2,971,828)	
Certificates of participation		(4,940,000)	
Unamortized premiums on certificates of participation		(223,671)	
Capital leases		(7,474,830)	
Compensated absences		(2,127,270)	
Claims and judgments		(599,250)	
Net pension liability		(75,907,605)	
Net OPEB liability		(10,279,360)	
Total long-term liabilities			<u>(149,041,212)</u>
Total net position of governmental activities (Exhibit A)		\$	<u><u>53,429,228</u></u>

EXHIBIT D
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2019**

	General Fund	Series 2019 Bond Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 18,709,716	\$ -	\$ 3,972,190	\$ 22,681,906
Sales tax collections	22,753,938	-	-	22,753,938
Special sales tax collections	-	-	712,462	712,462
Other taxes	38,727	-	-	38,727
Licenses and permits	4,199,022	-	-	4,199,022
Fines, forfeitures and penalties	807,861	-	34,545	842,406
Interest, rents and concessions	199,560	4,002	97,977	301,539
Intergovernmental revenues	1,405,375	-	5,625,831	7,031,206
Charges for services	2,491,802	-	989,030	3,480,832
Other revenues	632,012	-	384,231	1,016,243
Total revenues	51,238,013	4,002	11,816,266	63,058,281
EXPENDITURES				
Current:				
General government	8,761,886	-	200,798	8,962,684
Public safety	23,609,025	4,424,119	431,213	28,464,357
Public services	12,388,139	292,512	2,279,917	14,960,568
Other services	1,469,290	-	1,037,194	2,506,484
Mass transit	-	-	2,879,909	2,879,909
Culture and recreation	-	-	4,499,734	4,499,734
Human/social assistance	204,000	-	515,143	719,143
Economic development	320,747	-	1,142,879	1,463,626
Debt service:				
Principal payments	939,448	-	2,234,330	3,173,778
Interest and fiscal charges	443,841	15	1,138,577	1,582,433
Total expenditures	48,136,376	4,716,646	16,359,694	69,212,716
Excess (deficiency) of revenues over expenditures	3,101,637	(4,712,644)	(4,543,428)	(6,154,435)

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

EXHIBIT D
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2019**

	General Fund	Series 2019 Bond Projects	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	\$ 607,000	\$ 32,834,292	\$ 750,000	\$ 34,191,292
Bond issuance professional fees	-	(597,054)	-	(597,054)
Proceeds from sale of capital asset	49,277	-	-	49,277
Compensation for loss of capital assets	275,365	-	-	275,365
Transfers in	79	-	5,192,066	5,192,145
Transfers out	(3,937,168)	(1,254,898)	(79)	(5,192,145)
Other sources	63,691	-	7,935	71,626
Total other financing sources (uses)	(2,941,756)	30,982,340	5,949,922	33,990,506
NET CHANGE IN FUND BALANCES	159,881	26,269,696	1,406,494	27,836,071
Fund balances – beginning, as previously reported	10,463,374	274,795	11,942,046	22,680,215
Prior period adjustment	1,624,253	-	-	1,624,253
Fund balances – beginning, as adjusted	<u>12,087,627</u>	<u>274,795</u>	<u>11,942,046</u>	<u>24,304,468</u>
Fund balances – ending	<u>\$ 12,247,508</u>	<u>\$ 26,544,491</u>	<u>\$ 13,348,540</u>	<u>\$ 52,140,539</u>

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

EXHIBIT D.1
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2019**

Net change in <i>fund balances</i> - governmental funds (Exhibit D)	\$ 27,836,071
The change in <i>net position</i> reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$10,157,313) exceeded depreciation expense (\$8,881,745) in the current period.	1,275,568
Intergovernmental revenues are recognized on the full- accrual basis in the statement of activities for revenues received thirty days after year end. This is the amount of effect of the change in revenue.	269,420
Fine revenue deferred in the funds for the modified accrual basis during the current year decreased because prior year recognition would have been required in the statement of activities using the full-accrual basis of accounting.	(228,098)
Proceeds from issuance of long-term debt are reported in the governmental funds. However, in the statement of net position a long-term liability is recorded. Repayments of long-term debt are reported as expenses in the governmental funds but are recorded against the liability in the statement of net position. Thus, the change in net position differs from the change in fund balances by the net amount of the debt proceeds and repayments.	(31,017,514)

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

EXHIBIT D.1
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2019**

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

Compensated absences	\$ (219,245)	
Amortization of certificates of participation premium	13,157	
Amortization of bond premium	142,983	
Special sales tax payable	109,153	
Accrued interest on bonds and notes	<u>(221,159)</u>	
Combined adjustment		\$ (175,111)
Change related to pension deferred outflows and inflows and obligations		(2,251,551)
Change related to other post employment benefit obligations		(854,975)
Governmental funds report annual note repayment received (\$121,412) as the installment receipt of the sale of real estate. In the statement of activities, only the portion of these payments attributable to interest is reported as interest revenue (\$29,245).		<u>(92,167)</u>
Change in <i>net position</i> of governmental activities (Exhibit B)		<u>\$ (5,238,357)</u>

EXHIBIT E
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position - Proprietary Fund
September 30, 2019**

	Combined Water and Sewer System
<i>CURRENT ASSETS</i>	
Cash and cash equivalents - unrestricted	\$ 10,866,180
Cash with fiscal agent	11,639,122
Accounts receivable - trade (net of allowance for doubtful accounts of \$3,499,832)	1,166,149
Total current assets	<u>23,671,451</u>
<i>NONCURRENT ASSETS</i>	
Capital assets	
Land	321,243
Construction in progress	12,801,994
Infrastructure, net	100,663,510
Buildings and improvements, net	159,593
Machinery and equipment, net	431,163
Total noncurrent assets	<u>114,377,503</u>
<i>Total assets</i>	<u>138,048,954</u>
<i>DEFERRED OUTFLOW OF RESOURCES</i>	
Related to pensions	497,182
Related to OPEB	154,068
Prepaid bond insurance	104,817
<i>Total deferred outflows</i>	<u>756,067</u>
<i>CURRENT LIABILITIES</i>	
Due to governmental funds	173,822
Sales tax payable	18,626
Accounts payable	2,109,440
Accrued wages and benefits	71,672
Accrued interest payable	502,256
Unamortized bond premium - current	45,384
Revenue bonds - current	3,155,000
General obligation bonds - current	2,206,000
Compensated absences - current	23,039
Total current liabilities	<u>8,305,239</u>

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

EXHIBIT E
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position - Proprietary Fund
September 30, 2019**

	Combined Water and Sewer System
<i>NON-CURRENT LIABILITIES</i>	
Revenue bonds	\$ 51,780,000
General obligation bonds	5,935,000
Unamortized bond premium	256,265
Compensated absences	130,553
Net pension liability	4,997,542
Net OPEB liability	826,448
Customer meter deposits	1,694,132
Total non-current liabilities	<u>65,619,940</u>
<i>Total liabilities</i>	<u>73,925,179</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>	
Related to pension	43,877
Deferred revenues	507,109
<i>Total deferred inflows</i>	<u>550,986</u>
<i>NET POSITION</i>	
Net investment in capital assets	50,999,854
Restricted for debt service	8,094,960
Unrestricted	5,234,042
<i>Total net position</i>	<u><u>\$ 64,328,856</u></u>

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

EXHIBIT F

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Revenues, Expenses, and Changes In Net Position -
Proprietary Fund
Year Ended September 30, 2019**

	Combined Water and Sewer System
OPERATING REVENUES	
Water charges	\$ 11,184,398
Sewer charges	10,524,565
Sewer connections	84,995
Turn-on fees	53,350
Taps	100,184
Total operating revenues	<u>21,947,492</u>
OPERATING EXPENSES	
Personnel services	3,000,789
Other services and charges	9,639,461
Supplies and expenses	1,075,601
Depreciation	3,866,545
Other operating expenses	133,365
Total operating expenses	<u>17,715,761</u>
OPERATING INCOME	<u>4,231,731</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	413,039
Interest expense	(2,296,933)
Other revenues	120,506
Total non-operating revenues (expenses)	<u>(1,763,388)</u>
CHANGE IN NET POSITION	2,468,343
NET POSITION - beginning	<u>61,860,513</u>
NET POSITION - ending	<u>\$ 64,328,856</u>

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

EXHIBIT G
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Cash Flows - Proprietary Fund
Year Ended September 30, 2019**

	Combined Water and Sewer System
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 22,376,310
Payments to suppliers and service providers	(10,465,896)
Payments to employees for salaries and benefits	(2,752,005)
Net cash provided by operating activities	<u>9,158,409</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Principal payments - bonds and notes	(5,193,683)
Acquisition and construction of capital assets	(9,794,820)
Other receipts	120,506
Interest paid on capital debt	(2,362,911)
Net cash used by capital and related financing activities	<u>(17,230,908)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Interest income	413,039
Net cash provided by investing activities	<u>413,039</u>
<i>NET DECREASE IN CASH AND CASH EQUIVALENTS</i>	(7,659,460)
<i>CASH AND CASH EQUIVALENTS - Beginning</i>	<u>30,164,762</u>
<i>CASH AND CASH EQUIVALENTS - Ending</i>	<u><u>\$ 22,505,302</u></u>
Displayed on Exhibit E as:	
Cash and cash equivalents	\$ 10,866,180
Cash with fiscal agent	11,639,122
	<u><u>\$ 22,505,302</u></u>

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

EXHIBIT G
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Cash Flows - Proprietary Fund
Year Ended September 30, 2019**

	<u>Combined Water and Sewer System</u>
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: OPERATING INCOME</i>	<i>\$ 4,231,731</i>
<i>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>	
Depreciation expense	3,866,545
Changes in assets and liabilities:	
Decrease in accounts receivable - trade	348,847
Decrease in prepaid insurance - bonds	41,781
(Increase) in deferred outflows related to pension	(103,788)
(Increase) in deferred outflows related to OPEB	(152,818)
Increase in accounts payable	368,564
Increase in wages and benefits payable	16,757
Increase in customer meter deposits	134,043
Increase in sales tax payable	968
(Decrease) in due from/to other governmental funds	(27,814)
Increase in compensated absences	297
Increase in net pension obligation	303,272
Increase in other post employment benefits	222,879
(Decrease) in deferred inflows related to pension	(37,815)
(Decrease) in deferred revenues	(55,040)
Total adjustments	<u>4,926,678</u>
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	<i>\$ <u>9,158,409</u></i>

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

EXHIBIT H

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Fiduciary Assets and Liabilities
September 30, 2019**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,125,522
Property taxes and fees receivable	407,169
Sales tax receivable	522,227
	<hr/>
Total assets	\$ 2,054,918
	<hr/>
LIABILITIES	
Employee contributions payable	\$ 533,249
Due to other agencies	75,856
Other liabilities	23,364
Amounts held in custody for others	1,422,449
	<hr/>
Total liabilities	\$ 2,054,918
	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information

The City of Hattiesburg, Mississippi (the City) was incorporated in 1884 under the laws of the State of Mississippi and presently operates under a Mayor/Council form of government. It is the fifth largest municipality in the state with nearly 45,000 residents. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the City Council. The following services are provided by the City: Public safety (Police, Fire, and Code Enforcement), Public Services, Engineering, Solid Waste Collection, Water and Sewer, Culture and Recreation, Mass Transit, Federal Programs, Urban Development, and General Administrative Services.

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

B. Reporting Entity

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

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

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2019

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

C. Government-wide and Fund Financial Statements

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

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

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2019

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2019

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

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

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

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

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

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FIVE

YEAR ENDED SEPTEMBER 30, 2019

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

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

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

Deposits and Investments

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

To maximize interest earnings, the City's cash resources are combined to form a cash pool. Excluded from this pool is the cash of the Water and Sewer Revenue Fund, the Police Forfeitures Fund, the 2014 TIF Bond and Interest Southern Pointe Fund, the 2003 TIF Bond and Interest Chauvet Square Fund, the 2007 TIF Bond and Interest Turtle Crossing Fund, the 2008 TIF Bond and Interest Lincoln Center Fund, the 2012 TIF Bond and Interest Kohl's Fund, the 2016 TIF Bond and Interest Whispering Pines Fund, the 2016 TIF Bond and Interest Hattiesburg Clinic Fund, the Municipal Road and Bridge Fund, the Community Development Block Grant Fund for Entitlement and HOME Entitlement, the Special 1% Sales Tax Fund, the TIF Construction Fund, the Group Insurance Trust Fund, and certain other legally restricted funds.

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

Interfund Transactions and Balances

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED SEPTEMBER 30, 2019

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

Receivables

All receivables for sales taxes, property taxes, and notes are considered collectible; therefore no reduction has been made for an allowance for these receivables. Fees paid in lieu of ad valorem taxes pursuant to separate agreements are recognized when collected or when probability of receipt is reasonably certain. Fines receivable is reported net of allowance for uncollectible accounts in the amount of \$23,484,461 at September 30, 2019. Credits against fines are applied for any jail time served, community service, or electronic monitoring. Since any such credits are not known until actual events occur, the amounts of those credits cannot be reasonably estimated before they are earned. Therefore, future credits to be applied against existing fines receivable are not estimated or reflected in the City's financial statements.

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

Property taxes are levied annually for the upcoming fiscal year beginning October 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 they are 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 cost, which approximates market, using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SEVEN

YEAR ENDED SEPTEMBER 30, 2019

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, equipment, and infrastructure of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

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

Pensions

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED SEPTEMBER 30, 2019

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

Long-Term Obligations

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE NINE

YEAR ENDED SEPTEMBER 30, 2019

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

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

Fund Balance Policies

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TEN

YEAR ENDED SEPTEMBER 30, 2019

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

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

F. Budgets and Budgetary Accounting

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

1. In August, the City's Chief Financial Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 15, the budget is legally enacted through the passage of an ordinance by the City Council. The budget may be subsequently amended by action of the City Council.
3. The City's Chief Financial Officer is authorized to transfer budgeted amounts within departments within the published expenditure categories; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. All funds, with the exception of Agency Funds, are budgeted, including the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds. These budgets are prepared on a cash basis, modified for encumbrances for goods and services which have been received.

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE ELEVEN

YEAR ENDED SEPTEMBER 30, 2019

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

G. Use of Estimates

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

H. Change in Accounting Principles

The District implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required:

- GASB Statement No.83, *Certain Asset Retirement Obligations*. The provisions of this standard have been incorporated into the financial statements and notes.
- GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. The provisions of this standard have been incorporated into the financial statements and notes.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWELVE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

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

Explanation	Amount
Exhibit B (Governmental Activities) and Exhibit D	
<i>Correction of Error:</i>	
To remove prior period received not vouchered accounts.	\$ 207,339
To record court technology fees applicable to prior year.	719,510
To remove prior year revenue for court collections.	697,404
	<hr/>
Total prior period adjustments	<u><u>\$ 1,624,253</u></u>

NOTE 3 - DEPOSITS

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

The carrying amount of the City's deposits with financial institutions reported in the government-wide statements was \$58,631,815 (exclusive of cash with fiscal agents disclosed below). The bank balance was \$66,483,332. 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, 2019, the City's bank balance was not exposed to custodial credit risk because deposits are covered by the State Treasurer collateral pool.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTEEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 - DEPOSITS (Cont.)

Cash with Fiscal Agents - The carrying amount of the City's cash with fiscal agents held by financial institutions was \$14,315,637.

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

In 2012, the City Council authorized a loan agreement and promissory note for \$2,000,000 to be repaid over 20 years, at a rate of 2% in monthly installments of \$10,118, commencing February 1, 2013 and continuing until February 1, 2033. This arrangement was executed pursuant to Katrina Supplemental CDBG Program grant agreements that resulted in loan funding for site acquisition for two historic downtown buildings, with monthly repayments required from the City to the Mississippi Development Authority (MDA). Under the terms of the loan agreement, 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 resulting payments to MDA. At September 30, 2019, the balance of this note receivable was \$1,412,172.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 30,049,119	\$ 303,602	\$ -
Construction in progress	2,869,404	7,770,657	(4,573,268)
Total capital assets not being depreciated	<u>32,918,523</u>	<u>8,074,259</u>	<u>(4,573,268)</u>
Capital assets being depreciated:			
Buildings and improvements	62,319,322	2,747,581	(415,142)
Machinery and equipment	37,174,655	1,356,253	(1,032,496)
Infrastructure	154,716,274	2,552,488	-
Total capital assets being depreciated	<u>254,210,251</u>	<u>6,656,322</u>	<u>(1,447,638)</u>
Less accumulated depreciation for:			
Buildings and improvements	29,469,549	2,431,687	(415,142)
Machinery and equipment	32,257,337	1,577,694	(1,032,496)
Infrastructure	91,439,239	4,872,364	-
Total accumulated depreciation	<u>153,166,125</u>	<u>8,881,745</u>	<u>(1,447,638)</u>
Total capital assets being depreciated, net	<u>101,044,126</u>	<u>(2,225,423)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 133,962,649</u>	<u>\$ 5,848,836</u>	<u>\$ (4,573,268)</u>

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE FIFTEEN
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 5 - CAPITAL ASSETS (Cont.)

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Business-type Activities:			
Capital assets not being depreciated:			
Land	\$ 321,243	\$ -	\$ 321,243
Construction in progress	7,288,558	9,056,850	12,801,994
Total capital assets not being depreciated	<u>7,609,801</u>	<u>9,056,850</u>	<u>13,123,237</u>
Capital assets being depreciated:			
Buildings and improvements	478,071	-	478,071
Machinery and equipment	9,097,649	213,915	9,303,764
Infrastructure	134,607,816	4,067,469	138,675,285
Total capital assets being depreciated	<u>144,183,536</u>	<u>4,281,384</u>	<u>148,457,120</u>
Less accumulated depreciation for:			
Buildings and improvements	309,738	8,740	318,478
Machinery and equipment	8,705,799	174,602	8,872,601
Infrastructure	34,328,572	3,683,203	38,011,775
Total accumulated depreciation	<u>43,344,109</u>	<u>3,866,545</u>	<u>47,202,854</u>
Total capital assets being depreciated, net	<u>100,839,427</u>	<u>414,839</u>	<u>101,254,266</u>
Business-type activities capital assets, net	<u><u>\$ 108,449,228</u></u>	<u><u>\$ 9,471,689</u></u>	<u><u>\$ (3,543,414)</u></u>

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE SIXTEEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 5 - CAPITAL ASSETS (Cont.)

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

Governmental Activities:

General government	\$ 671,122
Public safety	908,690
Public services – which includes the depreciation of infrastructure assets	5,526,772
Human/social assistance	20,857
Other services	463,532
Culture and recreation	589,410
Mass transit	701,362

Total depreciation expense - governmental activities	\$ 8,881,745
---	---------------------

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to/from various City funds at September 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,043,900
General fund	Combined water and sewer system	173,822
Nonmajor governmental funds	General fund	760
Total		\$ 1,218,482

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE SEVENTEEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont.)

Advances to/from other funds at September 30, 2019, consist of the following:

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

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

The composition of interfund transfers for the year ended September 30, 2019, is as follows:

<u>Transfers out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General fund	\$ -	\$ 3,937,168	\$ 3,937,168
Series 2019 Bond Project Fund	-	1,254,898	1,254,898
Nonmajor governmental funds	79	-	79
Total	<u>\$ 79</u>	<u>\$ 5,192,066</u>	<u>\$ 5,192,145</u>

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

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.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE EIGHTEEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 7 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES (Cont.)

For the fiscal year 2019, the following ad valorem tax levies were made in accordance with the applicable statutory requirements and authorizations:

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

NOTE 8 - CLAIMS AND JUDGMENTS

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

To limit its exposure to risk under this self-insured program, the City maintains reinsurance which provides two separate stop loss coverages: specific and aggregate. These coverages are provided by an outside commercial carrier. For fiscal year 2019, the specific coverage begins when an individual participant's claim exceeds \$100,000, with unlimited maximum benefit per covered person. The aggregate policy covers all submitted claims in excess of the minimum aggregate deductible, which is the greater of \$6,326,945 or 95% or the annualized first monthly aggregate deductible. Maximum covered expenses of \$100,000 per covered person accumulate toward the unlimited maximum aggregate benefit.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE NINETEEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 - CLAIMS AND JUDGMENTS (Cont.)

