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CITY OF HAZLEHURST, MISSISSIPPI
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
SEPTEMBER 30, 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Aldermen
City of Hazlehurst
Hazlehurst, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hazlehurst, Mississippi's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 27, 2010, on our consideration of the City of Hazlehurst, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 45 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazlehurst, Mississippi's basic financial statements. The combining nonmajor fund financial statements and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Haddock Reid Barber & Colton PLLC

May 27, 2010

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2009

Our discussion and analysis of the City of Hazlehurst's (the City) financial performance provides an overall review of the City's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements which begin on page 13 to enhance their understanding of the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

The net assets of the City decreased by \$176,892 as a result of this year's operations. The primary factor resulting in the decrease was a reduction in the City's capital assets due to current year depreciation expenses of \$599,997.

The City's General Fund reflected a slight decrease in total revenue compared to the prior year (\$2,937,975 in 2009 compared to \$2,996,408 in 2008). Total expenditures reflected a decrease (\$2,857,331 in 2009 compared to \$3,085,844 in 2008). Decreases in funds received from various intergovernmental grants and police fines accounted for a significant amount of the decrease in revenues. The decrease in expenditures were in the public safety and public works departments.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Hazlehurst 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 Assets and Statement of Activities (on pages 13 and 14) 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 finances. 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 fund with all other nonmajor funds presented in total in one column.

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Statement of Net Assets 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 2009?" The Statement of Net Assets and the Statement of Activities answer this question.

REPORTING THE CITY AS A WHOLE

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the City's net assets for the 2009 fiscal year and changes in them. The City's net assets - the difference between assets and liabilities - is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 15. The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. Some

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

REPORTING THE CITY AS A WHOLE - CONTINUED:

Reporting the City's Most Significant Fund - continued:

Fund Financial Statements - continued:

funds are required to be established by State law while others are established by the City to help control and manage money for a particular purpose. However, these fund financial statements focus on the City's most significant funds. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

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

The City of Hazlehurst considers the General Fund to be a major fund and, therefore, presents information on it separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from all other governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

REPORTING THE CITY AS A WHOLE - CONTINUED:

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is trustee, or fiduciary, for its Unemployment Compensation Private-Purpose Trust Fund. This fiduciary activity is reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activity of this fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report contains Required Supplementary Information Other Than MD&A, Combining Financial Statements, and Supplemental Information.

FINANCIAL ANALYSIS OF THE CITY

Recall that the Statement of Net Assets looks at the City as a whole. The City's combined net assets were \$11,775,327 as of September 30, 2009. **Table 1** provides a summary of the City's net assets.

(Table 1)
Condensed Statement of Net Assets
at September 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 1,469,903	1,534,354	1,152,912	1,183,169	2,622,815	2,717,523
Capital assets, net	<u>3,727,622</u>	<u>3,913,713</u>	<u>6,872,716</u>	<u>7,010,703</u>	<u>10,600,338</u>	<u>10,924,416</u>
Total assets	<u>5,197,525</u>	<u>5,448,067</u>	<u>8,025,628</u>	<u>8,193,872</u>	<u>13,223,153</u>	<u>13,641,939</u>
Current liabilities	409,147	552,066	212,865	174,056	622,012	726,122
Noncurrent liabilities	<u>449,260</u>	<u>565,750</u>	<u>376,554</u>	<u>397,848</u>	<u>825,814</u>	<u>963,598</u>
Total liabilities	<u>858,407</u>	<u>1,117,816</u>	<u>589,419</u>	<u>571,904</u>	<u>1,447,826</u>	<u>1,689,720</u>

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

(Table 1) - continued:
Condensed Statement of Net Assets
at September 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net assets:						
Invested in capital assets, net of debt	\$ 3,219,739	3,285,522	6,482,560	6,599,460	9,702,299	9,884,982
Restricted:						
Public safety	22,967	37,461	-	-	22,967	37,461
Highways and streets	29,101	23,434	-	-	29,101	23,434
Recreation	23,110	18,562	-	-	23,110	18,562
Instruction	15,261	14,822	-	-	15,261	14,822
Capital outlay	-	124	-	-	-	124
Debt service	23,787	22,181	-	-	23,787	22,181
Unrestricted	<u>1,005,153</u>	<u>928,145</u>	<u>953,649</u>	<u>1,022,508</u>	<u>1,958,802</u>	<u>1,950,653</u>
Total net assets	\$ <u>4,339,118</u>	<u>4,330,251</u>	<u>7,436,209</u>	<u>7,621,968</u>	<u>11,775,327</u>	<u>11,952,219</u>

By far the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 shows the Changes in Net Assets for the years ended September 30, 2009 and 2008.

(Table 2)
Condensed Statement of Changes in Net Assets
for the Years Ended September 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 643,047	652,947	1,155,877	1,331,036	1,798,924	1,983,983
Operating grants and contributions	-	47,141	-	-	-	47,141
Capital grants and contributions	224,900	204,487	70,930	-	295,830	204,487

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

**(Table 2) - continued:
Condensed Statement of Changes in Net Assets
for the Years Ended September 30, 2009 and 2008**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES - CONTINUED:						
General revenues:						
Property taxes	\$ 820,139	781,807	-	-	820,139	781,807
Sales taxes	1,173,114	1,086,131	-	-	1,173,114	1,086,131
Other	<u>531,804</u>	<u>603,584</u>	<u>2,953</u>	<u>22,626</u>	<u>534,757</u>	<u>626,210</u>
Total revenues	<u>3,393,004</u>	<u>3,376,097</u>	<u>1,229,760</u>	<u>1,353,662</u>	<u>4,622,764</u>	<u>4,729,759</u>
EXPENSES:						
General government	442,038	480,818	-	-	442,038	480,818
Public safety	1,270,640	1,356,164	-	-	1,270,640	1,356,164
Court	244,402	221,460	-	-	244,402	221,460
Public works	1,007,978	1,035,531	-	-	1,007,978	1,035,531
Instruction and recreation	146,238	128,665	-	-	146,238	128,665
Capital outlay	243,295	141,985	-	-	243,295	141,985
Debt service	29,422	34,647	-	-	29,422	34,647
Water and sewer	-	-	<u>1,415,643</u>	<u>1,489,812</u>	<u>1,415,643</u>	<u>1,489,812</u>
Total expenses	<u>3,384,013</u>	<u>3,399,270</u>	<u>1,415,643</u>	<u>1,489,812</u>	<u>4,799,656</u>	<u>4,889,082</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	8,991	(23,173)	(185,883)	(136,150)	(176,892)	(159,323)
TRANSFERS	<u>(124)</u>	<u>-</u>	<u>124</u>	<u>-</u>	<u>-</u>	<u>-</u>
	8,867	(23,173)	(185,759)	(136,150)	(176,892)	(159,323)
NET ASSETS, BEGINNING OF YEAR	<u>4,330,251</u>	<u>4,353,424</u>	<u>7,621,968</u>	<u>7,758,118</u>	<u>11,952,219</u>	<u>12,111,542</u>
NET ASSETS, END OF YEAR	\$ <u>4,339,118</u>	<u>4,330,251</u>	<u>7,436,209</u>	<u>7,621,968</u>	<u>11,775,327</u>	<u>11,952,219</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City's sales tax accounted for \$1,173,114 or 34.6% of gross revenue; revenues from property taxes accounted for \$820,139 or 24.2% of revenues; and revenues from charges for services accounted for \$643,047 or 19.0% of gross revenues.

Major expense activities, under the accrual basis of accounting, included police and fire safety expenses accounting for 37.5% of the total program expenses, public works accounting

CITY OF HAZLEHURST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

FINANCIAL ANALYSIS OF THE CITY - CONTINUED:

Governmental Activities - continued:

for 29.8%, and administration accounting for 13.1%. The City of Hazlehurst is committed to providing the best services possible for its citizens.

Business-Type Activity

Operating revenues of the City's business-type activities were \$1,155,877 for the fiscal year ended September 30, 2009. Operating expenses for the City's business-type activities were \$1,415,643, resulting in an operating loss of \$259,766. The non-operating revenues were \$73,883, resulting in a decrease in net assets of \$185,883. Key operating results are detailed below:

- The City's water and sewer enterprise fund recorded charges for services of \$1,155,877, which reflects a 13.2% decrease from the prior year. The most significant expenses of the water and sewer enterprise fund were \$496,989 for salaries and benefits, and \$366,589 in depreciation expense.

BUDGETARY HIGHLIGHTS

The City's budgets are prepared according to Mississippi law and are based on accounting for transactions on a modified-cash basis. The most significant budgeted fund is the general fund. During 2009, the City of Hazlehurst amended its general fund budget one time. All recommendations for a budget change come from the City Clerk and are presented to the Mayor and Board of Aldermen for review before being amended by the Board of Aldermen at a regular monthly board meeting. The City does not allow budget changes that modify line items within departments without Board approval.

With the general fund supporting many of our major activities, such as our police and fire departments, as well as general government activities, the general fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the general fund, original budgeted revenues for fiscal year 2009 were \$3,031,500; final budget amounts were \$2,857,500; and actual revenue collections were \$3,004,372. The primary factors contributing to the increase of original budgeted revenue compared with final budgeted amounts were increases in intergovernmental (sales tax), fines and forfeits, and miscellaneous revenue. General fund operating expenditures were \$2,853,087 compared to budgeted amounts of \$3,922,394.

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2009, the City had over \$10.6 million invested in a broad range of capital assets, including police and fire equipment, motor vehicles, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3 below.)

**(Table 3)
Capital Assets at September 30, 2009 and 2008
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 219,820	219,820	30,900	30,900	250,720	250,720
Improvements other than buildings	651,716	683,999	-	-	651,716	683,999
Buildings	1,566,636	1,610,411	17,271	19,626	1,583,907	1,630,037
Machinery and equipment	283,547	295,661	93,890	104,487	377,437	400,148
Motor vehicles	194,761	243,252	25,528	14,192	220,289	257,444
Infrastructure	811,142	860,570	-	-	811,142	860,570
Construction in progress	-	-	71,987	20,400	71,987	20,400
Water system	-	-	3,671,548	3,844,334	3,671,548	3,844,334
Sewer system	-	-	2,961,592	2,976,764	2,961,592	2,976,764
Total	\$ <u>3,727,622</u>	<u>3,913,713</u>	<u>6,872,716</u>	<u>7,010,703</u>	<u>10,600,338</u>	<u>10,924,416</u>

This year's major additions included:

Hwy 28 Wastewater collection system improvements	\$ 161,308
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Debt

At September 30, 2009, the City of Hazlehurst had \$951,770 in outstanding debt from General Obligation Bonds, Capital Leases Payable, Notes Payable and Accrued Vacation. Table 4 summarizes the total outstanding long-term obligations of the City.

CITY OF HAZLEHURST, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED:

Debt - continued:

(Table 4)
Outstanding Debt at September 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 411,000	482,000	-	-	411,000	482,000
Capital leases payable	96,883	146,191	-	-	96,883	146,191
Notes payable	-	-	390,156	411,243	390,156	411,243
Compensated absences	<u>46,184</u>	<u>57,867</u>	<u>7,547</u>	<u>7,130</u>	<u>53,731</u>	<u>64,997</u>
Total	\$ <u>554,067</u>	<u>686,058</u>	<u>397,703</u>	<u>418,373</u>	<u>951,770</u>	<u>1,104,431</u>

The City paid \$154,548 in principal on outstanding debt during the year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The General Fund's largest single revenue source is sales tax. The City believes sales tax revenue will increase in 2010 based on new development in the City.

The largest revenue source for the water and sewer fund is water and sewer sales, estimated at \$1,384,000 for the next fiscal year. The rate charged is unchanged from the prior fiscal year.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the

CITY OF HAZLEHURST, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

CONTACTING THE CITY'S FINANCE DEPARTMENT - CONTINUED:

money it receives. If you have any questions about this report or need additional financial information, contact Sue Brown, City Clerk, at 209 S. Extension Street, Hazlehurst, Mississippi 39083.

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,212,268	772,834	1,985,102
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts	120,512	113,330	233,842
Taxes	14,889	-	14,889
Interest	125	87	212
Due from other governments	106,307	26,317	132,624
Inventories at cost	-	72,898	72,898
Prepaid expenses	15,802	4,224	20,026
Restricted cash and cash equivalents	-	163,222	163,222
Capital assets:			
Land	219,820	30,900	250,720
Buildings	2,188,735	56,107	2,244,842
Improvements other than buildings	890,293	-	890,293
Machinery and equipment	785,802	348,553	1,134,355
Motor vehicles	939,580	221,465	1,161,045
Water system	-	6,460,069	6,460,069
Sewer system	-	7,357,928	7,357,928
Infrastructure	1,412,233	-	1,412,233
Construction in progress	-	71,987	71,987
	<u>6,436,463</u>	<u>14,547,009</u>	<u>20,983,472</u>
Less accumulated depreciation	<u>(2,708,841)</u>	<u>(7,674,293)</u>	<u>(10,383,134)</u>
Total capital assets, net	<u>3,727,622</u>	<u>6,872,716</u>	<u>10,600,338</u>
Total assets	\$ <u>5,197,525</u>	<u>8,025,628</u>	<u>13,223,153</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 184,459	104,554	289,013
Accrued liabilities	10,087	8,683	18,770
Deferred revenue	15,423	-	15,423
Accrued interest payable	6,824	-	6,824
Customer deposits	-	163,222	163,222
Due to other governments	-	2,804	2,804
Internal balances	87,547	(87,547)	-
Noncurrent liabilities:			
Due within one year:			
Loans and leases payable	30,807	21,149	51,956
Bonds payable	74,000	-	74,000
Due in more than one year:			
Compensated absences	46,184	7,547	53,731
Loans and leases payable	66,076	369,007	435,083
Bonds payable	<u>337,000</u>	<u>-</u>	<u>337,000</u>
Total liabilities	<u>858,407</u>	<u>589,419</u>	<u>1,447,826</u>
<u>NET ASSETS</u>			
Invested in capital assets (net of related debt)	3,219,739	6,482,560	9,702,299
Restricted for:			
Public safety	22,967	-	22,967
Highways and streets	29,101	-	29,101
Recreation	23,110	-	23,110
Instruction	15,261	-	15,261
Capital outlay	-	-	-
Debt	23,787	-	23,787
Unrestricted	<u>1,005,153</u>	<u>953,649</u>	<u>1,958,802</u>
Total net assets	<u>\$ 4,339,118</u>	<u>7,436,209</u>	<u>11,775,327</u>