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal year 2019:

Unpaid claims, beginning of fiscal year	\$ 297,610
Plus: Incurred claims (including IBNRs)	4,605,578
Less: Claims payments	<u>(4,633,558)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 269,630</u></u>

Cash on deposit in the Group Insurance Fund at September 30, 2019 was \$302,171 which exceeded unpaid claims. Therefore, no interfund receivables were established from the respective operating funds at September 30, 2019.

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

NOTE 9 - LEASE OBLIGATIONS

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY

YEAR ENDED SEPTEMBER 30, 2019

NOTE 9 - LEASE OBLIGATIONS (Cont.)

For fiscal year 2019, 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	\$ 3,207,564
Buildings and improvements	<u>7,726,727</u>
Less accumulated depreciation	<u>(2,872,408)</u>
Net book value	<u><u>\$ 8,061,883</u></u>
Current year depreciation expense	<u><u>\$ 964,185</u></u>

These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of minimum lease payments as of September 30, 2019 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2020	\$ 802,467
2021	638,860
2022	655,926
2023	655,345
2024	672,905
2025-2029	3,337,578
2030-2032	<u>2,069,924</u>
Total minimum lease payments	8,833,005
Less: amount representing interest	<u>(1,358,175)</u>
Present value of minimum lease payments	<u><u>\$ 7,474,830</u></u>

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-ONE

YEAR ENDED SEPTEMBER 30, 2019

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, 2019. 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, 2019 are as follows:

General Obligation Bonds

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/19</u>
Public Improvements	2015	\$ 5,400,000	2.00 - 3.00%	2022	\$ 2,745,000
Public Improvements	2019	29,850,000	3.00 - 5.25%	2049	29,850,000
Public Improvements	2019	607,000	3.50%	2024	607,000
Total					<u><u>\$ 33,202,000</u></u>
<u>Business-type Activities:</u>					
Public Improvements	2010	\$ 3,600,000	2.75 - 3.80%	2030	\$ 2,360,000
Public Improvements	2015	4,605,000	2.00 - 3.00%	2024	2,865,000
Public Improvements	2016	7,125,000	1.60%	2021	2,916,000
Total					<u><u>\$ 8,141,000</u></u>

Economic Development Limited Obligation 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.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-TWO

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Limited obligation bonds and notes outstanding at September 30, 2019 are as follows:

Economic Development Limited Obligation Bonds and Notes

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/19</u>
MDB Limited Obligation Bonds	2009	\$ 2,937,000	2.90 - 6.00%*	2030	\$ 182,226
Hub City Lofts	2012	2,000,000	2.00%	2033	<u>1,412,172</u>
Total					<u><u>\$ 1,594,398</u></u>

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

Limited Obligation Tax Increment Financing Bonds

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-THREE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Limited obligation TIF bonds outstanding at September 30, 2019 are as follows:

Limited Obligation TIF Bonds

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/19
Chauvet Square	2003	\$ 1,100,000	4.50 - 5.35%	2023	\$ 335,000
Chauvet Square	2007	1,400,000	4.50%	2027	930,000
Turtle Crossing	2007	4,100,000	4.35%	2021	765,000
Lincoln Center	2008	610,000	4.00%	2023	200,000
Turtle Creek Crossing	2011	400,000	5.68%	2025	160,000
Kohl's	2012	715,000	5.00%	2021	165,000
Southern Pointe	2014	2,600,000	4.85%	2029	1,925,000
Hattiesburg Clinic - Midtown Project	2015	845,000	4.00%	2031	714,000
Ridge at Turtle Creek	2015	1,225,000	5.50%	2031	1,047,000
Midtown Market	2015	210,000	5.50%	2031	180,000
Whispering Pines	2016	3,021,000	4.00 - 4.75%	2031	2,550,000
Turtle Creek Phase III	2019	750,000	5.50%	2028	750,000
Total					\$ 9,721,000

Certificates of Participation

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

At completion, the Corporation entered into a 20 year agreement with the City, with the City being obligated to make payments to the Corporation equal to the principal and interest payments on the debt. When the debt is paid, the City will assume ownership of the facilities. The obligation is not a general obligation and does not constitute a pledge of full faith and credit of the City.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-FOUR

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

There is an unamortized premium of \$223,671 which is not included in the principal in the following schedule:

Certificates of Participation

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/19</u>
Certificates of Participation	2016	\$ 5,300,000	3.00 - 5.00%	2036	<u>\$ 4,940,000</u>

Advance Refunding

In 2018, certain general obligation bonds attributable to the purchase of the Sacred Heart property were defeased by the placement of funds into an irrevocable trust to provide for all future debt service payments on those bonds. Accordingly, the trust assets and the liability for defeased bonds are not included in the City's financial statements. The defeased bonds from that issue that are outstanding at year end are presented in the following schedule:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Taxable General Obligation Refunding Bonds, Series 2010	4.50 - 6.00%	<u>\$ 1,700,000</u>

Business-type Activities (Water and Sewer) Revenue Bonds

In addition to water and sewer general obligation bonds, the City also issues water and sewer revenue bonds to provide funds for the acquisition and construction of water and sewer system infrastructure and related improvements and system rehabilitation. These bonds are secured by water and sewer operating revenues and are subject to the requirements of the respective revenue bond documents. These bond documents include important parity debt requirements with the issuance of each new series of revenue bonds and require annual net revenue tests to be performed in accordance with the prescribed calculations.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-FIVE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 10 to 25 years. Revenue bonds outstanding at September 30, 2019 are as follows:

Revenue Bonds

<u>Business-type Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/19</u>
W&S Revenue Project, Series 2012	2012	\$ 12,500,000	2.50 - 5.00%	2032	\$ 9,010,000
W&S Refunding Bonds, Series 2013	2014	28,000,000	3.00 - 4.78%	2039	27,650,000
W&S Refunding Bonds, Series 2016	2016	25,000,000	3.03%	2026	18,275,000
					<u>\$ 54,935,000</u>
Total					<u><u>\$ 54,935,000</u></u>

Compensated Absences

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

Compensated absences at September 30, 2019 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>
Accrued vacation pay	\$ 1,937,999	\$ 151,897	\$ 2,089,896
Accrued overtime pay	13,286	1,695	14,981
Accrued holiday pay	175,985	-	175,985
Total	<u><u>\$ 2,127,270</u></u>	<u><u>\$ 153,592</u></u>	<u><u>\$ 2,280,862</u></u>

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-SIX
YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2019 are as follows:

<i>Governmental Activities:</i>	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Bonds and notes payable					
General obligation bonds and notes	\$ 3,655,000	\$ 30,457,000	\$ (910,000)	\$ 33,202,000	\$ 1,048,125
Limited obligation TIF bonds	10,039,000	750,000	(1,068,000)	9,721,000	1,186,000
Certificates of participation	5,125,000	-	(185,000)	4,940,000	190,000
Economic development limited obligation bonds and notes	1,709,925	-	(115,527)	1,594,398	115,590
Unamortized premium on bonds	130,519	2,984,292	(142,983)	2,971,828	142,983
Unamortized premium on certificates of participation	236,828	-	(13,157)	223,671	13,157
Total bonds and notes payable	<u>20,896,272</u>	<u>34,191,292</u>	<u>(2,434,667)</u>	<u>52,652,897</u>	<u>2,695,855</u>
Capital leases	8,370,081	-	(895,251)	7,474,830	615,616
Compensated absences	1,908,025	219,245	-	2,127,270	319,091
Claims and judgments	<u>599,250</u>	<u>-</u>	<u>-</u>	<u>599,250</u>	<u>50,000</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 31,773,628</u>	<u>\$ 34,410,537</u>	<u>\$ (3,329,918)</u>	<u>\$ 62,854,247</u>	<u>\$ 3,680,562</u>
<i>Business-type Activities:</i>	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Bonds and notes payable					
General obligation bonds and notes	\$ 10,300,000	\$ -	\$ (2,159,000)	\$ 8,141,000	\$ 2,206,000
Revenue bonds	57,945,000	-	(3,010,000)	54,935,000	3,155,000
State revolving loan funds	24,683	-	(24,683)	-	-
Unamortized premium on bonds	347,033	-	(45,384)	301,649	45,384
Total bonds and notes payable	<u>68,616,716</u>	<u>-</u>	<u>(5,239,067)</u>	<u>63,377,649</u>	<u>5,406,384</u>
Compensated absences	<u>153,295</u>	<u>297</u>	<u>-</u>	<u>153,592</u>	<u>23,039</u>
<i>Business-type activities long-term liabilities</i>	<u>\$ 68,770,011</u>	<u>\$ 297</u>	<u>\$ (5,239,067)</u>	<u>\$ 63,531,241</u>	<u>\$ 5,429,423</u>

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-SEVEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

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

Governmental Activities:

Year Ending September 30,	G.O. Bonds and Notes		Limited Obligation TIF Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,048,125	\$ 1,478,245	\$ 1,186,000	\$ 453,130
2021	1,082,119	1,450,426	1,227,000	398,100
2022	966,254	1,419,142	781,000	341,002
2023	125,535	1,402,186	821,000	303,743
2024	734,967	1,382,627	800,000	265,634
2025-2029	3,510,000	6,399,157	3,973,000	738,490
2030-2034	4,460,000	5,449,406	933,000	61,026
2035-2039	5,645,000	4,269,040	-	-
2040-2044	6,910,000	3,002,000	-	-
2045-2049	8,720,000	1,192,537	-	-
Total	\$ 33,202,000	\$ 27,444,766	\$ 9,721,000	\$ 2,561,125

Year Ending September 30,	Economic Development Limited Obligation Bonds and Notes		Certificates of Participation	
	Principal	Interest	Principal	Interest
2020	\$ 115,590	\$ 29,774	\$ 190,000	\$ 209,650
2021	117,488	27,637	200,000	199,900
2022	119,424	25,486	205,000	191,825
2023	121,400	23,316	220,000	185,450
2024	123,415	21,127	230,000	178,700
2025-2029	615,348	70,515	1,295,000	758,375
2030-2034	381,733	12,860	1,775,000	399,012
2035-2036	-	-	825,000	37,463
Total	\$ 1,594,398	\$ 210,715	\$ 4,940,000	\$ 2,160,375

(Table Continued on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-EIGHT

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Year Ending September 30,	Claims and Judgments		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2020	\$ 50,000	\$ -	\$ 2,589,715	\$ 2,170,799
2021	50,000	-	2,676,607	2,076,063
2022	50,000	-	2,121,678	1,977,455
2023	64,178	-	1,352,113	1,914,695
2024	64,178	-	1,952,560	1,848,088
2025-2029	320,894	-	9,714,242	7,966,537
2030-2034	-	-	7,549,733	5,922,304
2035-2039	-	-	6,470,000	4,306,503
2040-2044	-	-	6,910,000	3,002,000
2045-2049	-	-	8,720,000	1,192,537
Total	\$ 599,250	\$ -	\$ 50,056,648	\$ 32,376,981

Business-type Activities:

Year Ending September 30,	G.O. Bonds and Notes	
	Principal	Interest
2020	\$ 2,206,000	\$ 184,665
2021	2,260,000	145,109
2022	815,000	101,359
2023	850,000	77,089
2024	585,000	56,104
2025-2029	1,160,000	155,378
2030	265,000	8,612
Total	\$ 8,141,000	\$ 728,316

(Tables Continued on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-NINE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 10 - LONG-TERM LIABILITIES (Cont.)

Year Ending September 30,	Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 3,155,000	\$ 2,032,550	\$ 5,361,000	\$ 2,217,215
2021	3,240,000	1,936,961	5,500,000	2,082,070
2022	3,535,000	1,836,225	4,350,000	1,937,584
2023	4,325,000	1,719,190	5,175,000	1,796,279
2024	4,425,000	1,587,671	5,010,000	1,643,775
2025-2029	15,470,000	5,841,372	16,630,000	5,996,750
2030-2034	10,535,000	3,510,335	10,800,000	3,518,947
2035-2039	10,250,000	1,271,631	10,250,000	1,271,631
Total	\$ 54,935,000	\$ 19,735,935	\$ 63,076,000	\$ 20,464,251

During the year ended September 30, 2019, interest expense paid for governmental activities and business-type activities totaled \$1,644,427 and \$2,296,933, respectively.

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.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY

YEAR ENDED SEPTEMBER 30, 2019

NOTE 11 - SCHEDULE OF STATUTORY DEBT LIMITATIONS (Cont.)

Presented in the schedule below are the calculations of the applicable statutory debt limitations as of September 30, 2019:

		<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2019 (\$461,766,340) times applicable percentage	[a]	\$ 69,264,951	\$ 92,353,268
Present debt subject to debt limits as of September 30, 2019:			
Total bonds and notes other than water and sewer		44,517,398	44,517,398
Less: Bonds exempt from debt limitation calculations		(11,315,398)	(11,315,398)
Add: Water & Sewer debt other than revenue bonds		<u>N/A</u>	<u>8,141,000</u>
General obligation debt subject to applicable tests	[b]	<u>33,202,000</u>	<u>41,343,000</u>
Margin for additional debt [a] minus [b]		<u>\$ 36,062,951</u>	<u>\$ 51,010,268</u>

NOTE 12 - TAX ABATEMENTS

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

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

Section 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972 – All allowable tax levies

There are twenty-four companies that have tax abatements under this statute.

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

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-ONE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 12 - TAX ABATEMENTS (Cont.)

Category	Amount of Taxes Abated During the Fiscal Year	Direct Employment Impact	Indirect Employment Impact
Construction and expansion of a manufacturing facility	\$ 1,332,276	4,477 jobs	4,911 jobs
Historic district exemptions	51,146	6 jobs	5 jobs

The projected public investment for jobs impacted by industrial expansions is \$461 per direct job and \$220 per indirect job. The projected public investment for historic district exemptions is \$5,026 per direct job and \$2,834 per indirect job.

The economic impact information presented above was compiled by consultants contracted by the City and was prepared in conjunction with fiscal year 2019 tax abatement totals obtained from the Forrest County Tax Assessor's office. There were no tax abatement agreements for Lamar County properties in fiscal year 2019.

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

NOTE 13 - RELATED ORGANIZATION

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

Hattiesburg Tourism Commission - The Commission consists of seven members appointed by the Mayor and ratified by the City Council. Funding is from a special tax levied upon the gross proceeds from hotel and motel overnight room rentals. The City collects that tax and distributes it to the Tourism Commission. Amounts disbursed for the fiscal year ended September 30, 2019 totaled \$778,216. Amount due from special tax agency fund to the Tourism Commission at September 30, 2019 was \$177,732 and was included in the accompanying statement of fiduciary net position under the caption due to other agencies and was distributed within thirty days.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-TWO

YEAR ENDED SEPTEMBER 30, 2019

NOTE 14 - JOINT VENTURES

The City of Hattiesburg is a participant with Forrest County in a joint venture authorized by Section 57-31-1, Mississippi Code Annotated (1972), to operate the Forrest County Industrial Park Commission (FCIPC). The joint venture was created to develop and operate an industrial park complex for citizens of Forrest County and the City of Hattiesburg. During fiscal year 2019, the City contributed \$200,000 to the Forrest County Industrial Park Commission. The Commission is governed by a ten member board. The governing authorities of the City of Hattiesburg and the Forrest County Board of Supervisors each appoint five members. Each entity is obligated to provide equal funding for the ongoing financial support of the Commission. A separate financial statement of the Forrest County Industrial Park Commission can be obtained by contacting the Commission at Post Office Box 1898, Hattiesburg, Mississippi 39403.

The City of Hattiesburg is a participant with Forrest County, Jones County, and the State of Mississippi to operate the Hattiesburg/Laurel Regional Airport Authority authorized by Section 61-3-5, Mississippi Code Annotated (1972). The joint venture, governed by a five member board of commissioners, was created to maintain and develop the Authority for the City and aforementioned 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. A separate financial statement of the library can be obtained by contacting the Library at 329 Hardy Street, Hattiesburg, Mississippi 39401.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-THREE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 16 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2019, the City's Mass Transit Fund reported a deficit fund balance of \$370,609 which was attributable to the cumulative effect of program expenditures in excess of grant reimbursements.

NOTE 17 - COMMITMENTS

Significant encumbrances at September 30, 2019, included \$167,340 for South MS Planning and \$1,225,853 for water and sewer projects.

Commitments for construction projects in progress are as follows:

September 30, 2019	Amount
Airport improvements	\$ 479,778
Infrastructure projects	1,594,630
Water and sewer projects	<u>7,252,597</u>
Commitments for construction projects in progress, end of fiscal year	<u>\$ 9,327,005</u>

NOTE 18 - CONTINGENCIES

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-FOUR

YEAR ENDED SEPTEMBER 30, 2019

NOTE 18 - CONTINGENCIES (Cont.)

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

In 2015, the City began the process to annex properties located West and North of the current city limits. The discovery process was completed in the fall of 2019 and the City is scheduled to go to trial in August 2020.

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.

Anticipated General Obligation Bonds - In conjunction with the City's adoption of an intent resolution in October 2018 for the issuance of general obligation bonds in an amount not to exceed \$45 million, the City issued \$29,850,000 in bonds authorized by that resolution during fiscal year 2019. It is anticipated that a second series of bonds will be issued as authorized by this resolution and that the proceeds of this bond issue will be utilized primarily for infrastructure improvements.

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

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-FIVE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS

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

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

Participating retirees make monthly contributions through premium payments based on coverage type. Monthly retiree contributions for single and family coverage for the fiscal year ended September 30, 2019 totaled \$388 and \$638, respectively. For the years ended September 30, 2019, 2018, and 2017, the City contributed \$436,614, \$228,209, and \$211,305, respectively, to the plan for expected payouts for retiree benefits, which represented 28.20%, 19.32%, and 19.05%, respectively, of the actuarially determined annual required contribution of \$1,548,237, \$1,180,987, and \$1,109,013, respectively. No amounts have been contributed to finance future medical benefits under the plan for either current or future retirees.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-SIX

YEAR ENDED SEPTEMBER 30, 2019

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Employees Covered by Benefit Terms - At September 30, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving	59
Active members	<u>625</u>
Total participants	<u><u>684</u></u>

Total OPEB Liability - The City's Total OPEB liability of \$11,105,808 was measured as of September 30, 2019 and was determined by an actuarial valuation as of October 1, 2019.

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

Inflation	3.00%
Salary increase	2.50% per annum
Discount rate	3.58%
Healthcare costs trends rate	7.25% graded uniformly to 6.50% over 3 years and following the 2020 Getzen model thereafter to an ultimate rate of thereafter to an ultimate rate of 4.04% in the year 2075
Administrative costs	\$388 per member
Retirees' share of health benefit related cost	100% of health premiums

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-SEVEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Schedule of Changes in Total OPEB Liability - The change in Total OPEB liability for the year ended September 30, 2019 is as follows:

	Total OPEB Liability
Service cost	\$ 785,720
Interest	304,750
Difference between expected and actual experience	896,966
Changes of assumptions	1,391,514
Benefit payments	<u>(436,614)</u>
Net change	2,942,336
Beginning Total OPEB Liability	<u>8,163,472</u>
Ending Total OPEB Liability	<u><u>\$ 11,105,808</u></u>

Changes of assumptions and other inputs reflect a change from a flat 3% increase per year of age to the aging factors provided in the Dale Yamamoto aging factor study released by the Society of Actuaries in June 2013. The trend assumption of 8% grading to 5% over 10 years was updated to a 7.25% grading to 6.50% uniformly over 3 years. Thereafter, the 2020 Getzen model with default inputs will be followed until reaching an ultimate rate of 4.04% in the year 2075.

The difference between expected and actual experience was due to contributions for coverages remaining at prior year levels.