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CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 442,038	437,519	-	-
Public safety	1,270,640	205,528	-	-
Court	244,402	-	-	-
Public works	1,007,978	-	-	-
Instruction and recreation	146,238	-	-	-
Capital outlay (Home grant)	243,295	-	-	224,900
Interest on long-term debt	<u>29,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>3,384,013</u>	<u>643,047</u>	<u>-</u>	<u>224,900</u>
Business-type activities:				
Water and sewer	<u>1,355,643</u>	<u>1,155,877</u>	<u>-</u>	<u>70,930</u>
Total business-type activities	<u>1,355,643</u>	<u>1,155,877</u>	<u>-</u>	<u>70,930</u>
Total government	\$ <u>4,739,656</u>	<u>1,798,924</u>	<u>-</u>	<u>295,830</u>

General revenues:

 Taxes:

 Ad valorem taxes

 Sales tax

 Utility in lieu of tax

 Franchise fees

 County road tax

 Interest and penalties on taxes

 General intergovernmental revenue

 Investment earnings

 Other

 Loss on disposal of assets

 Interfund charges

 Total general revenues

 Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Assets

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
(4,519)	-	(4,519)
(1,065,112)	-	(1,065,112)
(244,402)	-	(244,402)
(1,007,978)	-	(1,007,978)
(146,238)	-	(146,238)
(18,395)	-	(18,395)
<u>(29,422)</u>	<u>-</u>	<u>(29,422)</u>
<u>(2,516,066)</u>	<u>-</u>	<u>(2,516,066)</u>
-	<u>(128,836)</u>	<u>(128,836)</u>
-	<u>(128,836)</u>	<u>(128,836)</u>
<u>(2,516,066)</u>	<u>(128,836)</u>	<u>(2,644,902)</u>
820,139	-	820,139
1,173,114	-	1,173,114
47,241	-	47,241
161,744	-	161,744
86,276	-	86,276
19,404	-	19,404
105,845	-	105,845
7,482	2,953	10,435
46,498	-	46,498
(2,686)	-	(2,686)
<u>59,876</u>	<u>(59,876)</u>	<u>-</u>
<u>2,524,933</u>	<u>(56,923)</u>	<u>2,468,010</u>
8,867	(185,759)	(176,892)
<u>4,330,251</u>	<u>7,621,968</u>	<u>11,952,219</u>
<u>4,339,118</u>	<u>7,436,209</u>	<u>11,775,327</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 609,505	77,763	687,268
Investments	500,000	25,000	525,000
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	111,582	-	111,582
Taxes	12,709	2,180	14,889
Interest	125	-	125
Due from other funds	13,394	12,096	25,490
Due from other governments	96,463	9,844	106,307
Prepaid expenses	<u>13,847</u>	<u>1,955</u>	<u>15,802</u>
Total assets	\$ <u>1,357,625</u>	<u>128,838</u>	<u>1,486,463</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 172,413	12,046	184,459
Accrued liabilities	10,087	-	10,087
Due to other funds	110,172	2,865	113,037
Deferred revenue	<u>15,722</u>	<u>(299)</u>	<u>15,423</u>
Total liabilities	<u>308,394</u>	<u>14,612</u>	<u>323,006</u>
Fund balances:			
Reserved for:			
Debt service	-	23,787	23,787
Unreserved, undesignated in:			
General fund	1,049,231	-	1,049,231
Special revenue funds	<u>-</u>	<u>90,439</u>	<u>90,439</u>
Total fund balances	<u>1,049,231</u>	<u>114,226</u>	<u>1,163,457</u>
Total liabilities and fund balances	\$ <u>1,357,625</u>	<u>128,838</u>	<u>1,486,463</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

Total fund balances - governmental funds		\$ 1,163,457
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	6,436,463	
Less accumulated depreciation	<u>(2,708,841)</u>	3,727,622
Certain revenue that was earned in the current period but not received within 60 days is not recognized in the fund statement but recognized under full accrual.		
		8,930
Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These long- term liabilities consist of:		
Governmental bonds payable	(411,000)	
Governmental lease payable	(96,883)	
Accrued interest payable	(6,824)	
Compensated absences	<u>(46,184)</u>	<u>(560,891)</u>
Net assets of governmental activities		\$ <u>4,339,118</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ 612,971	170,411	783,382
Prior year's ad valorem	28,360	8,397	36,757
Interest and penalties on taxes	19,404	-	19,404
In lieu of taxes - utility	47,241	-	47,241
Franchise fees	161,744	-	161,744
Licenses and permits	24,164	-	24,164
Intergovernmental	1,317,054	273,742	1,590,796
Charges for services	413,355	-	413,355
Fines and forfeits	204,814	714	205,528
Interest earned	7,134	348	7,482
Interfund charges	60,000	-	60,000
Other	<u>41,734</u>	<u>4,545</u>	<u>46,279</u>
Total revenues	<u>2,937,975</u>	<u>458,157</u>	<u>3,396,132</u>
EXPENDITURES:			
Current:			
General government	400,845	-	400,845
Public safety	1,239,813	3,924	1,243,737
Court	244,402	-	244,402
Public works	913,493	5,478	918,971
Instruction and recreation	-	63,249	63,249
Grants, subsidies and other expenditures	23,369	-	23,369
Capital outlay	-	243,295	243,295
Pay to other agencies	-	45,000	45,000
Debt service:			
Principal	29,410	90,898	120,308
Interest	<u>5,999</u>	<u>24,547</u>	<u>30,546</u>
Total expenditures	<u>2,857,331</u>	<u>476,391</u>	<u>3,333,722</u>
Excess (deficiency) of revenues over (under) expenditures	80,644	(18,234)	62,410

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CONTINUED:
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):			
Operating transfer in (out)	\$ <u>(16,000)</u>	<u>15,876</u>	<u>(124)</u>
Total financing sources (uses)	<u>(16,000)</u>	<u>15,876</u>	<u>(124)</u>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	 64,644	 (2,358)	 62,286
 Fund balance at beginning of year	 <u>984,587</u>	 <u>116,584</u>	 <u>1,101,171</u>
 Fund balance at end of year	 <u>\$ 1,049,231</u>	 <u>114,226</u>	 <u>1,163,457</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Net change in fund balances - total governmental funds		\$ 62,286
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	50,002	
Less current year depreciation expense	<u>(233,408)</u>	(183,406)
<p>The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.</p>		
		(2,686)
<p>Revenues in the statement of activities that do not provide current resources are not reported as fund revenues.</p>		
		(442)
<p>Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		120,308
<p>Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Change in accrued interest payable	1,124	
Change in long-term compensated absences	<u>11,683</u>	<u>12,807</u>
Change in net assets of governmental activities		\$ <u>8,867</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

STATEMENT OF NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
SEPTEMBER 30, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$ 772,834
Receivables (net of allowance for uncollectibles, where applicable):	
Accounts	113,330
Interest	87
Due from other funds	87,547
Due from other governments	26,317
Inventories at cost	72,898
Prepaid expenses	4,224
Total current assets	<u>1,077,237</u>

Restricted assets:

Cash and cash equivalents	<u>163,222</u>
---------------------------	----------------

Property, plant and equipment:

Land	30,900
Buildings	56,107
Water system	6,460,069
Sewer system	7,357,928
Machinery and equipment	348,553
Motor vehicles	221,465
	<u>14,475,022</u>
Less accumulated depreciation	<u>(7,674,293)</u>
	6,800,729
Construction in progress	71,987
Net property, plant and equipment	<u>6,872,716</u>
Total assets	\$ <u>8,113,175</u>

CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF NET ASSETS - CONTINUED:
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
SEPTEMBER 30, 2009

LIABILITIES

Current liabilities:	
Accounts payable	\$ 104,554
Accrued liabilities	8,683
Current portion of long-term liabilities	21,149
Due other governments	<u>2,804</u>
Total current liabilities	<u>137,190</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>163,222</u>
Long-term liabilities:	
Notes payable	369,007
Compensated absences	<u>7,547</u>
Total long-term liabilities	<u>376,554</u>
Total liabilities	<u>\$ 676,966</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 6,482,560
Unrestricted	<u>953,649</u>
Total net assets	<u>\$ 7,436,209</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

OPERATING REVENUES:

Water sales	\$ 871,536
Sewer rentals	240,245
Tap fees and connection fees	27,169
Intergovernmental	70,930
Miscellaneous receipts	<u>16,927</u>
Total operating revenues	<u>1,226,807</u>

OPERATING EXPENSES:

Personal services	496,989
Supplies	117,666
Other services and charges	417,535
Bad debts	4,676
Depreciation	<u>366,589</u>
Total operating expenses	<u>1,403,455</u>

OPERATING LOSS (176,648)

NON-OPERATING REVENUES (EXPENSES):

Interest on investments	2,953
Interest and fiscal charges	<u>(12,188)</u>
Total non-operating revenues (expenses)	<u>(9,235)</u>

LOSS BEFORE CONTRIBUTIONS (185,883)

Capital contributions -

OTHER FINANCING SOURCES (USES):

Operating transfer out 124

CHANGE IN NET ASSETS (185,759)

NET ASSETS AT BEGINNING OF YEAR 7,621,968

NET ASSETS AT END OF YEAR \$ 7,436,209

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,253,705
Cash paid to suppliers and employees	<u>(1,023,497)</u>
Net cash provided by operating activities	<u>230,208</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on long-term debt	(21,087)
Acquisition of fixed assets	(228,603)
Increase in amount due from other funds	(926)
Decrease in amount due from other governments	(26,317)
Interest paid on notes payable	(12,188)
Transfer in	<u>124</u>
Net cash used for capital and related financing activities	<u>(288,997)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Earnings on invested proceeds	<u>3,342</u>
Net cash provided by investing activities	<u>3,342</u>

Net decrease in cash (55,447)

Cash and cash equivalents - beginning of year (including \$157,634
in restricted accounts) 991,503

Cash and cash equivalents - end of year (including \$163,222
in restricted accounts) \$ 936,056

CITY OF HAZLEHURST, MISSISSIPPI
STATEMENT OF CASH FLOWS - CONTINUED:
PROPRIETARY FUND TYPE
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$ <u>(176,648)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Bad debt expense	4,676
Depreciation	366,589
(Increase) decrease in:	
Accounts receivable	21,310
Prepaid expenses	401
Inventory	(25,648)
Increase in:	
Accounts payable	31,294
Accrued liabilities	2,229
Compensated absences	417
Customer deposits	<u>5,588</u>
Total adjustments	<u>406,856</u>
Net cash provided by operating activities	\$ <u>230,208</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF FIDUCIARY NET ASSETS
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2009**

ASSETS

Cash and cash equivalents	\$ <u>10,569</u>
Total assets	\$ <u>10,569</u>

NET ASSETS

Held in trust for unemployment benefits	\$ <u>10,569</u>
Total net assets	\$ <u>10,569</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
UNEMPLOYMENT COMPENSATION PRIVATE-PURPOSE TRUST FUND
SEPTEMBER 30, 2009**

ADDITIONS:

Interest earnings	\$ <u>19</u>
Total additions	<u>19</u>

DEDUCTIONS

	<u>-</u>
Change in net assets held in trust	19
Net assets, beginning of year	<u>10,550</u>
Net assets, end of year	\$ <u>10,569</u>

The accompanying notes are an integral part of this statement.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police and fire), court, public works, and instruction and recreation. The business-type activity of the City includes the water and sewer system.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. BASIC FINANCIAL STATEMENTS - CONTINUED:

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

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

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

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City, in general, considers revenues available if they are collected within 60 days after year-end except for property taxes, which the City considers available if they are collected within 30 days of year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

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

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund of the City are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. BUDGETARY AND LEGAL COMPLIANCE

The Mayor and Board of Aldermen annually approve the budget ordinance for the general funds of the City of Hazlehurst.

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

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. BUDGETARY AND LEGAL COMPLIANCE - CONTINUED:

are amended by resolution of the Board of Aldermen to authorize expenditures of various grants received and to adjust department budgets as required. The reported budgetary data has been revised for amendments authorized by the governing board.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposit accounts, petty cash, certificates of deposit, and U.S. Treasury Bills with a maturity date generally within 90 days of the date acquired by the City. Collateral, as further discussed in the note on Deposits and Investments, is pledged by the various banks to collateralize City funds.

F. INVENTORIES

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

G. RESTRICTED ASSETS

The Water and Sewer Enterprise Fund, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) to be used only to service outstanding debt and for certain expenditures related to the water and sewer system.

H. CAPITAL ASSETS

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

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

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. CAPITAL ASSETS - CONTINUED:

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

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

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

I. CAPITALIZATION OF INTEREST

In conformity with Financial Accounting Standards No. 34, *Capitalization of Interest Cost*, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During fiscal year 2009, no interest costs were capitalized.

J. COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. Employees are allowed to carry unused vacation days forward from year to year. An accrual of \$53,731 has been made in the Statement of Net Assets for vacation time available at September 30, 2009. No liability is recorded for nonvesting accumulating rights to receive sick pay.

CITY OF HAZLEHURST, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

K. LONG-TERM LIABILITIES

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

L. GOVERNMENT-WIDE AND PROPRIETARY FUND NET ASSETS

Government-wide and proprietary fund net assets are divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets - consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - all other net assets are reported in this category.

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

M. USE OF ESTIMATES

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

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

N. RECLASSIFICATION

Certain accounts relating to the prior year have been restated to conform to current year's presentation.

NOTE 2 - PROPERTY TAX

The City levies property taxes annually based upon assessed valuations. The City bills and collects its own real, public utility and personal property taxes. Automobile ad valorem taxes and certain road taxes are collected by the tax collector of Copiah County and are disbursed to the City accordingly. The levy date for real and personal property, exclusive of automobiles, is January 1 for the preceding year. The tax rate levied by the City for the year ended September 30, 2009 was set at 75.88 mills. The City allocated the property tax per \$100 of assessed value for the year as follows:

General fund	\$ 3.424
Debt service fund	.448
Parks and playground fund	.250
Public library	.250
Schools (Hazlehurst Municipal Separate School District)	<u>3.216</u>
	<u>\$ 7.588</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are comprised of the following at September 30, 2009:

	Cash and Cash <u>Equivalents</u>	Investments	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Governmental activities:					
General fund	\$ 609,505	500,000	-	-	1,109,505

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash Equivalents</u>	<u>Restricted Investments</u>	<u>Total</u>
Governmental activities - continued:					
Nonmajor governmental funds	\$ <u>102,763</u>	-	-	-	<u>102,763</u>
Total governmental activities	<u>712,268</u>	<u>500,000</u>	-	-	<u>1,212,268</u>
Business-type activities:					
Water and sewer enter- prise fund	<u>772,834</u>	-	<u>163,222</u>	-	<u>936,056</u>
Total business- type activities	<u>772,834</u>	-	<u>163,222</u>	-	<u>936,056</u>
Government-wide total	1,485,102	500,000	163,222	-	2,148,324
Fiduciary fund	-	-	<u>10,569</u>	-	<u>10,569</u>
Total cash and investments	\$ <u>1,485,102</u>	<u>500,000</u>	<u>173,791</u>	-	<u>2,158,893</u>