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-EIGHT

YEAR ENDED SEPTEMBER 30, 2019

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

1% Increase 2.58%	Current Discount Rate 3.58%	1% Decrease 4.58%
\$ 12,359,563	\$ 11,105,808	\$ 10,022,282

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

1% Decrease 6.25% to 5.50% over 3 years and following the Getzen model thereafter	Current Discount Rate 7.25% to 6.50% over 3 years and following the Getzen model thereafter	1% Decrease 8.25% to 7.50% over 3 years and following the Getzen model thereafter
\$ 10,091,033	\$ 11,105,808	\$ 12,311,650

OPEB Expense and Deferred Outflows of Resources - For the year ended September 30, 2019, the City recognized OPEB expense of \$925,036. The City reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Changes of assumptions	\$ 1,236,901
Experience losses	797,303
Total	\$ 2,034,204

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTY-NINE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Amounts reported as deferred outflows of resources related to the Total OPEB liability at September 30, 2019, will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 254,276
2021	254,276
2022	254,276
2023	254,276
2024	254,276
Thereafter	762,824
Total	\$ 2,034,204

NOTE 20 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement Plans

Plan Descriptions - The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan (the Cost-Sharing Plan), which covers all eligible employees, except certain sworn and uniformed policemen and firemen who participate in the City of Hattiesburg Police and Fire Disability and Relief Fund (PFDR), also administered by PERS. Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PFDR Plan members consist of all full-time sworn and uniformed policemen and firemen who were employed by July 1, 1987. All full-time sworn and uniformed policemen and firemen employed after July 1, 1987, participate in the Cost-Sharing Plan. The PFDR Plan is affiliated with the Mississippi Municipal Retirement System (MRS), an agent multiple-employer defined benefit pension plan, and as of June 30, 2019, included no active members and 141 retirees and beneficiaries currently receiving benefits. Benefit provisions for both plans are established by State law and may be amended only by the State of Mississippi Legislature. The Plans' provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq. (1972, as amended), and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY

YEAR ENDED SEPTEMBER 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS (Cont.)

Cost-Sharing Plan Benefits Provided - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of the Cost-Sharing Plan before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of the Cost-Sharing Plan before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011). Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of the Cost-Sharing Plan before July 1, 2007). The Cost-Sharing Plan also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of the Cost-Sharing Plan before July 1, 2011), with 3.0% compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-ONE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS (Cont.)

Cost-Sharing Plan Contributions - At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ended September 30, 2019, 2018 and 2017 were \$4,024,837, \$3,719,626, and \$3,707,145, respectively, equal to the required contributions each year.

PFDR Funding Policy - The PERS System Board of Trustees establishes the funding policy for MRS plans. The funding policy for PFDR provides for periodic employer contributions at actuarially determined rates, expressed as millage rate tax applied to assessed property tax values, and active employee contributions at stated rates. The employee contribution rate as of September 30, 2019, was 10% of covered payroll. Contributions under this funding policy, established beginning in the 2011-2012 fiscal year, will generate an ultimate asset reserve level equal to a reasonable percentage (initially 100% - 150%) of the next year's projected benefit payment. At that point, actuarially determined employer contributions will be set equal to the fiscal year's projected benefit payments and adjusted as necessary to maintain the assets at the established reserve level; however, ultimately the City has the option of determining the contribution rate to set as its certified millage rate. The millage rate set by the City must be at a level that will ensure actuarial soundness of the System.

In developing the annual required contribution shown in the following paragraphs, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a remaining amortization period of twenty years. The asset valuation method used is a 5-year smoothed market method. The City has the option to set property tax rates to allow for extended contributions beyond 2020 under the funding policy adopted by the PERS Board of Trustees in February 2011. The millage rates certified as of June 30, 2018 under the Pre-2011 and Post-2011 Funding Policy rates are 30.23 mills and 2.75 mills, respectively. The actual tax levy set in 2018 for the pension fund for policemen and firemen for the year ended September 30, 2019 was 3.08 mills.

For the year ended September 30, 2019, contributions totaling \$1,393,744 (\$1,392,460 employer and \$1,284 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2019. The employer's annual required contribution (ARC) was actuarially determined to be \$1,407,181 (consisting of \$274 normal ARC and \$1,406,907 accrued liability ARC).

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-TWO

YEAR ENDED SEPTEMBER 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS (Cont.)

Pension Liabilities and Pension Expense - At September 30, 2019, the City reported a liability of approximately \$80,905,147 for its proportionate share of the collective net pension liability of the Cost-Sharing Plan and the net pension liability allocated to PFDR. The net pension liability (NPL) for both plans was measured as of June 30, 2019, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2019 for the Cost-Sharing Plan and for the PFDR Plan.

The NPL recorded and the pension expense recognized by the City for the year ended September 30, 2019, were as follows:

	Cost - Sharing Plan	PFDR	Total
Net pension liability	<u>\$ 66,638,394</u>	<u>\$ 14,266,753</u>	<u>\$ 80,905,147</u>
Net pension expense	<u>\$ 5,186,830</u>	<u>\$ 1,510,853</u>	<u>\$ 6,697,683</u>

The NPL is the difference between the TPL and the pension plans' fiduciary net position (FNP). The TPL is the present value of the pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments. The FNP is determined on the same basis as that used by the pension plans. The City's proportion of the collective Cost-Sharing Plan NPL was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2019, the City's proportion was 0.378836% as compared to its proportion measured at June 30, 2018 of 0.366040%, or an increase of 0.012796%.

Sensitivity to the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate - The discount rate used to measure the total pension liability was 7.75% for both pension plans. The projection of cash flows used to determine the discount rate for the Cost-Sharing Plan assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-THREE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS (Cont.)

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Cost-sharing plan net pension liability	\$ 87,598,477	\$ 66,638,394	\$ 49,337,726
PFDR plan net pension liability	\$ 17,275,367	\$ 14,266,753	\$ 11,675,492

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

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

<u>September 30, 2019</u>	<u>Cost - Sharing Plan</u>		<u>PFDR</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,937	\$ 52,653	\$ -	\$ -
Net difference between projected and actual earnings on investments	-	583,246	53,843	-
Changes of assumptions	479,571	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	5,505,493	-	-	232,906
Employer contributions subsequent to the measurement date	1,174,521	-	115,475	-
Total	<u>\$ 7,188,522</u>	<u>\$ 635,899</u>	<u>\$ 169,318</u>	<u>\$ 232,906</u>

Deferred outflows of resources related to the Cost-Sharing Plan and PFDR resulting from City contributions subsequent to June 30, 2019 (the measurement date) were \$1,174,521 and \$115,475, respectively, and will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-FOUR

YEAR ENDED SEPTEMBER 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS (Cont.)

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

Year Ending September 30,	Cost - Sharing Plan		PFDR	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 1,648,469	\$ 164,888	\$ 13,461	\$ 58,227
2021	1,648,469	164,888	13,461	58,227
2022	1,604,251	160,310	13,461	58,227
2023	1,112,812	145,813	13,460	58,225
Total	\$ 6,014,001	\$ 635,899	\$ 53,843	\$ 232,906

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

Actuarial Assumptions - In determining employer contribution rates for the PFDR Plan, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. The TPL in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

	Cost - Sharing Plan	PFDR Plan
Inflation	2.75%	3.00%
Investment rate of return (net of plan investment expense and inflation)	7.75%	7.75%
Projected salary increases, including inflation	3.00% - 18.25%	4.00% - 5.50%

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-FIVE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 20 - DEFINED BENEFIT PENSION PLANS (Cont.)

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

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

Investment Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	27.00%	4.90%
International equity	22.00%	4.75%
Global	12.00%	5.00%
Fixed income	20.00%	1.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash	1.00%	0.25%
Total	100.00%	

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

NOTE 21 - ASSET RETIREMENT OBLIGATION

The City has determined that based on the highly unlikely scenario of sewer services no longer being required across its service area and the numerous variables that would be involved with completely abandoning its plant facilities and waste water lagoon it is unable to feasibly determine the calculation of this liability as of September 30, 2019.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-SIX

YEAR ENDED SEPTEMBER 30, 2019

NOTE 22 - DISCRETELY PRESENTED COMPONENT UNIT

Capital asset activity for the Hattiesburg Convention Commission (Commission) for the year ended September 30, 2019 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,422,886	\$ 22,500	\$ -	\$ 1,445,386
Construction in progress - Zoo projects	494,812	1,991,316	(498,201)	1,987,927
Construction in progress - Osceola McCarty House Museum	60,092	33,228	(93,320)	-
Total capital assets not being depreciated	<u>1,977,790</u>	<u>2,047,044</u>	<u>(591,521)</u>	<u>3,433,313</u>
Capital assets being depreciated:				
Buildings and improvements	22,645,373	335,066	-	22,980,439
Furniture and fixtures	487,942	-	-	487,942
Equipment and vehicles	1,619,526	243,125	-	1,862,651
Assets acquired under capital lease	34,737	-	-	34,737
Total capital assets being depreciated	<u>24,787,578</u>	<u>578,191</u>	<u>-</u>	<u>25,365,769</u>
Less accumulated depreciation for:				
Buildings and improvements	8,174,748	472,041	-	8,646,789
Furniture and fixtures	436,335	1,857	-	438,192
Equipment and vehicles	1,520,046	23,402	-	1,543,448
Assets acquired under capital lease	34,737	-	-	34,737
Total accumulated depreciation	<u>10,165,866</u>	<u>497,300</u>	<u>-</u>	<u>10,663,166</u>
Total capital assets being depreciated, net	<u>14,621,712</u>	<u>80,891</u>	<u>-</u>	<u>14,702,603</u>
Governmental activities capital assets, net	<u>\$ 16,599,502</u>	<u>\$ 2,127,935</u>	<u>\$ (591,521)</u>	<u>\$ 18,135,916</u>

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FORTY-SEVEN

YEAR ENDED SEPTEMBER 30, 2019

NOTE 22 - DISCRETELY PRESENTED COMPONENT UNIT (Cont.)

The City entered into a contract with the 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 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, 2020), all parties have agreed to review the financial status of the Zoo operations to consider whether any revisions to the financial plan are necessary.

During the year ended September 30, 2019, the Commission contracted for certain capital projects. The Commission transferred completed construction projects totaling \$498,201 to the City, which are reflected in capital assets of the City as of September 30, 2019.

NOTE 23 - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated and disclosed all material subsequent events through June 24, 2020, which is the date the financial statements were available to be issued.

The spread of a novel strain of coronavirus (COVID-19) in the United States of America has caused economic uncertainties which are likely to negatively impact the City's operational and financial performance. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the City expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

The City issued General Obligation Note 2019 pursuant to Mississippi Code Section 17-21-51 in the amount of \$4,100,000 at a rate of 1.82% over a five-year term. Payments are to be made annually with interest being paid semi-annually. The first payment is due June 3, 2020.

The City issued Taxable Negotiable Note Series 2020 pursuant to Mississippi Code Section 17-21-51 in the amount of \$494,000 at a rate of 1.52% over a five year term. Payments of principle and interest are to be made annually with the first payment being due June 2, 2021.

(This Space Intentionally Left Blank)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1
PAGE 1 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

**Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2019**

	Original Budget	Final Budget
REVENUES		
Intergovernmental:		
Federal grants	\$ 2,365,634	\$ 2,187,080
State grants	168,304	560,085
State - shared revenue	23,472,000	23,386,678
County - shared revenue	-	32,828
General property taxes	18,137,600	18,137,600
Other taxes	36,000	36,000
Licenses and permits	4,454,800	4,454,800
Charges for services:		
Public safety	202,000	248,000
Streets	1,000	1,000
Sanitation	2,225,000	2,225,000
Fines and forfeitures	1,235,000	1,235,000
Miscellaneous	293,400	300,000
Non-revenue receipts	207,412	511,896
Total revenues	52,798,150	53,315,967
EXPENDITURES		
General government:		
Personnel	4,718,129	4,616,208
Supplies and expenses	241,600	270,785
Other services and charges	4,983,985	5,324,900
Capital outlays	494,346	494,346
Total general government	10,438,060	10,706,239
Police Department:		
Personnel	11,352,098	11,224,658
Supplies and expenses	734,794	884,113
Other services and charges	608,625	650,693
Capital outlays	275,000	476,000
Total police department	12,970,517	13,235,464
Police and fire training:		
Personnel	37,723	42,304
Supplies and expenses	118,732	125,232
Other services and charges	78,745	71,056
Capital outlays	10,000	27,000
Total police and fire training	245,200	265,592

The accompanying notes are an integral part of this schedule.

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 1,237,698	\$ (949,382)
629,841	69,756
23,388,679	2,001
32,828	-
18,501,672	364,072
38,727	2,727
4,186,392	(268,408)
319,662	71,662
881	(119)
2,238,743	13,743
1,715,226	480,226
1,032,345	732,345
531,188	19,292
<u>53,853,882</u>	<u>537,915</u>
4,412,861	203,347
155,118	115,667
4,010,480	1,314,420
283,539	210,807
<u>8,861,998</u>	<u>1,844,241</u>
10,549,453	675,205
866,947	17,166
551,719	98,974
449,138	26,862
<u>12,417,257</u>	<u>818,207</u>
39,079	3,225
110,638	14,594
65,300	5,756
17,568	9,432
<u>232,585</u>	<u>33,007</u>

SCHEDULE 1
PAGE 2 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

**Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2019**

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Fire Department:		
Personnel	\$ 8,166,950	\$ 8,122,130
Supplies and expenses	274,789	291,289
Other services and charges	339,871	368,191
Total fire department	<u>8,781,610</u>	<u>8,781,610</u>
Land development administration:		
Personnel	621,455	626,455
Supplies and expenses	30,600	31,600
Other services and charges	337,475	309,830
Total land development administration	<u>989,530</u>	<u>967,885</u>
Public safety contractual services:		
Personnel	182,380	266,726
Other services and charges	1,276,000	974,000
Total public safety contractual services	<u>1,458,380</u>	<u>1,240,726</u>
Public services:		
Personnel	6,530,192	6,482,956
Supplies and expenses	1,446,099	1,591,111
Other services and charges	4,406,801	5,344,101
Capital outlays	1,118,980	801,300
Total public services	<u>13,502,072</u>	<u>14,219,468</u>
Animal Control:		
Personnel	156,047	166,666
Supplies and expenses	15,400	15,400
Other services and charges	156,685	156,685
Total animal control	<u>328,132</u>	<u>338,751</u>

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 7,782,896	\$ 339,234
303,436	(12,147)
281,402	86,789
<u>8,367,734</u>	<u>413,876</u>
594,263	32,192
22,776	8,824
281,249	28,581
<u>898,288</u>	<u>69,597</u>
255,754	10,972
522,656	451,344
<u>778,410</u>	<u>462,316</u>
5,877,120	605,836
1,359,037	232,074
4,845,055	499,046
624,139	177,161
<u>12,705,351</u>	<u>1,514,117</u>
152,429	14,237
13,856	1,544
152,254	4,431
<u>318,539</u>	<u>20,212</u>

SCHEDULE 1
PAGE 3 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2019

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Human/social assistance:		
Other services and charges	\$ 243,000	\$ 215,000
Total human/social assistance	243,000	215,000
Economic development:		
Other services and charges	255,000	398,675
Total economic development	255,000	398,675
Airport:		
Personnel	-	3,054
Supplies and expenses	38,200	32,146
Other services and charges	43,708	53,508
Total airport	81,908	88,708
Cemetery:		
Personnel	754,521	760,521
Supplies and expenses	87,550	84,650
Other services and charges	60,401	60,401
Capital outlays	181,000	198,100
Total cemetery	1,083,472	1,103,672
Parking garages:		
Personnel	141,340	141,340
Supplies and expenses	8,450	8,450
Other services and charges	70,350	70,350
Total parking garages	220,140	220,140

Actual	Variance with Final Budget Favorable (Unfavorable)
<u>\$ 204,000</u>	<u>\$ 11,000</u>
<u>204,000</u>	<u>11,000</u>
<u>320,747</u>	<u>77,928</u>
<u>320,747</u>	<u>77,928</u>
3,054	-
22,894	9,252
49,817	3,691
<u>75,765</u>	<u>12,943</u>
667,000	93,521
70,493	14,157
52,376	8,025
145,319	52,781
<u>935,188</u>	<u>168,484</u>
75,760	65,580
3,157	5,293
54,256	16,094
<u>133,173</u>	<u>86,967</u>

SCHEDULE 1
PAGE 4 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2019

	Original Budget	Final Budget
EXPENDITURES (Cont.)		
Debt service:		
Principal payments	\$ 1,796,520	\$ 1,837,507
Interest payments	440,935	441,314
Pay agent fees	3,000	3,000
Total debt service	<u>2,240,455</u>	<u>2,281,821</u>
Total expenditures	<u>52,837,476</u>	<u>54,063,751</u>
Excess (deficiency) of revenues over expenditures	(39,326)	(747,784)
OTHER FINANCING SOURCES (USES)		
Transfers in	870,000	870,000
Transfers out	(3,530,000)	(3,937,168)
Total other financing sources (uses)	<u>(2,660,000)</u>	<u>(3,067,168)</u>
NET CHANGE IN FUND BALANCES	(2,699,326)	(3,814,952)
Fund balances - beginning (Non-GAAP Budgetary Basis)	<u>6,000,000</u>	<u>6,532,636</u>
Fund balances - ending (Non-GAAP Budgetary Basis)	<u>\$ 3,300,674</u>	<u>\$ 2,717,684</u>
ADJUSTMENTS:		
To adjust for other receivables/accruals		
Fund balances - ending (GAAP Basis)		

The accompanying notes are an integral part of this schedule.

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 974,380	\$ 863,127
405,909	35,405
3,000	-
<u>1,383,289</u>	<u>898,532</u>
<u>47,632,324</u>	<u>6,431,427</u>
6,221,558	6,969,342
577,318	(292,682)
(3,937,168)	-
<u>(3,359,850)</u>	<u>(292,682)</u>
2,861,708	<u>\$ 6,676,660</u>
<u>6,532,636</u>	
9,394,344	
<u>2,853,164</u>	
<u>\$ 12,247,508</u>	

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 - BASIS OF PRESENTATION

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

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) as opposed to when susceptible to accrual (GAAP).

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

(This Space Intentionally Left Blank)

SCHEDULE 2

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of the City's Proportionate Share of the Net Pension Liability - PERS
Last Ten Fiscal Years*
Year Ended September 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.378836%	0.366040%	0.365585%	0.356159%	0.354714%
City's proportionate share of the net pension liability (asset)	\$ 66,638,394	\$ 60,876,674	\$ 60,775,128	\$ 63,626,214	\$ 54,831,789
City's covered payroll	\$ 24,672,648	\$ 23,616,660	\$ 23,537,422	\$ 23,739,349	\$ 22,228,762
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.09%	257.77%	258.21%	268.02%	246.67%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

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

The accompanying notes are an integral part of this schedule.

SCHEDULE 3

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of City Contributions
Public Employees' Retirement System - PERS
Last Ten Fiscal Years*
Year Ended September 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,024,837	\$ 3,719,626	\$ 3,707,145	\$ 3,738,948	\$ 3,501,030
Contributions in relation to the contractually required contribution	<u>(4,024,837)</u>	<u>(3,719,626)</u>	<u>(3,707,145)</u>	<u>(3,738,948)</u>	<u>(3,501,030)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 24,698,252	\$ 23,616,673	\$ 23,537,429	\$ 23,739,352	\$ 22,228,762
Contributions as a percentage of covered payroll	16.30%	15.75%	15.75%	15.75%	15.75%

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

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

The accompanying notes are an integral part of this schedule.

SCHEDULE 4

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of the City's Proportionate Share of the Net Pension Liability - PFDR
Last Ten Fiscal Years*
Year Ended September 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	11.75%	11.49%	11.26%	11.04%	10.86%
City's proportionate share of the net pension liability (asset)	\$14,266,753	\$14,249,426	\$14,848,105	\$15,838,774	\$14,490,323
City's covered payroll**	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll**	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	60.94%	56.63%	59.01%	59.68%	58.99%

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

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

The accompanying notes are an integral part of this schedule.