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at September 30, 2009 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 1,433,893	1,614,926
Certificates of deposit	<u>725,000</u>	<u>725,000</u>
Total deposits	<u>\$ 2,158,893</u>	<u>2,339,926</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 3 - CASH AND INVESTMENTS - CONTINUED:

The difference of \$181,033 was principally due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2009, \$1,839,926 of the City's bank balance of \$2,339,926 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds:		
Guaranty Pool		\$ <u>1,839,926</u>
Total		\$ <u>1,839,926</u>

NOTE 4 - RECEIVABLES

Receivables at September 30, 2009 for the City's individual major funds, nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Funds</u>	<u>Total</u>
Receivables:				
Accounts	\$ 119,786	-	149,800	269,586
Taxes	12,709	2,180	-	14,889
Interest	<u>125</u>	<u>-</u>	<u>87</u>	<u>212</u>
Gross receivables	<u>132,620</u>	<u>2,180</u>	<u>149,887</u>	<u>284,687</u>
Less: allowance for uncollectible accounts	<u>(21,038)</u>	<u>-</u>	<u>(36,470)</u>	<u>(57,508)</u>
Net total receivables	\$ <u>111,582</u>	<u>2,180</u>	<u>113,417</u>	<u>227,179</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended September 30, 2009 were as follows:

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	Balance at October 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2009</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 219,820	-	-	219,820
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>219,820</u>	<u>-</u>	<u>-</u>	<u>219,820</u>
Depreciable assets:				
Buildings	2,188,735	-	-	2,188,735
Improvements other than buildings	890,293	-	-	890,293
Machinery and equipment	759,998	25,804	-	785,802
Motor vehicles	932,059	24,199	(16,678)	939,580
Infrastructure	<u>1,412,233</u>	<u>-</u>	<u>-</u>	<u>1,412,233</u>
Total	<u>6,183,318</u>	<u>50,003</u>	<u>(16,678)</u>	<u>6,216,643</u>
Total capital assets	<u>6,403,138</u>	<u>50,003</u>	<u>(16,678)</u>	<u>6,436,463</u>
Less accumulated depreciation for:				
Buildings	(578,324)	(43,775)	-	(622,099)
Improvements other than buildings	(206,294)	(32,283)	-	(238,577)
Machinery and equipment	(464,337)	(37,918)	-	(502,255)
Motor vehicles	(688,807)	(70,004)	13,992	(744,819)
Infrastructure	<u>(551,663)</u>	<u>(49,428)</u>	<u>-</u>	<u>(601,091)</u>
Total accumulated depreciation	<u>(2,489,425)</u>	<u>(233,408)</u>	<u>13,992</u>	<u>(2,708,841)</u>
Total governmental activities capital assets, net	\$ <u>3,913,713</u>	<u>(183,405)</u>	<u>(2,686)</u>	<u>3,727,622</u>

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

General government	\$ 30,969
Public safety	68,451
Public works	95,999
Instruction and recreation	<u>37,989</u>
 Total depreciation expense - governmental activities	 \$ <u>233,408</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	Balance at October 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2009</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 30,900	-	-	30,900
Construction in progress	<u>20,400</u>	<u>71,987</u>	<u>(20,400)</u>	<u>71,987</u>
Total	<u>51,300</u>	<u>71,987</u>	<u>(20,400)</u>	<u>102,887</u>
Depreciable assets:				
Buildings	56,107	-	-	56,107
Machinery and equipment	348,553	-	-	348,553
Motor vehicles	205,758	15,707	-	221,465
Water system	6,460,069	-	-	6,460,069
Sewer system	<u>7,196,620</u>	<u>161,308</u>	-	<u>7,357,928</u>
Total	<u>14,267,107</u>	<u>177,015</u>	-	<u>14,444,122</u>
Total capital assets	<u>14,318,407</u>	<u>249,002</u>	<u>(20,400)</u>	<u>14,547,009</u>
Less accumulated depreciation				
for:				
Buildings	(36,481)	(2,355)	-	(38,836)
Machinery and equipment	(244,066)	(10,597)	-	(254,663)
Motor vehicles	(191,566)	(4,371)	-	(195,937)
Water system	(2,615,735)	(172,786)	-	(2,788,521)
Sewer system	<u>(4,219,856)</u>	<u>(176,480)</u>	-	<u>(4,396,336)</u>
Total accumulated	<u>(7,307,704)</u>	<u>(366,589)</u>	-	<u>(7,674,293)</u>
depreciation				
Total business-type activities				
capital assets, net	\$ <u>7,010,703</u>	<u>(117,587)</u>	<u>(20,400)</u>	<u>6,872,716</u>

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

Water and sewer	\$ <u>366,589</u>
Total depreciation expense - business-type activities	\$ <u>366,589</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 6 - CAPITAL LEASE OBLIGATIONS

The City has entered into a lease purchase agreement for the acquisition of a street sweeper utilized by the City's public works department. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The street sweeper is reported in the accompanying financial statements at September 30, 2009 as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 154,370
Less accumulated depreciation	<u>(26,629)</u>
Total	<u>\$ 127,741</u>

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2009:

	<u>Governmental Activities</u>
Fiscal year ending September 30:	
2010	\$ 35,410
2011	35,410
2012	<u>35,410</u>
Total	106,230
Less amount representing interest	<u>(9,347)</u>
Present value of net minimum lease payments	<u>\$ 96,883</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2009:

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

	Beginning Balance October 1, <u>2008</u>	Additions/ <u>Proceeds</u>	Reductions/ <u>Payments</u>	Ending Balance September <u>30, 2009</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 482,000	-	(71,000)	411,000	74,000
Capital lease obligations	146,191	-	(49,308)	96,883	30,807
Compensated absences	<u>57,867</u>	<u>1,470</u>	<u>(13,153)</u>	<u>46,184</u>	<u>-</u>
Governmental activities total	<u>686,058</u>	<u>1,470</u>	<u>(133,461)</u>	<u>554,067</u>	<u>104,807</u>
Business-type activities:					
Notes payable	411,243	-	(21,087)	390,156	21,149
Compensated absences	<u>7,130</u>	<u>417</u>	<u>-</u>	<u>7,547</u>	<u>-</u>
Business-type activities total	<u>418,373</u>	<u>417</u>	<u>(21,087)</u>	<u>397,703</u>	<u>21,149</u>
Government-wide total	\$ <u>1,104,431</u>	<u>1,887</u>	<u>(154,548)</u>	<u>951,770</u>	<u>125,956</u>

Debt service requirements at September 30, 2009 were as follows:

Governmental Activities

Fiscal Year Ended <u>September 30, 2009</u>	General <u>Obligation Bonds</u>		Capital <u>Lease Obligations</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 74,000	20,471	30,808	4,602	104,808	25,073
2011	78,000	16,863	32,271	3,139	110,271	20,002
2012	82,000	13,041	33,804	1,606	115,804	14,647
2013	86,000	8,941	-	-	86,000	8,941
2014	<u>91,000</u>	<u>4,641</u>	<u>-</u>	<u>-</u>	<u>91,000</u>	<u>4,641</u>
	\$ <u>411,000</u>	<u>63,957</u>	<u>96,883</u>	<u>9,347</u>	<u>507,883</u>	<u>73,304</u>

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED:

Business-Type Activities

<u>Fiscal Year Ended September 30, 2009</u>	<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 21,149	11,629	21,149	11,629
2011	21,793	10,986	21,793	10,986
2012	22,456	10,323	22,456	10,323
2013	23,138	9,640	23,138	9,640
2014	23,842	8,936	23,842	8,936
2015-2019	130,541	33,353	130,541	33,353
2020-2024	<u>147,237</u>	<u>12,256</u>	<u>147,237</u>	<u>12,256</u>
	<u>\$ 390,156</u>	<u>97,123</u>	<u>390,156</u>	<u>97,123</u>

There are limitations and restrictions contained in the City's bond indenture. The City is in compliance with all significant limitations and restrictions.

Bonds payable at September 30, 2009 are comprised of the following:

General Obligation Bonds

\$985,000 General Obligation Bonds, Series 1999, due in annual installments of \$46,000 to \$91,000 through June 1, 2014; interest at variable rates from 4.3% to 5.1% \$ 411,000

Capital Leases

\$154,370 Capital Lease obligation to BancorpSouth bank on the purchase of a street sweeper, due in annual installments of \$35,410, including interest at 4.65%, with payments beginning on 9/15/08 and ending 11/15/12. \$ 96,883

Notes

\$517,534 note payable to the Mississippi Department of Economic and Community Development (MDECD) under MDECD's Capital Improvements Revolving Loan Program for the construction of a water tank. Payments including interest at 3.00% are due monthly through September 30, 2024. \$ 390,156

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 8 - INTERFUND TRANSACTIONS AND BALANCES

The following interfund receivables and payables are included in the fund financial statements at September 30, 2009:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Police seizure fund	\$ 2,000
	Fire prevention fund	467
	Municipal aid street	398
Water and sewer enterprise fund	General fund	87,547
Municipal parks fund	General fund	10,097
Library fund	General fund	521
Debt service fund	General fund	<u>1,478</u>
		<u>\$ 102,508</u>

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

Interfund transfers during the year ended September 30, 2009 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Municipal Parks Fund	General fund	\$ 11,000
Debt Service Fund	General fund	5,000
Railroad Depot Renovation Fund	Water and sewer enterprise fund	<u>124</u>
		<u>\$ 16,124</u>

NOTE 9 - DEFINED BENEFIT PENSION PLAN

PERS

The City of Hazlehurst contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 9 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

PERS - continued:

only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2009 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost: For fiscal year 2009, the City's annual pension cost of \$176,803 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuations. The actuarial assumptions included: (1) 8.00% investment rate of return (net of investment expenses), (b) 5.00% - 15.00% annual salary increases, (c) 4.00% per year cost of living adjustments, and (d) 3.75% increase in benefits after retirement. The actuarial value of PERS assets was determined using techniques that smooth the effects of a short-term volatility in the market value of investments over a 5-year period (smoothed market value).

Three-Year Trend Information for PERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2007	\$ 167,661	100%	-
9/30/2008	181,690	100%	-
9/30/2009	176,803	100%	-

NOTE 10 - CONTINGENCIES

Litigation

The City is involved in various litigation. It is not possible at the present time to estimate an ultimate outcome or liability, if any, of the City with respect to the various proceedings. The City's legal counsel believes the resolution of these matters will not materially affect its financial condition.

CITY OF HAZLEHURST, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 10 - CONTINGENCIES - CONTINUED:

Federal Grants

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

NOTE 11 - RISK MANAGEMENT

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

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

NOTE 12 - SUBSEQUENT EVENTS

The City had no subsequent events of a material nature requiring disclosure in the financial statements through May 27, 2010, the date the financial statements were approved by the City's management and thereby available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Ad valorem, penalties and interest	\$ 692,000	615,000	658,808	43,808
In lieu of taxes - utility	-	-	47,241	47,241
Franchise fees	150,000	150,000	169,315	19,315
Licenses and permits	30,000	30,000	24,164	(5,836)
Intergovernmental	1,267,500	1,312,500	1,386,465	73,965
Charges for services	424,000	424,000	410,060	(13,940)
Fines and forfeits	360,000	228,000	191,141	(36,859)
Interest earned	10,000	-	15,444	15,444
Transfer in	-	-	-	-
Water department administration fees	60,000	60,000	60,000	-
Miscellaneous	<u>38,000</u>	<u>38,000</u>	<u>41,734</u>	<u>3,734</u>
Total revenues	<u>3,031,500</u>	<u>2,857,500</u>	<u>3,004,372</u>	<u>146,872</u>
EXPENDITURES:				
General government	408,618	440,708	397,560	43,148
Public safety:				
Police	862,022	922,772	803,368	119,404
Fire	279,990	304,150	277,151	26,999
Communications	159,940	159,940	158,931	1,009
Court	355,123	355,123	244,514	110,609
Public works	1,035,296	1,038,296	912,785	125,511
Capital outlay	677,639	677,639	35,409	642,230
Grants, subsidies and other expenditures	<u>23,786</u>	<u>23,766</u>	<u>23,369</u>	<u>397</u>
Total expenditures	<u>3,802,414</u>	<u>3,922,394</u>	<u>2,853,087</u>	<u>1,069,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(770,914)</u>	<u>(1,064,894)</u>	<u>151,285</u>	<u>1,216,179</u>
Other financing use:				
Operating transfer out	<u>-</u>	<u>(16,000)</u>	<u>(16,000)</u>	<u>-</u>
Total financing uses	<u>-</u>	<u>(16,000)</u>	<u>(16,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(770,914)</u>	<u>(1,080,894)</u>	<u>135,285</u>	<u>1,216,179</u>
Fund balance at beginning of year	<u>683,099</u>	<u>683,099</u>	<u>683,099</u>	<u>-</u>
Fund balance at end of year	\$ <u>(87,815)</u>	<u>(397,795)</u>	<u>818,384</u>	<u>1,216,179</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2009**

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ 818,384
Add accrued revenue:	
Ad valorem taxes	12,709
Franchise fees	27,425
Intergovernmental	96,463
Police fines	49,859
Sanitation fees	34,298
Interest	124
Add prepaid expenses	13,847
Subtract accounts payable paid 30 days or more after year end	<u>(3,878)</u>
Fund balance - GAAP basis	\$ <u>1,049,231</u>