SCHEDULE 5

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of City Contributions
Mississippi Municipal Retirement Systems - PFDR
Last Ten Fiscal Years*
Year Ended September 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,392,033	\$ 1,512,066	\$ 1,334,243	\$ 1,346,542	\$ 1,626,692
Contributions in relation to the contractually required contribution	<u>(1,392,033)</u>	<u>(1,512,066)</u>	<u>(1,334,243)</u>	<u>(1,346,542)</u>	<u>(1,626,692)</u>
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll**	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll**	N/A	N/A	N/A	N/A	N/A

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

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

The accompanying notes are an integral part of this schedule.

SCHEDULE 6

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*
Year Ended September 30, 2019**

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

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

The accompanying notes are an integral part of this schedule.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - PENSION SCHEDULES

A. Changes of Assumptions:

2015

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

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

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

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

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

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

2019

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

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - PENSION SCHEDULES (Cont.)

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

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

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

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

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

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

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

B. Changes in Benefit Provisions:

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end).

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - PENSION SCHEDULES (Cont.)

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

NOTE 2 - OPEB SCHEDULES

A. Changes of Assumptions:

2017

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

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

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

2019

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

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

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

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

SUPPLEMENTARY INFORMATION

SCHEDULE 7

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2019**

	Special Revenue Funds (Schedule 9)	Debt Service Funds (Schedule 11)
ASSETS		
Cash and cash equivalents	\$ 5,825,321	\$ 8,099,047
Cash with fiscal agent	-	708,394
Due from other funds	760	-
Sales tax receivable	238,127	-
Intergovernmental receivables	753,722	-
Other receivables	17,261	-
Property taxes receivable	1,164,155	1,927,167
Total assets	\$ 7,999,346	\$ 10,734,608
LIABILITIES		
Accounts payable	\$ 434,103	\$ -
Due to other funds	1,038,900	5,000
Due to other governments	119,064	-
Accrued wages and benefits	80,453	-
Other liabilities	342,960	-
Advances from other funds	300,000	-
Total liabilities	2,315,480	5,000
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,155,000	1,912,500
Total deferred inflows of resources	1,155,000	1,912,500
FUND BALANCES		
Restricted:		
Fire protection	346,557	-
Law enforcement	233,717	-
Mass transit	(370,609)	-
Debt service	-	8,817,108
Culture and recreation	378,535	-
Economic development	2,406,808	-
Committed:		
Culture and recreation	1,439,137	-
Unassigned	94,721	-
Total fund balances	4,528,866	8,817,108
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,999,346	\$ 10,734,608

The accompanying notes are an integral part of this schedule.

Capital Project Funds (Schedule 13)	Total Nonmajor Governmental Funds (Exhibit C)
\$ 2,566	\$ 13,926,934
-	708,394
-	760
-	238,127
-	753,722
-	17,261
-	3,091,322
<u>\$ 2,566</u>	<u>\$ 18,736,520</u>
\$ -	\$ 434,103
-	1,043,900
-	119,064
-	80,453
-	342,960
-	300,000
<u>-</u>	<u>2,320,480</u>
-	3,067,500
<u>-</u>	<u>3,067,500</u>
-	346,557
-	233,717
-	(370,609)
-	8,817,108
2,260	380,795
306	2,407,114
-	1,439,137
-	94,721
<u>2,566</u>	<u>13,348,540</u>
<u>\$ 2,566</u>	<u>\$ 18,736,520</u>

SCHEDULE 8

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended September 30, 2019**

	Special Revenue Funds (Schedule 10)	Debt Service Funds (Schedule 12)
REVENUES		
General property taxes	\$ 1,140,096	\$ 2,832,094
Special sales tax collections	712,462	-
Fines, forfeitures and penalties	34,545	-
Interest, rents and concessions	14,542	83,120
Intergovernmental revenues	5,091,099	534,732
Charges for services	989,030	-
Other revenues	384,231	-
Total revenues	8,366,005	3,449,946
EXPENDITURES		
Current:		
General government	-	-
Public safety	431,213	-
Public services	2,279,917	-
Other services	1,018,056	19,138
Mass transit	2,879,909	-
Culture and recreation	4,892,613	-
Human/social assistance	515,143	-
Economic development	-	-
Debt service:		
Principal payments	256,330	1,978,000
Interest and fiscal charges	16,075	1,122,502
Total expenditures	12,289,256	3,119,640
Excess (deficiency) of revenues over expenditures	(3,923,251)	330,306
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt	-	-
Transfers in	3,875,000	1,317,066
Transfers out	-	(79)
Other sources	7,935	-
Total other financing sources (uses)	3,882,935	1,316,987
NET CHANGE IN FUND BALANCES	(40,316)	1,647,293
Fund balances - beginning	4,569,182	7,169,815
Fund balances - ending	\$ 4,528,866	\$ 8,817,108

The accompanying notes are an integral part of this schedule.

Capital Project Funds (Schedule 14)	Total Nonmajor Governmental Funds (Exhibit D)
\$ -	\$ 3,972,190
-	712,462
-	34,545
315	97,977
-	5,625,831
-	989,030
-	384,231
<u>315</u>	<u>11,816,266</u>
200,798	200,798
-	431,213
-	2,279,917
-	1,037,194
-	2,879,909
-	4,892,613
-	515,143
750,000	750,000
-	2,234,330
-	1,138,577
<u>950,798</u>	<u>16,359,694</u>
(950,483)	(4,543,428)
750,000	750,000
-	5,192,066
-	(79)
-	7,935
<u>750,000</u>	<u>5,949,922</u>
(200,483)	1,406,494
<u>203,049</u>	<u>11,942,046</u>
<u>\$ 2,566</u>	<u>\$ 13,348,540</u>

SCHEDULE 9

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Special Revenue Funds
September 30, 2019

	<u>PARKS & RECREATION</u>	<u>MUNICIPAL FIRE PROTECTION</u>	<u>SPECIAL STREET</u>	<u>POLICE FORFEITURES</u>	<u>AIRPORT IMPROVEMENT</u>	<u>MUNICIPAL ROAD & BRIDGE</u>
ASSETS						
Cash and cash equivalents	\$ 1,081,054	\$ 346,557	\$ 62,500	\$ 274,226	\$ 512,577	\$ 2,399,134
Due from other funds	-	-	-	760	-	-
Sales tax receivable	-	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	412,302	1,136
Other receivables	-	-	-	422	3,987	12,852
Property taxes receivable	937,324	-	-	-	-	-
	<u>937,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,018,378</u>	<u>\$ 346,557</u>	<u>\$ 62,500</u>	<u>\$ 275,408</u>	<u>\$ 928,866</u>	<u>\$ 2,413,122</u>
LIABILITIES						
Accounts payable	\$ 10,552	\$ -	\$ -	\$ 13,527	\$ 302,944	\$ 68,814
Due to other funds	-	-	-	-	550,000	-
Due to other governments	-	-	-	-	-	-
Accrued wages and benefits	39,753	-	-	-	-	-
Other liabilities	-	-	-	28,164	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>50,305</u>	<u>-</u>	<u>-</u>	<u>41,691</u>	<u>852,944</u>	<u>68,814</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	930,000	-	-	-	-	-
Total deferred inflows of resources	<u>930,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted:						
Fire protection	-	346,557	-	-	-	-
Law enforcement	-	-	-	233,717	-	-
Mass transit	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Economic development	-	-	62,500	-	-	2,344,308
Committed:						
Culture and recreation	1,038,073	-	-	-	-	-
Unassigned	-	-	-	-	75,922	-
Total fund balances	<u>1,038,073</u>	<u>346,557</u>	<u>62,500</u>	<u>233,717</u>	<u>75,922</u>	<u>2,344,308</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,018,378</u>	<u>\$ 346,557</u>	<u>\$ 62,500</u>	<u>\$ 275,408</u>	<u>\$ 928,866</u>	<u>\$ 2,413,122</u>

The accompanying notes are an integral part of this schedule.

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	SPECIAL 1% SALES TAX	GROUP INSURANCE	TOTAL
\$ 10,161	\$ 435,030	\$ 134,399	\$ 267,512	\$ 302,171	\$ 5,825,321
-	-	-	-	-	760
-	-	-	238,127	-	238,127
131,972	-	199,364	8,948	-	753,722
-	-	-	-	-	17,261
226,831	-	-	-	-	1,164,155
<u>\$ 368,964</u>	<u>\$ 435,030</u>	<u>\$ 333,763</u>	<u>\$ 514,587</u>	<u>\$ 302,171</u>	<u>\$ 7,999,346</u>
\$ 11,657	\$ 8,986	\$ 635	\$ 16,988	\$ -	\$ 434,103
478,105	-	10,795	-	-	1,038,900
-	-	-	119,064	-	119,064
24,811	12,355	3,534	-	-	80,453
-	12,625	-	-	302,171	342,960
-	-	300,000	-	-	300,000
<u>514,573</u>	<u>33,966</u>	<u>314,964</u>	<u>136,052</u>	<u>302,171</u>	<u>2,315,480</u>
225,000	-	-	-	-	1,155,000
<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,155,000</u>
-	-	-	-	-	346,557
-	-	-	-	-	233,717
(370,609)	-	-	-	-	(370,609)
-	-	-	378,535	-	378,535
-	-	-	-	-	2,406,808
-	401,064	-	-	-	1,439,137
-	-	18,799	-	-	94,721
<u>(370,609)</u>	<u>401,064</u>	<u>18,799</u>	<u>378,535</u>	<u>-</u>	<u>4,528,866</u>
<u>\$ 368,964</u>	<u>\$ 435,030</u>	<u>\$ 333,763</u>	<u>\$ 514,587</u>	<u>\$ 302,171</u>	<u>\$ 7,999,346</u>

SCHEDULE 10

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds
Year Ended September 30, 2019

	<u>PARKS & RECREATION</u>	<u>MUNICIPAL FIRE PROTECTION</u>	<u>SPECIAL STREET</u>	<u>POLICE FORFEITURES</u>	<u>AIRPORT IMPROVEMENT</u>	<u>MUNICIPAL ROAD & BRIDGE</u>
REVENUES						
General property taxes	\$ 912,392	\$ -	\$ -	\$ -	\$ -	\$ -
Special sales tax collections	-	-	-	-	-	-
Fines, forfeitures and penalties	-	429	-	34,116	-	-
Interest, rents and concessions	4,474	3,300	378	177	759	3,418
Intergovernmental revenues	-	271,433	58,363	-	942,368	2,078,567
Charges for services	48,392	95,652	-	12,784	-	-
Other revenues	160,162	-	-	-	45,069	126,500
Total revenues	<u>1,125,420</u>	<u>370,814</u>	<u>58,741</u>	<u>47,077</u>	<u>988,196</u>	<u>2,208,485</u>
EXPENDITURES						
Current:						
Public safety	-	217,128	-	214,085	-	-
Public services	-	-	-	-	-	2,279,917
Other services	-	-	-	-	1,018,056	-
Mass transit	-	-	-	-	-	-
Culture and recreation	3,706,641	-	-	-	-	-
Human/social assistance	-	-	-	-	-	-
Debt service:						
Principal payments	-	256,330	-	-	-	-
Interest and fiscal charges	-	16,075	-	-	-	-
Total expenditures	<u>3,706,641</u>	<u>489,533</u>	<u>-</u>	<u>214,085</u>	<u>1,018,056</u>	<u>2,279,917</u>
Excess (deficiency) of revenues over expenditures	(2,581,221)	(118,719)	58,741	(167,008)	(29,860)	(71,432)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,600,000	-	-	-	250,000	270,000
Other sources	1,660	-	-	-	-	-
Total other financing sources (uses)	<u>2,601,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>270,000</u>
NET CHANGE IN FUND BALANCES	20,439	(118,719)	58,741	(167,008)	220,140	198,568
Fund balances - beginning	<u>1,017,634</u>	<u>465,276</u>	<u>3,759</u>	<u>400,725</u>	<u>(144,218)</u>	<u>2,145,740</u>
Fund balances - ending	<u><u>\$ 1,038,073</u></u>	<u><u>\$ 346,557</u></u>	<u><u>\$ 62,500</u></u>	<u><u>\$ 233,717</u></u>	<u><u>\$ 75,922</u></u>	<u><u>\$ 2,344,308</u></u>

The accompanying notes are an integral part of this schedule.

MASS TRANSIT OPERATING	COMMUNITY CENTERS	CDBG FUND	SPECIAL 1% SALES TAX	GROUP INSURANCE	TOTAL
\$ 227,704	\$ -	\$ -	\$ -	\$ -	\$ 1,140,096
-	-	-	712,462	-	712,462
-	-	-	-	-	34,545
66	1,927	39	4	-	14,542
1,213,124	-	518,296	8,948	-	5,091,099
795,672	36,530	-	-	-	989,030
2,500	-	-	50,000	-	384,231
2,239,066	38,457	518,335	771,414	-	8,366,005
-	-	-	-	-	431,213
-	-	-	-	-	2,279,917
-	-	-	-	-	1,018,056
2,879,909	-	-	-	-	2,879,909
-	793,093	-	392,879	-	4,892,613
-	-	515,143	-	-	515,143
-	-	-	-	-	256,330
-	-	-	-	-	16,075
2,879,909	793,093	515,143	392,879	-	12,289,256
(640,843)	(754,636)	3,192	378,535	-	(3,923,251)
130,000	600,000	25,000	-	-	3,875,000
6,275	-	-	-	-	7,935
136,275	600,000	25,000	-	-	3,882,935
(504,568)	(154,636)	28,192	378,535	-	(40,316)
133,959	555,700	(9,393)	-	-	4,569,182
\$ (370,609)	\$ 401,064	\$ 18,799	\$ 378,535	\$ -	\$ 4,528,866

SCHEDULE 11

CITY OF HATTIESBURG, MISSISSIPPI

Combining Balance Sheet - Nonmajor Debt Service Funds
September 30, 2019

	CITY BOND AND INTEREST	2014 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
ASSETS					
Cash and cash equivalents	\$ 6,849,493	\$ 283,615	\$ -	\$ 194,297	\$ 136,137
Cash with fiscal agent	708,394	-	-	-	-
Property taxes receivable	1,927,167	-	-	-	-
Total assets	<u>\$ 9,485,054</u>	<u>\$ 283,615</u>	<u>\$ -</u>	<u>\$ 194,297</u>	<u>\$ 136,137</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,912,500	-	-	-	-
Total deferred inflows of resources	<u>1,912,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted:					
Debt service	7,572,554	283,615	-	194,297	136,137
Total fund balances	<u>7,572,554</u>	<u>283,615</u>	<u>-</u>	<u>194,297</u>	<u>136,137</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,485,054</u>	<u>\$ 283,615</u>	<u>\$ -</u>	<u>\$ 194,297</u>	<u>\$ 136,137</u>

2008 TIF BOND AND INTEREST LINCOLN CENTER	2012 TIF BOND AND INTEREST KOHL'S	2016 TIF BOND AND INTEREST WHISPERING PINES	2016 TIF BOND AND INTEREST HATTIESBURG CLINIC	2015-A TIF BOND AND INTEREST RIDGE AT TURTLE CREEK	2015-B TIF BOND AND INTEREST MIDTOWN MARKET	TIF ELAM ARMS MIDTOWN BONDS AND INTEREST	TOTAL
\$ 70,815	\$ 26,487	\$ 308,716	\$ 53,068	\$ 98,769	\$ 15,482	\$ 62,168	\$ 8,099,047
-	-	-	-	-	-	-	708,394
-	-	-	-	-	-	-	1,927,167
<u>\$ 70,815</u>	<u>\$ 26,487</u>	<u>\$ 308,716</u>	<u>\$ 53,068</u>	<u>\$ 98,769</u>	<u>\$ 15,482</u>	<u>\$ 62,168</u>	<u>\$ 10,734,608</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
-	-	-	-	-	5,000	-	5,000
-	-	-	-	-	-	-	1,912,500
-	-	-	-	-	-	-	1,912,500
70,815	26,487	308,716	53,068	98,769	10,482	62,168	8,817,108
<u>70,815</u>	<u>26,487</u>	<u>308,716</u>	<u>53,068</u>	<u>98,769</u>	<u>10,482</u>	<u>62,168</u>	<u>8,817,108</u>
<u>\$ 70,815</u>	<u>\$ 26,487</u>	<u>\$ 308,716</u>	<u>\$ 53,068</u>	<u>\$ 98,769</u>	<u>\$ 15,482</u>	<u>\$ 62,168</u>	<u>\$ 10,734,608</u>

SCHEDULE 12

CITY OF HATTIESBURG, MISSISSIPPI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Debt Service Funds
Year Ended September 30, 2019

	CITY BOND AND INTEREST	2014 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
REVENUES					
General property taxes	\$ 1,827,923	\$ 125,000	\$ -	\$ 100,000	\$ 400,000
Interest, rents and concessions	72,104	130	36	2,593	2,629
Intergovernmental revenues	-	125,000	-	-	112,432
Total revenues	<u>1,900,027</u>	<u>250,130</u>	<u>36</u>	<u>102,593</u>	<u>515,061</u>
EXPENDITURES					
Current:					
Other services	19,138	-	-	-	-
Debt service:					
Principal payments	910,000	150,000	-	125,000	390,000
Interest and fiscal charges	645,208	98,250	-	67,798	63,230
Total expenditures	<u>1,574,346</u>	<u>248,250</u>	<u>-</u>	<u>192,798</u>	<u>453,230</u>
Excess (deficiency) of revenues over expenditures	325,681	1,880	36	(90,205)	61,831
OTHER FINANCING SOURCES (USES)					
Transfers in	1,254,898	-	-	-	-
Transfer out	-	-	(79)	-	-
Total other financing sources (uses)	<u>1,254,898</u>	<u>-</u>	<u>(79)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,580,579	1,880	(43)	(90,205)	61,831
Fund balances - beginning	<u>5,991,975</u>	<u>281,735</u>	<u>43</u>	<u>284,502</u>	<u>74,306</u>
Fund balances - ending	<u>\$ 7,572,554</u>	<u>\$ 283,615</u>	<u>\$ -</u>	<u>\$ 194,297</u>	<u>\$ 136,137</u>

2008 TIF BOND AND INTEREST LINCOLN CENTER	2012 TIF BOND AND INTEREST KOHL'S	2016 TIF BOND AND INTEREST WHISPERING PINES	2016 TIF BOND AND INTEREST HATTIESBURG CLINIC	2015-A TIF BOND AND INTEREST RIDGE AT TURTLE CREEK	2015-B TIF BOND AND INTEREST MIDTOWN MARKET	TIF ELAM ARMS MIDTOWN BONDS AND INTEREST	TOTAL
\$ 60,000	\$ 68,554	\$ 149,332	\$ -	\$ 90,197	\$ 11,088	\$ -	\$ 2,832,094
696	484	3,068	405	897	78	-	83,120
-	32,288	186,215	37,643	30,066	11,088	-	534,732
60,696	101,326	338,615	38,048	121,160	22,254	-	3,449,946
-	-	-	-	-	-	-	19,138
45,000	80,000	162,000	45,000	61,000	10,000	-	1,978,000
10,650	14,190	119,563	30,285	61,203	12,125	-	1,122,502
55,650	94,190	281,563	75,285	122,203	22,125	-	3,119,640
5,046	7,136	57,052	(37,237)	(1,043)	129	-	330,306
-	-	-	-	-	-	62,168	1,317,066
-	-	-	-	-	-	-	(79)
-	-	-	-	-	-	62,168	1,316,987
5,046	7,136	57,052	(37,237)	(1,043)	129	62,168	1,647,293
65,769	19,351	251,664	90,305	99,812	10,353	-	7,169,815
\$ 70,815	\$ 26,487	\$ 308,716	\$ 53,068	\$ 98,769	\$ 10,482	\$ 62,168	\$ 8,817,108

The accompanying notes are an integral part of this schedule.