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
General government:				
Personal services	\$ 259,708	262,208	246,965	15,243
Supplies	19,500	17,000	9,091	7,909
Other services and charges	129,410	160,000	140,176	19,824
Capital outlay	<u>-</u>	<u>1,500</u>	<u>1,328</u>	<u>172</u>
Total general government	<u>408,618</u>	<u>440,708</u>	<u>397,560</u>	<u>43,148</u>
Public safety:				
Police:				
Personal services	662,022	662,022	607,154	54,868
Supplies	96,500	96,500	73,060	23,440
Other services and charges	80,750	85,750	85,476	274
Capital outlay	<u>22,750</u>	<u>78,500</u>	<u>37,678</u>	<u>40,822</u>
Total police	<u>862,022</u>	<u>922,772</u>	<u>803,368</u>	<u>119,404</u>
Fire:				
Personal services	195,840	210,000	206,378	3,622
Supplies	28,900	28,900	21,601	7,299
Other services and charges	55,250	55,250	44,187	11,063
Capital outlay	<u>-</u>	<u>10,000</u>	<u>4,985</u>	<u>5,015</u>
Total fire	<u>279,990</u>	<u>304,150</u>	<u>277,151</u>	<u>26,999</u>
Communications:				
Personal services	158,940	159,940	159,651	289
Other services and charges	<u>1,000</u>	<u>-</u>	<u>(720)</u>	<u>720</u>
Total communications	<u>159,940</u>	<u>159,940</u>	<u>158,931</u>	<u>1,009</u>
Total public safety	<u>1,301,952</u>	<u>1,386,862</u>	<u>1,239,450</u>	<u>147,412</u>
Court:				
Personal services	95,723	95,723	94,077	1,646
Supplies	2,000	2,000	605	1,395
Other services and charges	257,400	257,400	149,832	107,568
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total court	<u>355,123</u>	<u>355,123</u>	<u>244,514</u>	<u>110,609</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES - CONTINUED:
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Public works:				
Personal services	\$ 279,756	282,756	272,718	10,038
Supplies	105,000	105,000	73,113	31,887
Other services and charges	600,130	600,130	557,850	42,280
Capital outlay	<u>50,410</u>	<u>50,410</u>	<u>9,104</u>	<u>41,306</u>
Total public works	<u>1,035,296</u>	<u>1,038,296</u>	<u>912,785</u>	<u>125,511</u>
Capital outlay	<u>677,639</u>	<u>677,639</u>	<u>35,409</u>	<u>642,230</u>
Grants, subsidies and other expenditures	<u>23,786</u>	<u>23,766</u>	<u>23,369</u>	<u>397</u>
 Total expenditures	<u>\$ 3,802,414</u>	<u>3,922,394</u>	<u>2,853,087</u>	<u>1,069,307</u>

COMBINING FINANCIAL STATEMENTS

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CITY OF HAZLEHURST, MISSISSIPPI

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>Special Revenue</u>		
	<u>Fire Prevention Fund</u>	<u>Police Seizure Fund</u>	<u>Municipal Aid Street Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 19,492	5,643	31,069
Receivables (net of allowance for uncollectibles, where applicable):			
Taxes	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 19,492</u>	<u>5,643</u>	<u>31,069</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -	-	1,570
Due to other funds	467	2,000	398
Deferred revenue	<u>(299)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>168</u>	<u>2,000</u>	<u>1,968</u>
Fund balances:			
Reserved for:			
Capital projects	-	-	-
Debt service	-	-	-
Unreserved, undesignated in:			
Special revenue funds	<u>19,324</u>	<u>3,643</u>	<u>29,101</u>
Total fund balances	<u>19,324</u>	<u>3,643</u>	<u>29,101</u>
Total liabilities and fund balances	<u>\$ 19,492</u>	<u>5,643</u>	<u>31,069</u>

Funds

<u>Municipal Parks Fund</u>	<u>Library Fund</u>	<u>Hazlehurst Home Grant Fund</u>	<u>Railroad Depot Renovation Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
11,116	14,165	-	-	21,278	102,763
574	575	-	-	1,031	2,180
10,097	521	-	-	1,478	12,096
-	-	-	9,844	-	9,844
<u>1,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,955</u>
<u>23,742</u>	<u>15,261</u>	<u>-</u>	<u>9,844</u>	<u>23,787</u>	<u>128,838</u>
632	-	-	9,844	-	12,046
-	-	-	-	-	2,865
-	-	-	-	-	(299)
<u>632</u>	<u>-</u>	<u>-</u>	<u>9,844</u>	<u>-</u>	<u>14,612</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,110</u>	<u>15,261</u>	<u>-</u>	<u>-</u>	<u>23,787</u>	<u>114,226</u>
<u>23,110</u>	<u>15,261</u>	<u>-</u>	<u>-</u>	<u>23,787</u>	<u>114,226</u>
<u>23,742</u>	<u>15,261</u>	<u>-</u>	<u>9,844</u>	<u>23,787</u>	<u>128,838</u>

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CITY OF HAZLEHURST, MISSISSIPPI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Special Revenue</u>		
	<u>Fire</u>	<u>Police</u>	<u>Municipal</u>
	<u>Prevention</u>	<u>Seizure</u>	<u>Aid</u>
	<u>Fund</u>	<u>Fund</u>	<u>Street</u>
			<u>Fund</u>
REVENUES:			
Taxes:			
Current year ad valorem	\$ -	-	-
Prior year's ad valorem	-	-	-
Intergovernmental	23,250	-	10,966
Fines and forfeits	-	714	-
Interest earned	36	32	179
Other	-	-	-
Total revenues	<u>23,286</u>	<u>746</u>	<u>11,145</u>
EXPENDITURES:			
Current:			
Public safety	424	3,500	-
Public works	-	-	5,478
Instruction and recreation	-	-	-
Capital outlay	-	14,000	-
Pay to other agencies	-	-	-
Debt service:			
Principal	19,898	-	-
Interest	704	-	-
Total expenditures	<u>21,026</u>	<u>17,500</u>	<u>5,478</u>
Excess (deficiency) of revenues over (under) expenditures	2,260	(16,754)	5,667
Other financing sources (uses):			
Operating transfer in	-	-	-
Other financing sources	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	2,260	(16,754)	5,667
Fund balance at beginning of year	<u>17,064</u>	<u>20,397</u>	<u>23,434</u>
Fund balance at end of year	<u>\$ 19,324</u>	<u>3,643</u>	<u>29,101</u>

Funds

<u>Municipal Parks Fund</u>	<u>Library Fund</u>	<u>Hazlehurst Home Grant Fund</u>	<u>Railroad Depot Renovation Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
44,976	44,977	-	-	80,458	170,411
2,184	2,184	-	-	4,029	8,397
3,857	3,857	224,900	-	6,912	273,742
-	-	-	-	-	714
23	28	-	-	50	348
<u>4,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,545</u>
<u>55,585</u>	<u>51,046</u>	<u>224,900</u>	<u>-</u>	<u>91,449</u>	<u>458,157</u>
-	-	-	-	-	3,924
-	-	-	-	-	5,478
62,037	1,212	-	-	-	63,249
-	4,395	224,900	-	-	243,295
-	45,000	-	-	-	45,000
-	-	-	-	71,000	90,898
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,843</u>	<u>24,547</u>
<u>62,037</u>	<u>50,607</u>	<u>224,900</u>	<u>-</u>	<u>94,843</u>	<u>476,391</u>
(6,452)	439	-	-	(3,394)	(18,234)
<u>11,000</u>	<u>-</u>	<u>-</u>	<u>(124)</u>	<u>5,000</u>	<u>15,876</u>
<u>11,000</u>	<u>-</u>	<u>-</u>	<u>(124)</u>	<u>5,000</u>	<u>15,876</u>
4,548	439	-	(124)	1,606	(2,358)
<u>18,562</u>	<u>14,822</u>	<u>-</u>	<u>124</u>	<u>22,181</u>	<u>116,584</u>
<u>23,110</u>	<u>15,261</u>	<u>-</u>	<u>-</u>	<u>23,787</u>	<u>114,226</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
FIRE PREVENTION FUND
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 21,000	21,000	23,250	2,250
Interest earned	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>23,286</u>	<u>2,286</u>
EXPENDITURES:				
Public safety:				
Supplies	20,000	-	-	-
Other services and charges	<u>20,603</u>	<u>21,000</u>	<u>21,026</u>	<u>(26)</u>
Total expenditures	<u>40,603</u>	<u>21,000</u>	<u>21,026</u>	<u>(26)</u>
Excess (deficiency) of revenues over (under) expenditures	(19,603)	-	2,260	2,260
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(19,603)	-	2,260	2,260
Fund balance at beginning of year	<u>17,064</u>	<u>17,064</u>	<u>17,064</u>	<u>-</u>
Fund balance at end of year	\$ <u>(2,539)</u>	<u>17,064</u>	<u>19,324</u>	<u>2,260</u>