SCHEDULE 13

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Balance Sheet - Nonmajor Capital Project Funds
September 30, 2019**

	MDA ENERGY EFFICIENCY PROJECTS CONSTRUCTION	TIF CONSTRUCTION	KAMPER PARK/ZOO IMPROVEMENTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ -	\$ 306	\$ 2,260	\$ 2,566
Total assets	<u>\$ -</u>	<u>\$ 306</u>	<u>\$ 2,260</u>	<u>\$ 2,566</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
Culture and recreation	-	-	2,260	2,260
Economic development	-	306	-	306
Total fund balances	<u>-</u>	<u>306</u>	<u>2,260</u>	<u>2,566</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 306</u>	<u>\$ 2,260</u>	<u>\$ 2,566</u>

The accompanying notes are an integral part of this schedule.

SCHEDULE 14

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Project Funds
Year Ended September 30, 2019**

	MDA ENERGY EFFICIENCY PROJECTS CONSTRUCTION	TIF CONSTRUCTION	KAMPER PARK/ZOO IMPROVEMENTS	TOTAL
REVENUES				
Interest, rents and concessions	\$ -	\$ 306	\$ 9	\$ 315
Total revenues	<u>-</u>	<u>306</u>	<u>9</u>	<u>315</u>
EXPENDITURES				
Current:				
General government	200,798	-	-	200,798
Economic development	-	750,000	-	750,000
Total expenditures	<u>200,798</u>	<u>750,000</u>	<u>-</u>	<u>950,798</u>
Excess (deficiency) of revenues over expenditures	(200,798)	(749,694)	9	(950,483)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	750,000	-	750,000
Total other financing sources (uses)	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>750,000</u>
NET CHANGE IN FUND BALANCES	(200,798)	306	9	(200,483)
Fund balances - beginning	<u>200,798</u>	<u>-</u>	<u>2,251</u>	<u>203,049</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 306</u>	<u>\$ 2,260</u>	<u>\$ 2,566</u>

The accompanying notes are an integral part of this schedule.

SCHEDULE 15
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Departmental Expenditures - Budgetary Basis - General Fund
Year Ended September 30, 2019**

	PERSONNEL SERVICES	SUPPLIES & EXPENSES
GENERAL GOVERNMENT		
City Council	\$ 356,393	\$ 3,156
Mayor/Administration	704,001	9,892
Elections	-	831
Municipal Clerk	316,010	4,728
Accounting Division	309,377	4,002
Purchasing Division	122,380	1,571
City Attorney	87,010	23
Human Resources Division	182,430	1,739
Loss Control Division	104,337	3,814
Urban Development	690,923	22,184
Information Systems	286,667	52,672
Metro Planning	218,473	3,826
General Government Building	-	15,725
General Government - Other	-	-
Intermodal Facility	-	5,685
City Court	1,034,860	25,267
Total General Government	4,412,861	155,115
PUBLIC SAFETY		
Police Department	10,549,452	866,948
Police and Fire Training	39,079	110,640
Fire Department	7,782,896	303,439
Land Development Administration	594,263	22,776
Contractual Services	255,754	-
Total Public Safety	19,221,444	1,303,803
PUBLIC SERVICE		
Traffic Maintenance	355,638	129,912
Street Division	1,441,855	396,427
Street Lights	-	-
Engineering	434,425	8,007
Shop Division	451,976	39,537
Garage and Office	114,820	4,205
Drainage Division	100,716	38,665
Construction Division	766,242	116,755
Sanitation Division	1,489,499	416,326
Street Cleaning Division	45,724	10,478
Health Division	676,226	198,726
Total Public Service	5,877,121	1,359,038

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
\$ 285,094	\$ -	\$ -	\$ 644,643
149,923	1,697	-	865,513
38,105	-	-	38,936
17,299	-	-	338,037
2,727	-	-	316,106
3,031	-	-	126,982
3,565	-	-	90,598
5,929	-	-	190,098
2,898	-	-	111,049
48,280	167,622	-	929,009
539,770	96,624	-	975,733
58,754	-	-	281,053
196,507	17,596	-	229,828
2,380,661	-	-	2,380,661
73,394	-	-	79,079
204,539	-	-	1,264,666
<u>4,010,476</u>	<u>283,539</u>	<u>-</u>	<u>8,861,991</u>
551,719	449,138	-	12,417,257
65,298	17,568	-	232,585
281,404	-	-	8,367,739
281,248	-	-	898,287
522,655	-	-	778,409
<u>1,702,324</u>	<u>466,706</u>	<u>-</u>	<u>22,694,277</u>
35,112	-	-	520,662
1,629,281	733	-	3,468,296
1,311,994	-	-	1,311,994
295,440	23,763	-	761,635
41,539	-	-	533,052
17,754	-	-	136,779
48,774	265,693	-	453,848
107,497	-	-	990,494
1,350,654	333,950	-	3,590,429
1,064	-	-	57,266
5,951	-	-	880,903
<u>4,845,060</u>	<u>624,139</u>	<u>-</u>	<u>12,705,358</u>

The accompanying notes are an integral part of this schedule.

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Departmental Expenditures - Budgetary Basis - General Fund
Year Ended September 30, 2019**

	PERSONNEL SERVICES	SUPPLIES & EXPENSES
HEALTH AND WELFARE		
Human/Social Assistance	\$ -	\$ -
Total Health and Welfare	-	-
ECONOMIC DEVELOPMENT		
Economic Development	-	-
Total Economic Development	-	-
OTHER SERVICES		
Animal Control	152,428	13,857
Airport	3,054	22,894
Cemetery	667,001	70,493
Parking Operations	75,760	3,158
Total Other Services	898,243	110,402
DEBT SERVICE	-	-
TOTAL DEPARTMENTAL EXPENDITURES	\$ 30,409,669	\$ 2,928,358

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
<u>\$ 204,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,000</u>
<u>204,000</u>	<u>-</u>	<u>-</u>	<u>204,000</u>
<u>320,747</u>	<u>-</u>	<u>-</u>	<u>320,747</u>
<u>320,747</u>	<u>-</u>	<u>-</u>	<u>320,747</u>
152,254	-	-	318,539
49,818	-	-	75,766
52,371	145,319	-	935,184
54,256	-	-	133,174
<u>308,699</u>	<u>145,319</u>	<u>-</u>	<u>1,462,663</u>
<u>-</u>	<u>-</u>	<u>1,383,289</u>	<u>1,383,289</u>
<u>\$ 11,391,306</u>	<u>\$ 1,519,703</u>	<u>\$ 1,383,289</u>	<u>\$ 47,632,325</u>

The accompanying notes are an integral part of this schedule.

SCHEDULE 16

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Fiduciary Assets and Liabilities - Agency Funds
September 30, 2019**

	Payroll Withholding Fund	Police & Fire Disability & Relief Fund
ASSETS		
Cash and cash equivalents	\$ 532,509	\$ 51,932
Property taxes and fees receivable	-	11,297
Sales tax receivable	-	-
Total assets	\$ 532,509	\$ 63,229
LIABILITIES		
Employee contributions payable	\$ 532,509	\$ -
Due to other agencies	-	-
Other liabilities	-	-
Amounts held in custody for others	-	63,229
Total liabilities	\$ 532,509	\$ 63,229

Tax Collectors Fund	Industrial Park Fund	Hattiesburg Special Sales Tax	Claims Fund	Total
\$ 90,010	\$ 450,331	\$ -	\$ 740	\$ 1,125,522
395,872	-	-	-	407,169
-	-	522,227	-	522,227
<u>\$ 485,882</u>	<u>\$ 450,331</u>	<u>\$ 522,227</u>	<u>\$ 740</u>	<u>\$ 2,054,918</u>
\$ -	\$ -	\$ -	\$ 740	\$ 533,249
75,856	-	-	-	75,856
23,364	-	-	-	23,364
386,662	450,331	522,227	-	1,422,449
<u>\$ 485,882</u>	<u>\$ 450,331</u>	<u>\$ 522,227</u>	<u>\$ 740</u>	<u>\$ 2,054,918</u>

The accompanying notes are an integral part of this schedule.

SCHEDULE 17

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of Surety Bonds for Municipal Officials
September 30, 2019**

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

The accompanying notes are an integral part of this schedule.

SCHEDULE 18

CITY OF HATTIESBURG, MISSISSIPPI

**Full Cost Accounting - Solid Waste Management Services
Year Ended September 30, 2019**

EXPENSES - Sanitation Cost Center (General Fund):

Personnel costs	\$ 1,489,499
Supplies	416,326
Other services and charges	1,350,654
Total expenses (other than capital outlay) Sanitation Cost Center	<u>3,256,479</u>

Interest on capital leases - sanitation trucks 1,529

Depreciation expense 520,189

Allocation of certain expenses in Other Cost Centers:

50% of shop cost center - Repair and maintenance	266,526
Indirect cost allocation - 10% of administration cost centers	<u>214,860</u>

Total calculated expenses - full cost basis \$ 4,259,583

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

Sanitation trucks:	
Garbage (tons)	13,209
Trash (tons)	<u>26,886</u>
<i>Total tons solid waste</i>	<u>40,095</u>

Distribution of residential and non-residential costs:

Residential (84%)	\$ 3,578,051
Non-residential (16%)	<u>681,532</u>
<i>Total distribution</i>	<u>\$ 4,259,583</u>

NOTES:

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

SCHEDULE 19

CITY OF HATTIESBURG, MISSISSIPPI

**Report on Revenues and Expenditures
Additional 1% Sales Tax for City Parks & Recreation Projects
and Improvements to USM Athletic Facilities - Modified Accrual Basis
Year Ended September 30, 2019**

Revenues (Special Sales Tax Fund):

Additional 1% Sales Taxes	
Restaurants	\$ 605,281
Hotels and motels	107,181
Total additional 1% sales taxes	<u>712,462</u>
Other revenues	
County shared revenues	50,000
State grants	8,948
Miscellaneous	4
Total other revenues	<u>58,952</u>
Total revenues	<u>771,414</u>
<i>Expenditures</i>	
Culture and recreation	36,619
Payments to USM of 1/2 of special taxes collected	356,231
Miscellaneous	29
Total expenditures	<u>392,879</u>
Net Change in Fund Balance	378,535
Fund balance - beginning	<u>-</u>
Fund balance - ending	<u>\$ 378,535</u>

NOTES:

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

SCHEDULE 20

CITY OF HATTIESBURG, MISSISSIPPI

**Water and Sewer Budget Basis Balance Sheets
Year Ended September 30, 2019**

	OPERATIONS AND MAINTENANCE FUND	BOND AND INTEREST FUND	REVENUE FUND
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	\$ -	\$ 6,190,764	\$ 2,912,169
Cash with fiscal agent	-	1,146,557	-
Due from other funds	916,667	450,001	-
Total current assets	916,667	7,787,322	2,912,169
<i>Total assets</i>	\$ 916,667	\$ 7,787,322	\$ 2,912,169
LIABILITIES AND NET POSITION			
<i>CURRENT LIABILITIES</i>			
Accounts payable	\$ 51,094	\$ -	\$ 6,149
Sales tax payable	-	-	18,626
Due to other funds	-	500,000	2,002,107
Total current liabilities	51,094	500,000	2,026,882
Total liabilities	51,094	500,000	2,026,882
<i>NET POSITION</i>	865,573	7,287,322	885,287
<i>Total liabilities and net position</i>	\$ 916,667	\$ 7,787,322	\$ 2,912,169

The accompanying notes are an integral part of this schedule.

CONSTRUCTION FUND	2016 CONSTRUCTION FUND	2012 CONSTRUCTION FUND	2010 CONSTRUCTION FUND
\$ 1,818,558	\$ -	\$ -	\$ -
-	11,551,073	63	565
811,617	-	-	-
<u>2,630,175</u>	<u>11,551,073</u>	<u>63</u>	<u>565</u>
<u>\$ 2,630,175</u>	<u>\$ 11,551,073</u>	<u>\$ 63</u>	<u>\$ 565</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,630,175</u>	<u>11,551,073</u>	<u>63</u>	<u>565</u>
<u>\$ 2,630,175</u>	<u>\$ 11,551,073</u>	<u>\$ 63</u>	<u>\$ 565</u>

SCHEDULE 21

CITY OF HATTIESBURG, MISSISSIPPI

**Water and Sewer Budget Basis Statements of Revenues, Expenses,
and Changes in Net Position
Year Ended September 30, 2019**

	OPERATIONS AND MAINTENANCE FUND	BOND AND INTEREST FUND	REVENUE FUND
OPERATING REVENUES	<u>\$ 29,120</u>	<u>\$ -</u>	<u>\$ 21,834,080</u>
OPERATING EXPENSES			
Personnel services	2,760,109	-	-
Supplies and expenses	1,003,044	-	-
Other services and charges	7,672,599	-	12,498
Other operating expenses	351,356	-	-
Total operating expenses	<u>11,787,108</u>	<u>-</u>	<u>12,498</u>
OPERATING INCOME (LOSS)	<u>(11,757,988)</u>	<u>-</u>	<u>21,821,582</u>
NON-OPERATING REVENUES (EXPENSES)			
Principal payments on notes	-	(5,169,000)	(24,682)
Interest expense	-	(2,360,276)	(10,885)
Interest revenue	5,485	85,646	11,671
Other revenue (expense)	15,615	-	5,800
Total non-operating revenues (expenses)	<u>21,100</u>	<u>(7,443,630)</u>	<u>(18,096)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(11,736,888)</u>	<u>(7,443,630)</u>	<u>21,803,486</u>
OPERATING TRANSFERS			
Operating transfers in	11,000,004	5,529,271	-
Operating transfers out	-	-	(21,798,573)
Total operating transfers	<u>11,000,004</u>	<u>5,529,271</u>	<u>(21,798,573)</u>
CHANGES IN NET POSITION	<u>(736,884)</u>	<u>(1,914,359)</u>	<u>4,913</u>
NET POSITION, beginning of year	<u>1,602,457</u>	<u>9,201,681</u>	<u>880,374 *</u>
NET POSITION, end of year	<u><u>\$ 865,573</u></u>	<u><u>\$ 7,287,322</u></u>	<u><u>\$ 885,287</u></u>

* Adjusted for errors in prior year report.

The accompanying notes are an integral part of this schedule.

CONSTRUCTION FUND	2016 CONSTRUCTION FUND	2012 CONSTRUCTION FUND	2010 CONSTRUCTION FUND
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-
-	-	-	-
1,164,690	8,000	-	-
607,878	8,439,053	-	353,930
<u>1,772,568</u>	<u>8,447,053</u>	<u>-</u>	<u>353,930</u>
<u>(1,772,568)</u>	<u>(8,447,053)</u>	<u>-</u>	<u>(353,930)</u>
-	-	-	-
-	-	-	-
4,030	315,354	1	1,225
49,851	-	-	-
<u>53,881</u>	<u>315,354</u>	<u>1</u>	<u>1,225</u>
<u>(1,718,687)</u>	<u>(8,131,699)</u>	<u>1</u>	<u>(352,705)</u>
5,119,298	-	-	-
-	-	-	-
<u>5,119,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,400,611	(8,131,699)	1	(352,705)
<u>(770,436)</u>	<u>19,682,772</u>	<u>62</u>	<u>353,270</u>
<u>\$ 2,630,175</u>	<u>\$ 11,551,073</u>	<u>\$ 63</u>	<u>\$ 565</u>

SCHEDULE 22

CITY OF HATTIESBURG, MISSISSIPPI

**Water and Sewer Budget Basis Operation and Maintenance Cost Centers
Year Ended September 30, 2019**

	Personnel Services	Supplies and Expenses	Other Services and Charges	Capital Outlays	Total
Office	\$ 496,150	\$ 41,608	\$ 211,407	\$ 34,830	\$ 783,995
Transmission	797,535	267,752	955,721	38,925	2,059,933
Plant	649,771	155,460	1,055,285	2,939	1,863,455
Sewer	608,403	224,355	3,297,442	274,662	4,404,862
Sewer lagoon	208,250	313,869	2,152,744	-	2,674,863
Total expenses	\$ 2,760,109	\$ 1,003,044	\$ 7,672,599	\$ 351,356	\$ 11,787,108

The accompanying notes are an integral part of this schedule.

SCHEDULE 23
PAGE 1 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Agriculture</i>				
Pass-Through Programs From:				
Mississippi Forestry Commission				
Urban and Community Forestry Program	10.675	17-DG-11073128-001	\$ 4,627	
Total U.S. Department of Agriculture Pass-Through Programs			4,627	
<i>U.S. Department of Housing and Urban Development</i>				
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	380,052	\$ 15,273
Total - CDBG Entitlement Grants Cluster			380,052	
HOME Investment Partnerships Program	14.239	MC-28-0201	138,242	53,460
Total U.S. Department of Housing and Urban Development Pass-Through Programs			518,294	

The accompanying notes are an integral part of this schedule.

SCHEDULE 23
PAGE 2 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Justice</i>				
Office of Justice Programs:				
Bulletproof Vest Partnership Program	16.607	2017 Award	\$ 4,301	
			<u>4,301</u>	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0158	18,774	\$ <u>7,497</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0369	18,505	
			<u>37,279</u>	
Total U.S. Department of Justice Direct Programs			<u>41,580</u>	
Pass-Through Programs From:				
Mississippi Department of Health				
OVW Technical Assistance Initiative	16.526	STOP-2017-078	22,255	
OVW Technical Assistance Initiative	16.526	2020-ST-019	5,727	
			<u>27,982</u>	
Total U.S. Department of Justice Pass- Through Programs			<u>27,982</u>	
<i>U.S. Department of Transportation</i>				
Federal Aviation Administration				
Airport Improvement Program	20.106	3-28-0031-023-2016	26,131	
Airport Improvement Program	20.106	3-28-0031-024-2017	91,541	
Airport Improvement Program	20.106	3-28-0031-025-2018	218,127	
Airport Improvement Program	20.106	3-28-0031-026-2019	412,302	
Total - Federal Aviation Administration Direct Programs			<u>748,101</u>	

The accompanying notes are an integral part of this schedule.

SCHEDULE 23
PAGE 3 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Transportation (Cont.)				
Federal Transit Administration				
<i>Federal Transit Cluster:</i>				
Federal Transit Formula Grants:				
Mass Transit Capital	20.507	MS-90-X002	\$ 469,246	
Mass Transit JARC	20.507	MS-90-X093	43,021	
Mass Transit Capital	20.507	MS-90-X095	378,185	
Mass Transit Preventive	20.507	MS-90-X095	62,069	
Mass Transit Capital	20.507	MS-90-X100	206,241	
Mass Transit Capital	20.507	MS-90-X103	47,410	
Mass Transit Operating	20.507	MS-90-4102	248,335	
Mass Transit Operating	20.507	MS-90-4102	290,155	
Mass Transit Preventive	20.507	MS-90-0102	204,021	
Mass Transit Preventive	20.507	MS-90-0103	8,695	
Total - Federal Transit Cluster			<u>1,957,378</u>	
Total U.S. Department of Transportation Direct Programs			<u>2,705,479</u>	
Federal Highway Administration				
Pass-Through Programs From:				
Mississippi Department of Transportation				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction Grants:				
Metropolitan Planning Organization	20.205	107845-101000,107845-102000	210,500	
LLT Train Depot to Chain Park	20.205	STP-8771-00(002)LPA/106943-701000	31,361	
Total - Highway Planning and Construction Cluster			<u>241,861</u>	

The accompanying notes are an integral part of this schedule.

SCHEDULE 23
PAGE 4 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Transportation (Cont.)</i>				
National Highway Traffic Safety Administration Pass-Through Programs From: Mississippi Department of Public Safety - Office of Highway Safety Alcohol Open Container Requirements	20.607	154AL-2019-ST-21-51	\$ 40,983	
Total U.S. Department of Transportation Pass-Through Programs			282,844	
<i>U.S. Department of Health and Human Services</i>				
Substance Abuse and Mental Health Services Administration: Projects of Regional and National Significance	93.243	#1H79TI081923-01	4,962	
Center for Disease Control and Prevention Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000414-03-04	42,586	
Center for Disease Control and Prevention Preventive Health and Health Services Block Grant	93.991	1NB010T009209-01	8,948	
Total Center for Disease Control and Preventive Agency			51,534	
Total U.S. Department of Health and Human Services Direct Programs			56,496	

The accompanying notes are an integral part of this schedule.

SCHEDULE 23
PAGE 5 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>Executive Office of the President</i>				
Pass-Through Program From:				
Mississippi Bureau of Narcotics				
HIDTA-High Intensity Drug Trafficking Areas Program	95.001	G18GC0003A	\$ 16,334	
Total Executive Office of the President Pass-Through Programs			16,334	
<i>U.S. Department of Homeland Security</i>				
Pass-Through Programs From:				
Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	FEMA-4101-DR-MS	120,262	
(Presidentially Declared Disasters)	97.036	FEMA-4415-DR-MS	16,740	
			137,002	
Mississippi Emergency Management Agency				
Hazard Mitigation Grant	97.039	HMGP 4298-0015	126,054	
Total Mississippi Emergency Management Agency Pass-Through Programs			263,056	
Pass-Through Programs From:				
Office of Homeland Security				
Homeland Security Grant Program	97.067	EMW-2017-SS-00011	9,261	
Homeland Security Grant Program	97.067	EMW-2018-SS-00009	8,786	
Total Office of Homeland Security Pass- Through Programs			18,047	
Total U.S. Department of Homeland Security Pass-Through Programs			281,103	
<i>Total Expenditures of Federal Awards</i>			\$ 3,934,739	\$ 76,230

The accompanying notes are an integral part of this schedule.

CITY OF HATTIESBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Hattiesburg under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Hattiesburg, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hattiesburg.

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

NOTE 2 - DE MINIMIS COST RATE

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

NOTE 3 - PAYMENTS MADE TO SUBRECIPIENTS

Federal funds provided to subrecipients from the Community Development Block Grants/State's Program, the HOME Investment Partnerships Program, and from the Edward Byrne Memorial Justice Assistance Program during the year ended September 30, 2019 totaled \$15,273, \$53,460, and \$7,497, respectively.

(This Space Intentionally Left Blank)



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2019, 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 June 24, 2020.

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.

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

- 136 -



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 1842
Gulfport, MS 39502-1842

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-009 that we consider to be material weaknesses.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Hattiesburg, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2019-009.

City of Hattiesburg's Response to Findings

The City of Hattiesburg, Mississippi's response to the findings identified in our audit is described in Appendix A to 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hattiesburg, Mississippi
June 24, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of Hattiesburg, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Hattiesburg, Mississippi's major federal program for the year ended September 30, 2019. The City of Hattiesburg, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

- 138 -



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 1842
Gulfport, MS 39502-1842

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

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the 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 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 Cluster as described in finding 2019-009 for Procurement and Suspension and Debarment. Compliance with the 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 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 Cluster for the year ended September 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over compliance.

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 have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

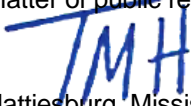
To the Honorable Mayor and Members of the City Council
City of Hattiesburg, Mississippi

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2019-009 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.

The City of Hattiesburg, Mississippi's response to the internal control over compliance findings identified in our audit is described in Appendix A to 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.


Hattiesburg, Mississippi
June 24, 2020

SCHEDULE 26
PAGE 1 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

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

Opinion Unit

Governmental Activities
Business-type Activities
Discretely Presented Component Unit
General Fund
Series 2019 Bond Projects Fund
Aggregate Remaining Governmental Funds
Combined Water and Sewer System

Opinion

Unmodified
Unmodified
Unmodified
Unmodified
Unmodified
Unmodified
Unmodified

Internal control over financial reporting:

Material weakness identified?

Yes

Significant deficiency identified not considered to be a material
weakness?

None reported

Noncompliance material to financial statements noted?

Yes

Federal Awards

Internal control over the major federal program:

Material weaknesses identified?

Yes

Significant deficiencies identified?

None reported

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

Federal Transit Formula Grants

Qualified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)?

Yes

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 2 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

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

Identification of the major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster

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

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

Finding:

Finding # 2019-001 Entity-Level Control Environment and Risk Assessment Processes

Finding Type: Material Weakness

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

Condition - The City did not timely initiate or make substantial progress in implementation of corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2019.

Context - The City has previously developed a comprehensive plan in response to certain material entity-level control weaknesses related to financial reporting, but the City had not yet implemented corrective actions during fiscal year 2019.

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

SCHEDULE 26
PAGE 3 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-001 Entity-Level Control Environment and Risk Assessment Processes
(Cont.)

Effect - Previously identified material weaknesses and significant deficiencies in internal control, along with other deficiencies, continued unmitigated in fiscal year 2019.

Identification of Repeat Finding 2018-001

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

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

Finding:

Finding # 2019-002 Entity-Level Information, Communication and Monitoring

Finding Type: Material weakness

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

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

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

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 4 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-002 Entity-Level Information, Communication and Monitoring (Cont.)

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

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

Identification of Repeat Finding 2018-002

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

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

Finding:

Finding # 2019-003 Financial Statement Adjustment, Close, and Disclosure

Finding Type: Material weakness

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

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 5 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-003 Financial Statement Adjustment, Close, and Disclosure (Cont.)

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

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

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

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

Identification of Repeat Finding 2018-004

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

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 6 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding:

Finding # 2019-004 Municipal Court Fines

Finding Type: Material weakness

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

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

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

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

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 7 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-004 Municipal Court Fines (Cont.)

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

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

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

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

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 8 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-004 Municipal Court Fines (Cont.)

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

The City has not established and enforced effective segregation of duties for case management processes, including limiting access to information technology system functions, and the current application software used for case management and accounting is not adequate to meet requirements of State law or to produce sufficient financial reports. The City did not prepare interim or annual reconciliations or analyses of Municipal Court fines receivable or related assessments payable, compare recorded fines to underlying Court documents, or maintain an effective audit trail of account adjustments for the year ended September 30, 2019.

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

Identification of Repeat Finding 2018-005

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

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

(This Space Intentionally Left Blank)

SCHEDULE 26
PAGE 9 OF 14

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding:

Finding # 2019-005 Water and Sewer Customer Accounts Receivable

Finding Type: Material weakness

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

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

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

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

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-005 Water and Sewer Customer Accounts Receivable (Cont.)

Identification of Repeat Finding 2018-006

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

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

Finding:

Finding # 2019-006 Water and Sewer Billings

Finding Type: Material weakness

Criteria - Effective internal accounting controls should ensure that recorded transactions pursuant to billings for all Water and Sewer services are complete and accurate.

Condition - The City's internal controls do not include analysis of accounting data in conjunction with the Water and Sewer volumes that are processed and billed. The City also does not formally document, reconcile, or monitor adjustments to customer billings to ensure propriety and accuracy.

Context - The City was unable to explain increases in unaccounted for water volume or to readily provide amounts attributable to usage by City facilities.

Cause - Certain City facilities are not metered for Water and Sewer volume, and no periodic review of volumes not billed, also known as "unaccounted for" volumes, is performed.

Effect - As a result of ineffective control procedures, 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.

Identification of Repeat Finding 2018-007

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-006 Water and Sewer Billings (Cont.)

Recommendation - The City should install meters at all City facilities to monitor Water and Sewer system internal usage. In addition, the City should generate periodic reports of volumes used in order to monitor economic resources and system usage to facilitate effective management of "unaccounted for" volumes.

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

Finding:

Finding # 2019-007 Water and Sewer Customer Meter Deposits

Finding Type: Material Weakness

Criteria - Effective internal accounting controls should ensure that recorded liabilities for customer meter deposits accurately reflect detail balances and that activity in such accounts is properly recorded and reported.

Condition - The City's liability for customer meter deposits does not agree to its customer detail records, and no effective reconciliation has been performed. Additionally, meter deposits applied against customer account balances are not timely reconciled.

Context - The City does not routinely generate, reconcile, or review reports of Water and Sewer System customer meter deposit balances. Additionally, meter deposit rates vary by nature of customer and meter, and rates change from time to time pursuant to City Council action. However, the City has no effective procedures to ensure that amounts reflected in subsidiary account detail are reasonable.

Cause - The City's procedures for reviewing customer meter deposit balances are not adequate to ensure that recorded amounts are reasonable and consistent with established rates. In addition, reconciliations of balances and periodic activity are not routinely performed.

Effect - The City has been unable to ascertain the cumulative amount of unrecorded applied meter deposits or to identify the nature and amounts of other errors.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-007 Water and Sewer Customer Meter Deposits (Cont.)

Identification of Repeat Finding 2018-008

Recommendation - The City should perform a review of its subsidiary records of customer meter deposits, and any errors that are identified should be corrected. The City should also implement procedures to routinely prepare and reconcile customer meter deposit activity and balances.

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

Finding:

Finding # 2019-008 Capital Assets

Finding Type: Material weakness

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

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

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

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section II - Financial Statement Findings (Cont.)

Finding # 2019-008 Capital Assets (Cont.)

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

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

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

Identification of Repeat Finding 2018-009

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

Views of Responsible Officials - The City's Corrective Action Plan is presented in Appendix A.

Section III - Federal Awards Findings and Questioned Costs

Finding:

Finding # 2019-009 Procurement and Suspension and Debarment (I)

Finding Type: Material Weakness

Program Tested: CFDA No. 20.507: Federal Transit Formula Grants

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Finding # 2019-009 Procurement and Suspension and Debarment (I) (Cont.)

Criteria - According to the Uniform Guidance, Section 200.212 of 2 CFR, Subpart C - Pre-Federal Award Requirements, non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred or suspended.

Condition - The City does not have adequate internal control procedures in place to monitor compliance with the federal debarment and suspension regulations for contracts and subawards.

Questioned Costs - Undetermined

Effect - The City could contract with parties that have been debarred or suspended by the federal government.

Cause - The City has not established a framework to ensure that this monitoring is completed for each federal program.

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

Views of responsible officials - The City's Corrective Action Plan is presented in Appendix A.

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI

AUDITEE CORRECTIVE ACTION PLAN

Year Ended September 30, 2019



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Mary Dryden

COUNCIL - WARD FIVE
Nicholas Brown

Auditee Corrective Action Plan

The City of Hattiesburg respectfully submits the following corrective action plan

Audit Period: September 30, 2019

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

Corrective Action Plan for Financial Statement Findings

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

The City's Administration acknowledges the importance of the control environment and, in particular, the organizational structure, with the assignment of authority and responsibility in addressing risks relevant to the achievement of financial reporting objectives. The Administration initiated an entity-wide assessment of the existing organizational structure and found that many issues were relevant to deficiencies in financial software in use. The City has purchased new software and will begin training and implementation during the summer of 2020.

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

2019-002 Entity-Level Information, Communication and Monitoring

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

Auditee Corrective Action Plan (Cont.)

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

2019-003 Financial Statement Adjustment, Close, and Disclosure

The City's Comptroller was allowed to add a CPA to her existing staff. Finding 2019-003 emphasizes the "increasing complexity of financial reporting requirements", and it includes other notations that generally describe the difficulties encountered by the City in its financial accounting functions. Other points, including the need for a formal process for ensuring the accuracy and completeness of various peripheral systems and reconciliation procedures, are, in the opinion of the Administration, valid concerns.

As noted in our response to findings 2019-001 and 2019-002, the City has purchased financial software and has begun training and implementation. The Accounting staff has endeavored to produce timely and reliable budgetary basis accounting reports in the interim and has facilitated improved conversion procedures as far as practicable until new software is functional.

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

2019-004 Municipal Court Fines

The Administration has assessed the ongoing difficulties experienced pursuant to the court fines recordkeeping function. Changes were implemented with respect to staff operations in order to provide more timely and accurate information. It has been determined that new software for Municipal Court will be the best option for correction of deficiencies. New software will have the ability to communicate seamlessly with the financial software package, thereby furthering provision of timely and accurate information. Training and implementation will begin after the financial software application is implemented.

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

(This Space Intentionally Left Blank)

Auditee Corrective Action Plan (Cont.)

2019-005 Water and Sewer Customer Accounts Receivable

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

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

2019-006 Water and Sewer Billings

The Administration has made changes to the organizational structure and reassigned the water and sewer billing function to the Director of Water and Sewer. This change has provided better communication with the functional aspect of the water and sewer system with respect to status of work orders and provision of service to customers.

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

2019-007 Water and Sewer Customer Meter Deposits

Enhanced accountability of subsidiary records for customer meter deposits will be accomplished with implementation of new billing software. The Billing Office is currently researching historical information to verify accuracy of information available on customer meter deposits, and this information will be captured in the new billing software.

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

(This Space Intentionally Left Blank)

Auditee Corrective Action Plan (Cont.)

2019-008 Capital Assets

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

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

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

The City's Purchasing Department has the designated responsibility of monitoring compliance with the federal debarment and suspension regulations for contracts and subawards. This procedure should be conducted in the Purchasing Department in order to provide a centralized location for documentation that compliance with federal requirements is performed. Current staff has been advised to reinstate this procedure.

Name of responsible person:	Connie Everett, Interim Chief Financial Officer
Name of department contacts:	Sylvester London, Assistant Division Manager and Michael Pope, Purchasing Assistant
Expected date of completion:	Summer 2020

(This Space Intentionally Left Blank)

CITY OF HATTIESBURG, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2018



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Mary Dryden

COUNCIL - WARD FIVE
Nicholas Brown

Summary Schedule of Prior Audit Findings Year Ended September 30, 2019

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

2018-001 Entity-Level Control Environment and Risk Assessment Process

Condition - This finding was a material weakness stating that entity-wide controls and procedures were not effectively initiated or implemented for corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2018.

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

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

2018-002 Entity-Level Information, Communication and Monitoring

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

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

Summary Schedule of Prior Audit Findings Year Ended September 30, 2019 (Cont.)

Current Status - As mentioned in the current status to Finding 2018-001, the additional accountant hired has been assigned the responsibility of communicating with various city departments to ensure proper capture and documentation of financial information on various projects. This position is responsible for compiling and documenting information for federal awards, and preparation and maintenance of supplementary spreadsheets has been developed and is being utilized at this time. City Administration acknowledges that updating the financial software is necessary in order to properly report financial information in accordance with generally accepted accounting principles, and the Administration has purchased new software and is currently engaged in training and subsequent implementation.

2018-003 Timeliness of Financial Reporting

Condition - This finding was a material weakness stating the City failed to meet financial reporting deadlines for submitting its financial statements for the year ended September 30, 2018.

Recommendation - The auditor recommended that the City should take steps to overhaul its financial reporting process to enable it to meet its legal, regulatory, and contractual financial reporting requirements.

Current Status - As stated in the current status to Finding 2018-002, the City has purchased new software and currently engaged in training and implementation. Status of audits in arrears has been rectified, with completion of audits for 2016 and 2017. The 2018 audit was timely completed.

2018-004 Financial Statement Adjustment, Close, and Disclosure

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

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

Current Status - As stated in the current status to Finding 2018-002, a needs assessment and subsequent selection and implementation of updated financial software has been completed and new software purchased. The Administration acknowledges that during the period 2014 – 2018, staffing changes due to retirements resulted in loss of institutional knowledge which had, in the past, afforded timely and accurate production of financial information at year-end. The Administration has taken steps to provide the needed support and institutional knowledge to ensure improvement in this area through the hiring process and subsequent training of current staff.

(This Space Intentionally Left Blank)

Summary Schedule of Prior Audit Findings Year Ended September 30, 2019 (Cont.)

2018-005 Municipal Court Fines

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

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

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

2018-006 Water and Sewer Customer Accounts Receivable

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

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

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

(This Space Intentionally Left Blank)

Summary Schedule of Prior Audit Findings Year Ended September 30, 2019 (Cont.)

2018-007 Water and Sewer Billings

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

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

Current Status - Adjustments to the use of a work order system in conjunction with the method by which problems, such as water leaks, are reported has resulted in shorter response time in addressing problem areas. Engineering analysis of areas where aging infrastructure could contribute to unaccounted for water losses has been conducted and priority for repairs established. Feasibility of metering city properties to measure unbilled water usage has been reviewed, and the formula by which unaccounted for water loss has also been reviewed for accuracy.

2018-008 Water and Sewer Customer Meter Deposits

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

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

Current Status - The Billing Office, with the assistance of the Information Technology department, has begun the process of reconciling outstanding meter deposits. Each account is reviewed to determine whether the deposit was returned and, if so, that account is removed from the outstanding balance list. Additionally, meter deposits are now applied to the final bill when a customer closes an account, thereby reducing or eliminating a deposit balance. Once the review is complete, the Billing Office will develop the procedures necessary to reconcile and account for the meter deposits on hand. Additionally, the decision was made to purchase new billing software when the financial software was purchased which will allow the two systems to communicate seamlessly and provide accurate billing and revenue information without manual intervention.

2018-009 Capital assets

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

(This Space Intentionally Left Blank)

Summary Schedule of Prior Audit Findings Year Ended September 30, 2019 (Cont.)

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

Current Status - The Accounting Department has obtained additional training for and has implemented use of a subsidiary asset management system, which will capture asset information and provide the needed reports. This is a temporary solution until new financial software is implemented, which will capture the capital asset information during the procurement process. Other staff, such as the Engineer and Chief Financial Officer, as well as engineer consultants, will be included when assessing potential impairment as well as reporting construction in progress.

2018-010 Federal Expenditure Management (A/B, C, G, H, L)
CFDA No. 20.205: Highway Planning and Construction

Condition - This finding was a material weakness stating that federal and non-federal expenditures were not readily identifiable from grant records maintained by the City for the year ended September 30, 2018.

Recommendation - The auditor recommended that the City should implement procedures to maintain comprehensive schedules of program expenditures that distinguish Federal and non-federal expenditures and identifying matching funds provided. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - As stated in the current status to Finding 2018-002, the additional accountant hired has been assigned the responsibility of federal expenditure management. Spreadsheets have been developed and are being utilized for each project, identifying expenditures as federal and non-federal, as well as identifying matching funds received. The manual production of subsidiary spreadsheets will not be necessary when the new financial software is implemented, as it will have the capability of capturing data on federal awards and producing the required reports.

2018-011 Non-compliance resulting from deficiencies in the financial statement internal control over timeliness of financial reporting (L)

Condition - This finding was a material weakness stating that the City did not timely submit the required annual reporting package to the Federal Audit Clearinghouse for audit years 2014 - 2017.

Recommendation - The auditor recommended that the City implement procedures to overhaul the financial reporting process to enable it to meet its legal, regulatory and contractual financial reporting requirements. Management concurred with the recommendation and indicated that the procedures would be implemented.

(This Space Intentionally Left Blank)

Summary Schedule of Prior Audit Findings Year Ended September 30, 2019 (Cont.)

Current Status - As stated in current status to Findings 2018-002 and 2018-003, the City has performed a needs assessment and purchased new financial software. Training is ongoing, with implementation scheduled for January 2021, and implementation of other modules scheduled for Fall 2021. Audits in arrears, specifically fiscal years 2016 and 2017, have been completed. The City's 2018 audit was timely completed.

2018-012 Non-compliance resulting from deficiencies in financial statement internal control over financial statement adjustment, close and disclosure (A/B, C, G, H, L)

Condition - This finding was a significant deficiency for the Highway Planning and Construction project stating that the City did not distinguish allowable federal program costs from ineligible costs, distinguish federal expenditures from non-federal expenditures or specifically identify costs used to meet match and cost-sharing requirements.

Recommendation - The auditor recommended that the City implement procedures to address deficiencies in its financial statement adjustment, close and disclosure processes, specifically to address procedures related to the annual conversion process from budgetary cash basis accounting records to the bases of financial reporting required under U.S. GAAP. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status - As stated in the current status to Finding 2018-002, the Accounting Department now has an accountant assigned with the task of developing spreadsheets to document expenditures on federally funded projects and properly segregate federal and non-federal expenditure amounts. These procedures have been implemented and are currently in use.

2018-013 Non-compliance resulting from deficiencies in financial statement internal control over capital assets (A/B, F)

Condition - This finding was a material weakness stating that the City did not adequately account for its capital projects funded by Federal awards and that project detail records do not adequately identify allowable and unallowable costs or matching funds.

Recommendation - The auditor recommended that the City implement procedures to develop and implement a comprehensive system for accounting for capital assets, including construction projects, that will incorporate policies and procedures for recording and valuing capital asset additions, with segregation for those purchased or constructed with federal funds. Management concurred with this recommendation and indicated that the procedures would be implemented.

Current Status - The Accounting Department is now using a subsidiary asset management software, which will track capital assets, including construction projects. This system, in conjunction with other subsidiary spreadsheets can also identify expenditures which are purchased or constructed with federal funds. Communication with the City Engineer to ascertain that all such projects are appropriately documented will be part of the process. The subsidiary software will not be necessary when new software is implemented, as it will have the capability of capturing data during the procurement process and providing the necessary reports.



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

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

We have audited the basic financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2019, and have issued our report dated June 24, 2020. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

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

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

Finding 1 - Fixed Asset Accounting

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

Criteria, Context, and Condition

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

Recommendation

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

- 165 -



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 1842
Gulfport, MS 39502-1842

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

Response

The City Administration agrees with this finding, and management has implemented a corrective action plan to address all fixed asset recordkeeping requirements. This is a temporary solution until newly purchased software becomes operational.

Finding 2 - City Court Accounting Procedures

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

Criteria, Context, and Condition

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

Although the City routinely records fines by case and posts collections against those fines in a subsidiary ledger system, it was unable to generate an accurate summary or aging of outstanding accounts as of September 30, 2019 or during the year then ended. Further, the City did not provide related reports to the judge and City Council during the year ended September 30, 2019.

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

The City undertook a project to assess deficiencies in its Court accounting and reporting system in order to develop a corrective action plan. This involved additional staff training and adjustments to how current software applications are utilized to provide more accurate reporting. This is a temporary solution until newly purchased software becomes operational.

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

Recommendation

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

Response

The City Administration agrees with this finding. As of July 2017, the newly elected Administration has undertaken the task of assessment of the Municipal Court operations. All aspects of operations were assessed, from current software to personnel. Current software was deemed inadequate to satisfy the City's Court functions, as well as those required by State of Mississippi reporting, and the City's Information Technology Department has assisted Municipal Court personnel with reviewing and procuring new software. Additionally, personnel will be evaluated during this process to determine what training may be necessary to ensure optimal functioning of the department.

Finding 3 - Annual Inventory of Assets

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

Criteria, Context, and Condition

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

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

Recommendation

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

Response

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

[See Schedule 26 - Schedule of Findings and Questioned Costs.]

Finding 4 - Issuance of debt obligations that are in compliance with applicable laws and regulations

The City incurred a long-term debt obligation that was determined not to be in compliance with applicable laws and regulations.

Criteria, Context, and Condition

During fiscal year 2019, the City executed a five-year note payable for the purchase of real property. A subsequent determination was made that the debt instrument utilized in this transaction was one that is not specifically authorized by applicable sections of the Mississippi Code.

Recommendation

The City should implement procedures that are necessary to ascertain that this purchase has been made in compliance with all applicable laws and regulations pertaining to the issuance of general obligation notes.

Response


The City Administration agrees with this finding and has implemented procedures that will allow for the purchase of the above-noted real property to be in compliance with all applicable laws and regulations pertaining to the issuance of debt by Mississippi municipalities. In May 2020, the City authorized the issuance of a new note payable pursuant to Mississippi Code - Section 17-21-51, in order to repay the outstanding balance on the original five-year note.

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

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.



Hattiesburg, Mississippi
June 24, 2020

STATISTICAL INFORMATION
(UNAUDITED)

TABLE 1

CITY OF HATTIESBURG, MISSISSIPPI

**NET POSITION BY COMPONENTS
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 76,522,662	\$ 106,200,635	\$ 114,719,895	\$ 100,533,244	\$ 110,313,874	\$ 108,266,535	\$ 112,905,526	\$ 108,901,420	\$ 94,987,280	\$ 93,714,770
Restricted for:										
Capital projects	-	-	-	-	-	50,515	-	-	915,715	3,047,031
Debt service	8,817,108	7,169,815	6,162,469	4,100,910	4,067,078	3,764,608	3,403,781	535,670	4,202,271	4,001,449
Other purposes	-	-	-	-	-	1,794,732	-	-	-	-
Federal program	-	-	-	-	1,913,562	10,593	-	-	-	-
Unrestricted	(31,910,542)	(56,327,118)	(57,378,373)	(37,764,759)	(46,057,590)	12,182,338	10,786,997	13,801,803	12,534,415	11,374,445
Governmental activities net position	<u>\$ 53,429,228</u>	<u>\$ 57,043,332</u>	<u>\$ 63,503,991</u>	<u>\$ 66,869,395</u>	<u>\$ 70,236,924</u>	<u>\$ 126,069,321</u>	<u>\$ 127,096,304</u>	<u>\$ 123,238,893</u>	<u>\$ 112,639,681</u>	<u>\$ 112,137,695</u>
BUSINESS-TYPE ACTIVITIES:										
Invested in capital assets, net of related debt	\$ 50,999,854	\$ 39,832,512	\$ 29,709,397	\$ 23,460,573	\$ 44,493,366	\$ 60,747,195	\$ 63,029,378	\$ 45,223,694	\$ 44,616,923	\$ 42,142,047
Restricted for:										
Debt service	8,094,960	8,094,960	7,685,090	-	4,833,982	4,838,130	-	-	-	-
Unrestricted	5,234,042	13,933,041	21,938,437	33,737,335	(921,448)	4,758,857	5,522,689	17,607,456	8,940,970	6,140,570
Business-type activities net position	<u>\$ 64,328,856</u>	<u>\$ 61,860,513</u>	<u>\$ 59,332,924</u>	<u>\$ 57,197,908</u>	<u>\$ 48,405,900</u>	<u>\$ 70,344,182</u>	<u>\$ 68,552,067</u>	<u>\$ 62,831,150</u>	<u>\$ 53,557,893</u>	<u>\$ 48,282,617</u>
PRIMARY GOVERNMENT:										
Invested in capital assets, net of related debt	\$ 127,522,516	\$ 146,033,147	\$ 144,429,292	\$ 123,993,817	\$ 154,807,240	\$ 169,013,730	\$ 175,934,904	\$ 154,125,114	\$ 139,604,203	\$ 135,856,817
Restricted for:										
Capital projects	-	-	-	-	-	50,515	-	-	915,715	3,047,031
Debt service	16,912,068	15,264,775	13,847,559	4,100,910	8,901,060	8,602,738	3,403,781	535,670	4,202,271	4,001,449
Other purposes	-	-	-	-	-	1,794,732	-	-	-	-
Federal program	-	-	-	-	1,913,562	10,593	-	-	-	-
Unrestricted	(26,676,500)	(42,394,077)	(35,439,936)	(4,027,424)	(46,979,038)	16,941,195	16,309,686	31,409,259	21,475,385	17,515,015
Primary government net position	<u>\$ 117,758,084</u>	<u>\$ 118,903,845</u>	<u>\$ 122,836,915</u>	<u>\$ 124,067,303</u>	<u>\$ 118,642,824</u>	<u>\$ 196,413,503</u>	<u>\$ 195,648,371</u>	<u>\$ 186,070,043</u>	<u>\$ 166,197,574</u>	<u>\$ 160,420,312</u>

The accompanying notes are an integral part of this table.

TABLE 2

CITY OF HATTIESBURG, MISSISSIPPI

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2009
GOVERNMENTAL ACTIVITIES:										
General government	\$ 9,856,181	\$ 10,331,281	\$ 9,454,614	\$ 8,601,383	\$ 11,569,276	\$ 7,641,758	\$ 6,424,709	\$ 7,329,898	\$ 6,925,636	\$ 6,592,285
Public safety	27,096,070	24,554,459	24,876,846	24,355,235	20,821,509	21,476,883	21,339,689	20,763,051	20,097,532	19,961,821
Public services	19,589,388	18,216,227	22,301,631	20,621,611	16,434,765	15,253,508	18,356,293	17,341,042	17,767,209	18,248,607
Other services	1,579,771	1,395,047	1,429,409	980,641	2,093,259	1,847,824	1,751,307	6,281,474	5,384,474	6,089,579
Mass transit	2,380,293	1,802,171	1,901,374	1,861,405	1,217,110	1,203,191	1,104,428	1,176,837	1,145,590	993,835
Cultural and recreation	5,565,089	4,893,041	4,336,206	4,298,347	4,323,579	4,039,345	4,481,390	3,916,227	4,421,402	4,494,146
Human/social assistance	576,634	947,143	772,346	746,355	712,985	1,130,925	889,795	1,310,363	1,864,618	567,679
Economic development	1,070,757	305,000	255,000	5,319,409	208,115	286,500	160,000	160,000	150,000	150,000
Interest and fiscal charges	1,644,427	960,978	1,119,296	976,120	990,023	893,887	1,089,410	1,287,540	1,299,623	1,261,015
Total governmental activities expenses	69,358,610	63,405,347	66,446,722	67,760,506	58,370,621	53,773,821	55,597,021	59,566,432	59,056,084	58,358,967
BUSINESS-TYPE ACTIVITIES:										
Water and sewer system	17,715,761	17,568,985	16,373,370	18,507,187	31,166,774	14,349,426	10,448,403	10,018,978	9,582,704	10,263,712
Interest and fiscal charges	2,296,933	2,446,012	2,389,665	2,197,054	2,235,365	2,034,814	1,421,749	1,148,066	-	-
Total business-type activities expenses	20,012,694	20,014,997	18,763,035	20,704,241	33,402,139	16,384,240	11,870,152	11,167,044	9,582,704	10,263,712
Total primary government expenses	\$ 89,371,304	\$ 83,420,344	\$ 85,209,757	\$ 88,464,747	\$ 91,772,760	\$ 70,158,061	\$ 67,467,173	\$ 70,733,476	\$ 68,638,788	\$ 68,622,679
PROGRAM REVENUES:										
Governmental Activities:										
Charges for services	\$ 2,640,705	\$ 3,986,607	\$ 3,827,142	\$ 4,843,653	\$ 3,854,495	\$ 5,718,952	\$ 4,654,384	\$ 8,558,345	\$ 8,287,847	\$ 8,853,022
Operating grants and contributions	3,814,222	4,433,288	6,598,716	4,886,946	4,614,942	4,783,239	4,988,000	4,982,172	5,956,487	5,375,052
Capital grants and contributions	2,262,474	1,227,481	1,519,484	437,183	25,901,537	3,669,922	3,185,681	2,813,432	2,800,969	3,186,741
Total governmental activities program revenues	8,717,401	9,647,376	11,945,342	10,167,782	34,370,974	14,172,113	12,828,065	16,353,949	17,045,303	17,414,815
Business-Type Activities:										
Charges for services	21,947,492	22,821,070	20,748,288	20,627,608	17,086,586	16,361,169	14,811,137	13,218,896	11,734,715	12,245,747
Operating grants and contributions	-	228,348	-	38,718	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	474,084	1,407,145	3,152,032	7,053,303	3,023,224	-
Total business-type activities program revenues	21,947,492	23,049,418	20,748,288	20,666,326	17,560,670	17,768,314	17,963,169	20,272,199	14,757,939	12,245,747
Total primary government program revenues	\$ 30,664,893	\$ 32,696,794	\$ 32,693,630	\$ 30,834,108	\$ 51,931,644	\$ 31,940,427	\$ 30,791,234	\$ 36,626,148	\$ 31,803,242	\$ 29,660,562

The accompanying notes are an integral part of this table.

TABLE 2
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net Revenues (Expenses):										
Governmental activities	\$ (60,641,209)	\$ (53,757,971)	\$ (54,501,380)	\$ (57,592,724)	\$ (23,999,647)	\$ (39,601,708)	\$ (42,768,956)	\$ (43,212,483)	\$ (42,010,781)	\$ (40,944,152)
Business-type activities	1,934,798	3,034,421	1,985,253	(37,915)	(15,841,469)	1,384,074	6,093,017	9,105,155	5,175,235	1,982,035
Total primary government net revenues (expenses)	<u>\$ (58,706,411)</u>	<u>\$ (50,723,550)</u>	<u>\$ (52,516,127)</u>	<u>\$ (57,630,639)</u>	<u>\$ (39,841,116)</u>	<u>\$ (38,217,634)</u>	<u>\$ (36,675,939)</u>	<u>\$ (34,107,328)</u>	<u>\$ (36,835,546)</u>	<u>\$ (38,962,117)</u>
GENERAL REVENUES AND OTHER CHANGES:										
Governmental Activities:										
Property taxes	\$ 23,540,801	\$ 22,260,336	\$ 20,782,953	\$ 19,777,229	\$ 17,947,847	\$ 17,685,196	\$ 17,528,265	\$ 16,812,683	\$ 17,261,796	\$ 16,978,749
Sales taxes	22,767,871	22,688,619	22,440,431	21,824,103	22,375,186	21,777,709	21,596,080	20,709,684	19,902,590	19,746,092
Franchise and other taxes	5,324,082	4,319,076	4,228,559	4,221,931	4,613,330	4,728,782	4,820,407	3,977,566	4,493,197	4,719,547
Grants and contributions (not restricted)	39,254	41,100	98,932	34,000	-	-	4,795	-	126,500	-
Unrestricted investment earnings	239,531	275,691	227,856	171,400	180,344	181,505	171,405	145,510	149,627	357,369
Other local sources	2,034,815	2,139,629	2,441,347	2,371,106	634,572	454,117	-	-	-	-
Miscellaneous revenues	909,020	548,540	1,889,376	3,465,856	664,028	1,002,980	2,256,331	1,637,625	1,348,789	1,264,527
Gain on sale of assets	49,277	4,529	1,484	24,104	373,707	77,984	-	-	-	-
Transfers, net	-	500,000	306,908	(56,908)	-	-	-	-	-	-
Transfers, component unit	498,201	127,849	24,733	885,597	-	-	-	-	-	-
Total governmental activities	<u>55,402,852</u>	<u>52,905,369</u>	<u>52,442,579</u>	<u>52,718,418</u>	<u>46,789,014</u>	<u>45,908,273</u>	<u>46,377,283</u>	<u>43,283,068</u>	<u>43,282,499</u>	<u>43,066,284</u>
Business-type Activities:										
Unrestricted investment earnings	413,039	300,545	99,295	44,846	13,769	10,144	7,949	11,101	21,264	17,758
Miscellaneous revenues	-	98,280	200,116	80,270	32,972	207,496	(494,189)	157,001	78,777	52,826
Gain on sale of assets	120,506	-	-	11,822	-	-	-	-	-	-
Transfers, net	-	(500,000)	(306,908)	56,908	-	-	-	-	-	-
Total business-type activities	<u>533,545</u>	<u>(101,175)</u>	<u>(7,497)</u>	<u>193,846</u>	<u>46,741</u>	<u>217,640</u>	<u>(486,240)</u>	<u>168,102</u>	<u>100,041</u>	<u>70,584</u>
Total primary government general revenues and other changes	<u>55,936,397</u>	<u>52,804,194</u>	<u>52,435,082</u>	<u>52,912,264</u>	<u>46,835,755</u>	<u>46,125,913</u>	<u>45,891,043</u>	<u>43,451,170</u>	<u>43,382,540</u>	<u>43,136,868</u>
CHANGE IN NET POSITION										
Governmental activities	(5,238,357)	(852,602)	(2,058,801)	(4,874,306)	22,789,367	6,306,565	3,608,327	70,585	1,271,718	2,122,132
Business-type activities	<u>2,468,343</u>	<u>2,933,246</u>	<u>1,977,756</u>	<u>155,931</u>	<u>(15,794,728)</u>	<u>1,601,714</u>	<u>5,606,777</u>	<u>9,273,257</u>	<u>5,275,276</u>	<u>2,052,619</u>
Total primary government	<u>\$ (2,770,014)</u>	<u>\$ 2,080,644</u>	<u>\$ (81,045)</u>	<u>\$ (4,718,375)</u>	<u>\$ 6,994,639</u>	<u>\$ 7,908,279</u>	<u>\$ 9,215,104</u>	<u>\$ 9,343,842</u>	<u>\$ 6,546,994</u>	<u>\$ 4,174,751</u>

The accompanying notes are an integral part of this table.

TABLE 3

CITY OF HATTIESBURG, MISSISSIPPI

FUND BALANCES - GOVERNMENTAL FUNDS^{(1) (2)}
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund:										
Nonspendable	\$ 488,309	\$ 440,194	\$ 454,574	\$ 569,541	\$ 435,392	\$ 386,595	\$ 330,950	\$ 332,300	\$ 30,750	\$ 252,349
Restricted	-	-	-	-	-	10,593	-	-	-	-
Committed	-	-	-	-	1,913,562	-	-	-	-	-
Assigned	433,854	1,180,819	647,722	636,600	1,051,324	2,587,414	720,979	452,842	386,144	-
Unassigned	11,325,345	8,842,361	9,723,508	9,246,396	4,312,475	4,797,067	6,624,690	6,963,113	7,661,673	-
Unreserved	-	-	-	-	-	-	-	-	-	6,824,621
Total general fund	<u>12,247,508</u>	<u>10,463,374</u>	<u>10,825,804</u>	<u>10,452,537</u>	<u>7,712,753</u>	<u>7,781,669</u>	<u>7,676,619</u>	<u>7,748,255</u>	<u>8,078,567</u>	<u>7,076,970</u>
% Change from Prior Year	17.1%	-3.3%	3.6%	35.5%	-0.9%	1.4%	-0.9%	-4.1%	14.2%	-9.5%
Other Governmental Funds:										
Debt service funds										
Restricted	8,817,108	7,169,815	6,162,469	4,100,910	4,067,078	3,764,608	3,403,781	3,814,777	4,202,271	4,001,449
Special revenue funds										
Restricted	2,997,574	3,627,303	3,719,558	8,272,804	2,298,861	1,842,847	1,638,380	1,596,461	2,616,964	-
Committed	1,439,137	1,573,334	1,309,663	1,003,527	1,402,252	1,566,729	1,466,250	1,132,055	1,019,456	-
Unassigned	94,721	(153,611)	(269,240)	(53,901)	(1,913,562)	(10,593)	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	3,540,426
Capital projects funds										
Restricted	26,544,491	-	104,862	426,237	2,414	2,400	-	382,454	915,715	3,047,031
Total other governmental funds	<u>39,893,031</u>	<u>12,216,841</u>	<u>11,027,312</u>	<u>13,749,577</u>	<u>5,857,043</u>	<u>7,165,991</u>	<u>6,508,411</u>	<u>6,925,747</u>	<u>8,754,406</u>	<u>10,588,906</u>
Total governmental funds	<u>\$ 52,140,539</u>	<u>\$ 22,680,215</u>	<u>\$ 21,853,116</u>	<u>\$ 24,202,114</u>	<u>\$ 13,569,796</u>	<u>\$ 14,947,660</u>	<u>\$ 14,185,030</u>	<u>\$ 14,674,002</u>	<u>\$ 16,832,973</u>	<u>\$ 17,665,876</u>
% Change from Prior Year	129.9%	3.8%	-9.7%	78.4%	-9.2%	5.4%	-3.3%	-12.8%	-4.7%	1.9%

(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 based upon prior reporting classifications on this table 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.

TABLE 4

CITY OF HATTIESBURG, MISSISSIPPI

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUE:										
Property taxes	\$ 22,681,906	\$ 21,960,274	\$ 20,359,735	\$ 19,431,748	\$ 17,786,031	\$ 17,761,953	\$ 17,166,167	\$ 16,455,997	\$ 16,892,639	\$ 16,978,749
Sales taxes	23,466,400	22,685,867	22,443,414	21,893,993	22,326,946	21,654,593	21,502,243	20,612,267	19,925,608	19,746,092
Licenses and permits	4,199,022	4,128,281	4,035,805	4,098,361	4,436,024	4,458,451	4,526,547	3,690,104	4,114,371	4,305,480
Fines and forfeitures	842,406	1,228,565	1,301,651	1,682,040	2,233,379	1,895,137	1,786,960	1,770,972	1,846,516	2,009,057
Interest, rents, concessions	301,539	236,519	267,967	102,171	107,701	119,886	158,110	153,158	170,965	170,191
Intergovernmental	7,031,206	7,348,343	10,190,234	10,390,045	4,751,144	8,484,671	8,480,909	8,250,033	9,281,209	9,354,293
Charges for services	3,480,832	2,984,753	2,585,219	2,661,173	2,494,796	2,570,846	2,586,517	2,603,390	2,572,647	2,650,845
Other revenues	1,054,970	694,686	1,060,847	1,069,997	2,845,545	1,160,908	1,408,970	794,243	512,591	251,219
Total revenues	63,058,281	61,267,288	62,244,872	61,329,528	56,981,566	58,106,445	57,616,423	54,330,164	55,316,546	55,465,926
% Change from prior year	2.9%	-1.6%	1.5%	7.6%	-1.9%	0.9%	6.0%	-1.8%	-0.3%	-1.2%
EXPENDITURES:										
General government	8,962,684	9,153,798	10,993,323	14,721,956	8,318,077	7,045,870	6,227,218	6,930,283	6,271,409	6,081,588
Public safety	28,464,357	22,658,017	23,163,301	23,608,888	20,149,021	20,861,852	21,433,140	20,322,888	18,632,140	18,436,079
Public services	14,960,568	15,364,390	17,980,097	14,762,421	14,389,762	14,639,074	15,680,396	14,345,604	11,454,151	12,698,983
Other services	2,506,484	2,450,199	2,286,430	2,398,528	3,905,401	2,545,714	2,143,005	7,681,825	5,175,661	5,924,909
Mass transit	2,879,909	1,705,775	1,487,305	1,209,658	977,307	1,375,538	1,110,275	1,408,435	858,601	773,695
Cultural and recreation	4,499,734	3,987,521	4,113,007	4,292,584	4,015,886	4,105,118	4,512,676	4,796,921	3,840,540	4,125,885
Human/Social assistance	719,143	537,870	924,065	961,856	954,584	1,116,530	870,323	1,291,384	740,165	545,507
Economic development	1,463,626	305,000	255,000	5,319,409	208,115	2,464,222	160,000	2,160,000	150,000	150,000
Capital outlays	-	-	-	-	-	-	-	-	8,364,094	12,058,220
Debt service:										
Principal	3,173,778	4,142,355	3,858,694	10,325,679	5,198,449	5,356,375	5,753,744	5,257,186	5,044,999	17,181,940
Interest and fiscal charges	1,582,433	3,214,294	1,446,252	818,052	1,018,199	987,934	1,153,639	1,281,791	1,447,781	1,101,913
Total expenditures	69,212,716	63,519,219	66,507,474	78,419,031	59,134,801	60,498,227	59,044,416	65,476,317	61,979,541	79,078,719
% Change from prior year	9.0%	-4.5%	-15.2%	32.6%	-2.3%	2.5%	-9.8%	5.6%	-21.6%	15.3%
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(6,154,435)	(2,251,931)	(4,262,602)	(17,089,503)	(2,153,235)	(2,391,782)	(1,427,993)	(11,146,153)	(6,662,995)	(23,612,793)
OTHER FINANCING SOURCES (USES):										
Proceeds from long-term debt	34,191,292	444,291	-	24,817,411	-	-	-	3,588,096	1,718,710	18,836,240
Bond issuance professional fees	(597,054)	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital asset	49,277	-	-	-	-	-	-	-	-	-
Compensation for loss of capital assets	275,365	-	-	-	-	-	-	-	-	-
Transfers from other funds	5,192,145	5,093,226	4,072,890	3,699,759	3,540,140	4,112,759	4,326,191	5,075,412	3,854,721	4,609,574
Transfers to other funds	(5,192,145)	(4,593,226)	(3,765,982)	(3,631,543)	(3,215,016)	(3,713,424)	(3,307,283)	(3,966,924)	(2,914,020)	(3,678,323)
Other sources	71,626	2,364,217	1,606,696	2,836,194	450,247	2,755,077	119,492	4,292,047	3,940,413	4,176,339
Net other financing sources	33,990,506	3,308,508	1,913,604	27,721,821	775,371	3,154,412	1,138,400	8,988,631	6,599,824	23,943,830
NET CHANGE IN FUND BALANCES	<u>\$ 27,836,071</u>	<u>\$ 1,056,577</u>	<u>\$ (2,348,998)</u>	<u>\$ 10,632,318</u>	<u>\$ (1,377,864)</u>	<u>\$ 762,630</u>	<u>\$ (289,593)</u>	<u>\$ (2,157,522)</u>	<u>\$ (63,171)</u>	<u>\$ 331,037</u>
Debt service as % of non-capital expenditures	7.4%	13.1%	8.7%	16.6%	11.7%	11.7%	13.2%	11.1%	13.8%	37.5%

The accompanying notes are an integral part of this table.

TABLE 5

CITY OF HATTIESBURG, MISSISSIPPI

**GOVERNMENTAL FUNDS - TAX REVENUES BY SOURCE ⁽¹⁾
LAST TEN FISCAL YEARS**

Fiscal Year	Property Taxes	Sales Taxes (City's Share)	Total - Property and Sales Taxes	Gross Sales Subject to Sales Taxes (Per State Sales Tax Bureau)
2019	\$ 22,681,906	\$ 23,466,400	\$ 46,148,306	\$ 4,489,602,379
2018	21,960,274	22,685,867	44,646,141	4,150,726,114
2017	20,359,735	22,408,645	42,768,380	4,150,726,114
2016	19,431,748	21,862,011	41,293,759	4,071,245,759
2015	17,786,031	22,301,782	40,087,813	3,675,561,903
2014	17,761,953	21,630,769	39,392,722	3,650,169,764
2013	17,166,167	21,474,084	38,640,251	1,777,513,216
2012	16,455,997	20,612,267	37,068,264	1,725,142,031
2011	16,892,639	19,902,590	36,795,229	1,662,704,275
2010	16,978,749	19,746,092	36,724,841	1,624,585,790
% Change in Dollars over the 10 Year Period	33.6%	18.8%	25.7%	176.4%

(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.

TABLE 6

CITY OF HATTIESBURG, MISSISSIPPI

**DIRECT AND OVERLAPPING PROPERTY TAX RATES - FORREST AND LAMAR COUNTIES
LAST TEN FISCAL YEARS**

FORREST COUNTY:		City of Hattiesburg				Hattiesburg School District			Forrest County Taxes	Total
Year Ended Sept. 30,	Tax Roll Year	Operations	City Bond & Interest	Other (Library & Pension Fund)	City- Total	Hattiesburg School District Operations	School Bond & Interest Taxes	Schools- Total		
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
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	63.17	177.58
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	65.19	180.51
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	66.19	181.67
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	65.70	182.93

LAMAR COUNTY:		City of Hattiesburg				Hattiesburg School District			Lamar County Taxes	Total
Year Ended Sept. 30,	Tax Roll Year	Operations	City Bond & Interest	Other (Library & Pension Fund)	City - Total	Hattiesburg School District Operations	School Bond & Interest Taxes	Schools- Total		
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
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.65	162.96
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	50.65	165.06
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	54.17	169.49
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	53.38	168.86
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	53.00	170.23

The accompanying notes are an integral part of this table.

TABLE 7

CITY OF HATTIESBURG, MISSISSIPPI

**TOP TEN PROPERTY TAXPAYERS
PROPERTY TAXES ASSESSED IN FISCAL YEAR 2018, COLLECTED FISCAL YEAR 2019**

Taxpayer	Type of Business	Assessment	Percentage of Total Assessed Valuation	Taxes
Mississippi Power	Public Utility	\$ 14,035,393	3.0%	\$ 745,700
Kohler Company	Industrial	6,548,514	1.4%	191,312
Merit Health - Wesley	Health Care	7,270,644	1.6%	386,289
Western Container	Industrial	8,293,359	1.8%	264,084
Bell South Communications	Public Utility	3,707,783	0.8%	196,995
Hattiesburg Clinic	Health Care	7,154,782	1.5%	380,134
Walmart	Commercial	5,607,585	1.4%	297,931
Turtle Creek Ltd.Partnership	Commercial	3,989,315	1.0%	211,952
Mark Apartments	Commercial	3,907,666	1.0%	208,614
Whispering Pines	Commercial	<u>3,301,621</u>	0.8%	175,415
Total of top ten taxpayers		63,816,662	13.8%	
Tax roll total - all other taxpayers		<u>397,949,678</u>	86.2%	
Total taxable assessed values for FY 2019		<u><u>\$ 461,766,340</u></u>	100.0%	

The accompanying notes are an integral part of this table.

TABLE 8

CITY OF HATTIESBURG, MISSISSIPPI

**COMPUTATION OF LEGAL DEBT MARGIN USING MOST CURRENT TAX ROLLS
SEPTEMBER 30, 2019**

	15% Test	20% Test
Property tax base valuation as prepared by Tax Assessors during the summer months of 2018 for Property Taxes to be Collected in FY 2019	\$ 461,766,340	\$ 461,766,340
Times Applicable %	X 15%	X 20%
Product of Tax Base Times Applicable Percentage (a)	<u>69,264,951</u>	<u>92,353,268</u>
Present General Obligation Debt Subject to Statutory Debt Limits:		
General obligation bonds outstanding at September 30, 2019	44,517,398	44,517,398
Less: exempt bonds	(11,315,398)	(11,315,398)
Add: water and sewer general obligation bonds	<u>n/a</u>	<u>8,141,000</u>
Total general obligation debt outstanding (b)	<u>33,202,000</u>	<u>41,343,000</u>
Margin for Additional General Obligation Debt - (a) minus (b)	<u>\$ 36,062,951</u>	<u>\$ 51,010,268</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.

TABLE 9

CITY OF HATTIESBURG, MISSISSIPPI

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Year Ended Sept. 30,	Population	Assessed Value	Bonded General Obligation Debt	Less: Bonded Debt Service Funds Available	Net Bonded General Obligation Debt	Ratio of G.O. Bonded Debt to Assessed Values	Net General Obligation Debt Per Capita
2010	53,582	\$ 419,672,358	\$ 35,028,538	\$ 4,001,449	\$ 31,027,089	7.39%	\$ 579.06
2011	45,989	404,544,340	31,591,157	4,202,271	27,388,886	6.77%	595.55
2012	46,626	416,993,266	30,307,943	3,817,444	26,490,499	6.35%	568.15
2013	47,169	416,993,266	26,217,567	3,403,781	22,813,786	5.47%	483.66
2014	46,379	425,665,993	25,100,170	3,764,608	21,335,562	5.01%	460.03
2015	46,396	417,449,613	21,463,521	4,067,078	17,396,443	4.17%	374.96
2016	46,481	426,507,409	23,295,987	4,100,910	19,195,077	4.50%	412.97
2017	46,377	457,006,290	25,777,493	6,162,469	19,615,024	4.29%	422.95
2018	46,377	453,836,138	20,896,272	5,973,993	14,922,279	3.29%	321.76
2019	45,951	461,766,340	19,311,080	8,817,108	10,493,972	2.27%	228.37

The accompanying notes are an integral part of this table.

TABLE 10

CITY OF HATTIESBURG, MISSISSIPPI

**WATER AND SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Year Ended Sept. 30,	Gross Revenues	Expenses	Net Revenues Available for Debt Service	Required Ratio Based Upon Applicable % Times Prescribed Annual P & I	Debit Service Requirement Calculated with Applicable %	Coverage Ratio
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	14,890,384	12,178,164	2,712,220	105% of P & I	(2) 2,585,546	1.05
2014	16,578,810	11,838,903	4,739,907	105% of P & I	(3) 3,116,786	1.52
2015	17,133,327	10,623,572	6,509,755	105% of P & I	(3) 3,864,394	1.68
2016	20,803,264	15,625,973	5,177,291	105% of P & I	(3) 3,854,944	1.34
2017	21,505,356	14,641,407	6,863,949	105% of P & I	(4) 5,042,769	1.36
2018	21,921,474	15,596,114	6,325,360	105% of P & I	(4) 5,041,892	1.25
2019	22,481,037	16,146,149	6,334,888	105% of P & I	(4) 5,134,594	1.23

(1) Calculations based upon debt service for the 2006 Revenue Bonds.

(2) Calculations based upon debt service for the 2006 and 2012 Revenue Bonds.

(3) Calculations based upon debt service for the 2006, 2012, and 2013 Revenue Bonds.

(4) Calculations based upon debt service for the 2012, 2013 and 2016 Revenue Bonds.

"Gross Revenues" and "Expenses" compiled based upon definitions contained in the applicable revenue bond documents.

The accompanying notes are an integral part of this table.

TABLE 11

CITY OF HATTIESBURG, MISSISSIPPI

DEMOGRAPHIC STATISTICS

Year	Hattiesburg	Forrest County	Hattiesburg MSA
2000	44,779	72,727	111,674
2001	45,088	73,184	113,179
2002	45,538	73,916	114,438
2003	45,779	73,465	115,849
2004	45,988	74,565	117,599
2005	47,598	76,056	119,135
2006	48,012	76,372	123,102
2007	48,012	78,241	126,259
2008	48,012	79,425	128,546
2009	48,012	81,078	143,093
2010	53,582	75,007	143,093
2011	45,989	75,798	144,666
2012	46,626	75,842	142,842
2013	17,169	76,894	148,675
2014	14,016	76,330	147,835
2015	46,396	75,643	148,655
2016	46,481	75,637	149,016
2017	46,377	75,471	148,719
2018	46,377	75,036	149,414
2019	45,951	75,263	150,191

Demographic Age Groupings Projected Based On Census 2010 Totals:

Age	Hattiesburg 2010	Forrest County 2010
0 - 17 Years	9,696	17,703
18 - 34 Years	18,360	23,285
35 - 64 Years	12,983	25,282
Over 65 Years	4,950	8,664
Median Age	27.1 Years	29.7 Years
% Population 18 - 64 Years	68.15%	64.81%
% Population over 65 Years	10.76%	11.56%

Source: U.S. Bureau of Census - July 1, 2010 information is provided as the most recent year for which data is available.

TABLE 12

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS ⁽¹⁾

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Governmental Activities:										
<i>General Fund:</i>										
City Council	7	7	8	7	7	7	8	7	6	6
Department of Administration	34	30	35	34	37	36	33	35	37	36
Urban Planning:										
Planning	12	13	11	10	10	9	9	8	10	11
Intermodal Facility	-	-	-	-	-	-	-	-	-	-
Metropolitan Planning	5	5	5	6	6	4	4	5	4	5
Federal Programs Administration	-	1	2	4	3	2	1	1	2	2
Code Enforcement	13	13	10	13	11	13	13	14	12	13
Public Safety:										
City Courts	20	20	16	12	16	19	19	25	27	25
Police - Officers	105	107	96	100	99	113	111	120	120	124
Police Department - Non-Sworn	62	67	63	64	63	62	61	62	64	61
Fire Department - Firefighters	125	112	107	99	99	104	112	114	119	114
Fire Department - Other than Firefighters	5	5	5	5	5	6	6	4	5	6
Other Public Safety	1	1	1	1	1	1	1	1	1	1
Public Services:										
Traffic Maintenance	8	8	9	7	9	10	7	8	8	9
Streets	21	28	42	41	38	41	42	42	46	38
Engineering	7	6	5	6	6	7	7	7	7	5
Shop	8	8	11	11	12	12	11	12	11	12
Construction	17	16	16	16	16	15	16	13	15	15
Sanitation	27	36	30	34	33	32	34	33	34	51
Other Public Services	28	18	26	23	26	23	26	29	31	28
Animal Control	4	4	4	4	4	4	4	2	4	3
Cemetery and Forestry	16	15	14	18	18	18	18	18	18	17
Parking Operations	4	9	10	10	8	8	8	8	8	8
Total General Fund	529	529	526	525	527	546	551	568	589	590
<i>Other Governmental Funds:</i>										
Parks and Recreation	42	36	32	39	37	37	34	37	32	38
Community Centers	13	13	13	14	13	14	14	14	13	15
Mass Transit	22	18	16	15	17	16	15	14	15	14
CDBG	3	4	4	4	5	4	5	5	6	6
Total Governmental Activities	609	600	591	597	599	617	619	638	655	663

The accompanying notes are an integral part of this table.

TABLE 12
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS ⁽¹⁾

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Business-type Activities:										
Water and Sewer System:										
Customer Accounts	14	13	13	13	13	12	10	7	7	7
Water - Plant and Transmission	30	29	30	34	33	34	31	31	32	37
Sewers and Lagoons	15	17	17	22	22	20	21	20	24	24
Total Business-type Activities	<u>59</u>	<u>59</u>	<u>60</u>	<u>69</u>	<u>68</u>	<u>66</u>	<u>62</u>	<u>58</u>	<u>63</u>	<u>68</u>
Total Primary Government	<u>668</u>	<u>659</u>	<u>651</u>	<u>666</u>	<u>667</u>	<u>683</u>	<u>681</u>	<u>696</u>	<u>718</u>	<u>731</u>

The accompanying notes are an integral part of this table.

TABLE 13

CITY OF HATTIESBURG, MISSISSIPPI

**CONSTRUCTION, BANK DEPOSITS, AND ASSESSED PROPERTY VALUES
LAST TEN FISCAL YEARS**

Year Ended Sept. 30,	Commercial Construction		Residential Construction		Hattiesburg MSA Bank Deposits (000's omitted)	Total assessed Valuation
	Permits Issued	Value	Permits Issued	Value		
2010	187	\$ 29,397,654	395	\$ 7,214,963	\$ 2,429,065	\$ 419,672,358
2011	247	53,929,531	493	17,926,574	2,495,371	404,544,340
2012	215	85,713,105	430	11,346,201	2,510,860	416,993,266
2013	272	62,005,982	643	13,806,903	2,516,268	416,993,266
2014	493	50,008,704	1062	45,109,175	2,597,524	425,665,993
2015	612	52,733,055	964	16,202,669	2,727,971	417,449,613
2016	622	92,385,429	847	17,623,035	2,727,360	426,507,409
2017	576	219,926,473	899	21,656,544	2,897,772	457,006,290
2018	760	325,811,798	1392	21,176,351	2,955,425	453,836,138
2019	1216	89,338,477	315	11,632,463	3,040,214	461,766,340

The accompanying notes are an integral part of this table.

TABLE 14

CITY OF HATTIESBURG, MISSISSIPPI

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	4	4	4	4
Fire:										
Stations	8	8	8	8	8	8	8	8	8	8
Hydrants	2159	2159	2159	2159	2159	2159	1950	1950	1950	1950
Solid Waste Management:										
Trucks	24	24	24	24	24	24	24	24	24	24
<i>(The City is a member of a regional landfill authority)</i>										
Parks and Recreation:										
Zoo	1	1	1	1	1	1	1	1	1	1
Soccer/tennis/softball complex	1	1	1	1	1	1	1	1	1	1
Baseball/softball facilities	4	4	4	4	4	4	4	4	4	4
Water:										
Pumping capacity (gallons per minute)	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM
Average daily water pumping capacity (gallons)	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD
Average daily water pumped (gallons)	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	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	295 miles	295 miles	295 miles	295 miles	295 miles	292 miles	292 miles
Miles of water mains - 4" or less	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	50 miles	50 miles	48 miles	48 miles
Number of wells	13	13	13	13	13	13	13	13	13	13
Water storage tanks	9	9	9	9	9	9	9	9	9	9
Sewer:										
Miles of sewer collection mains	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	350 miles	350 miles
Average daily treatment (million gallons per day):										
South lagoon	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	11.1 MGD	11.1 MGD	11.1 MGD	11.1 MGD
North lagoon	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.6 MGD	1.6 MGD	1.6 MGD	1.6 MGD
Total average daily treatment	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	12.7 MGD	12.7 MGD	12.7 MGD	12.7 MGD
Permitted treatment capacity	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD
Streets:										
Miles of paved streets	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	351 miles	351 miles	350 miles	350 miles
Miles of unpaved streets	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	1 mile	1 mile	1 mile	1 mile
Area of City - square miles	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4

The accompanying notes are an integral part of this table.