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ 19,324
Adjustment to GAAP basis	<u>-</u>
Fund balance - GAAP basis	\$ <u>19,324</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 15,000	15,000	714	(14,286)
Interest earned	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>746</u>	<u>(14,254)</u>
EXPENDITURES:				
Other services and charges	10,000	15,000	3,500	11,500
Capital outlay	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Total expenditures	<u>24,000</u>	<u>29,000</u>	<u>17,500</u>	<u>11,500</u>
Excess (deficiency) of revenues over (under) expenditures	(9,000)	(14,000)	(16,754)	(2,754)
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expen- ditures and other uses	(9,000)	(14,000)	(16,754)	(2,754)
Fund balance at beginning of year	<u>20,397</u>	<u>20,397</u>	<u>20,397</u>	<u>-</u>
Fund balance at end of year	\$ <u>11,397</u>	<u>6,397</u>	<u>3,643</u>	<u>(2,754)</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ 3,643	
Adjustment to GAAP basis			<u>-</u>	
Fund balance - GAAP basis			\$ <u>3,643</u>	

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL AID STREET FUND
YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Intergovernmental	\$ 11,000	11,000	10,966	(34)
Interest earned	<u>-</u>	<u>-</u>	<u>179</u>	<u>179</u>
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>11,145</u>	<u>145</u>
EXPENDITURES:				
Public works:				
Supplies	35,000	35,000	5,478	29,522
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>5,478</u>	<u>29,522</u>
Excess (deficiency) of revenues over (under) expenditures	(24,000)	(24,000)	5,667	29,667
Fund balance at beginning of year	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>	<u>-</u>
Fund balance at end of year	\$ <u>(566)</u>	<u>(566)</u>	<u>29,101</u>	<u>29,667</u>

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ 29,101
Adjustment to GAAP basis	<u>-</u>
Fund balance - GAAP basis	\$ <u>29,101</u>

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
MUNICIPAL PARKS FUND
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Ad valorem taxes	\$ 45,000	41,500	45,011	3,511
Prior year ad valorem taxes	-	-	2,184	2,184
Intergovernmental	-	3,500	3,857	357
Interest earned	-	-	23	23
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>4,545</u>	<u>(455)</u>
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>55,620</u>	<u>5,620</u>
EXPENDITURES:				
Instruction and recreation:				
Personal services	22,500	41,000	37,393	3,607
Supplies	4,400	4,700	3,501	1,199
Other services and charges	23,100	24,100	20,811	3,289
Capital outlay	-	-	-	-
Total expenditures	<u>50,000</u>	<u>69,800</u>	<u>61,705</u>	<u>8,095</u>
Excess (deficiency) of revenues over (under) expenditures	-	(19,800)	(6,085)	13,715
Other financing sources:				
Operating transfer in	-	<u>11,000</u>	<u>11,000</u>	-
Other financing sources	-	<u>11,000</u>	<u>11,000</u>	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(8,800)	4,915	13,715
Fund balance at beginning of year	<u>15,666</u>	<u>15,666</u>	<u>15,666</u>	-
Fund balance at end of year	\$ <u>15,666</u>	<u>6,866</u>	<u>20,581</u>	<u>13,715</u>
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY FUND BALANCE AND GAAP FUND BALANCE:				
Fund balance - budgetary basis			\$ 20,581	
Adjustment to GAAP basis:				
Add accrued ad valorem taxes			574	
Prepaid expenses			<u>1,955</u>	
Fund balance - GAAP basis			\$ <u>23,110</u>	

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Ad valorem taxes	\$ 45,000	41,500	45,010	3,510
Prior year ad valorem taxes	-	-	2,184	2,184
Intergovernmental	-	3,500	3,857	357
Interest earned	-	-	28	28
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>51,079</u>	<u>6,079</u>
EXPENDITURES:				
Capital outlay	-	4,400	4,395	5
Pay to other agencies	45,000	45,000	45,000	-
Other services and charges	-	1,300	1,212	88
Total expenditures	<u>45,000</u>	<u>50,700</u>	<u>50,607</u>	<u>93</u>
Excess (deficiency) of revenues over (under) expenditures	-	(5,700)	472	6,172
Other financing sources	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(5,700)	472	6,172
Fund balance at beginning of year	<u>14,214</u>	<u>14,214</u>	<u>14,214</u>	-
Fund balance at end of year	\$ <u>14,214</u>	<u>8,514</u>	<u>14,686</u>	<u>6,172</u>

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ 14,686
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	<u>575</u>
Fund balance - GAAP basis	\$ <u>15,261</u>

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
RAILROAD DEPOT RENOVATION FUND
YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	-	-	-
Interest earned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Capital outlay - construction cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating transfers out	<u>-</u>	<u>-</u>	(124)	(124)
Excess (deficiency) of revenues over (under) expenditures	-	-	(124)	(124)
Fund balance at beginning of year	<u>124</u>	<u>124</u>	<u>124</u>	<u>-</u>
Fund balance at end of year	\$ <u>124</u>	<u>124</u>	<u>-</u>	(124)

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ <u>-</u>
Fund balance - GAAP basis	\$ <u>-</u>

CITY OF HAZLEHURST, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
HAZLEHURST HOME GRANT FUND
YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ <u>224,900</u>	<u>224,900</u>	<u>224,900</u>	-
Total revenues	<u>224,900</u>	<u>224,900</u>	<u>224,900</u>	-
EXPENDITURES:				
Capital outlay	<u>224,900</u>	<u>224,900</u>	<u>224,900</u>	-
Total expenditures	<u>224,900</u>	<u>224,900</u>	<u>224,900</u>	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	-	-	-

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ -
Adjustment to GAAP basis:	
Add intergovernmental receivable	-
Fund balance - GAAP basis	\$ -

CITY OF HAZLEHURST, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Ad valorem taxes	\$ 93,158	93,158	80,554	(12,604)
Prior year ad valorem taxes	1,000	1,000	4,029	3,029
Intergovernmental	-	-	6,912	6,912
Interest earned	-	-	50	50
Total revenues	<u>94,158</u>	<u>94,158</u>	<u>91,545</u>	<u>(2,613)</u>
EXPENDITURES:				
Principal retirement	71,000	71,000	71,000	-
Interest and fiscal charges	<u>23,158</u>	<u>25,000</u>	<u>23,843</u>	<u>1,157</u>
Total expenditures	<u>94,158</u>	<u>96,000</u>	<u>94,843</u>	<u>1,157</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,842)	(3,298)	(1,456)
Other financing sources:				
Operating transfer in	-	-	<u>5,000</u>	<u>5,000</u>
	-	-	<u>5,000</u>	<u>5,000</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(1,842)	1,702	3,544
Fund balance at beginning of year	<u>21,054</u>	<u>21,054</u>	<u>21,054</u>	-
Fund balance at end of year	\$ <u>21,054</u>	<u>19,212</u>	<u>22,756</u>	<u>3,544</u>

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
FUND BALANCE AND GAAP FUND BALANCE:**

Fund balance - budgetary basis	\$ 22,756
Adjustment to GAAP basis:	
Add accrued ad valorem taxes	<u>1,031</u>
Fund balance - GAAP basis	\$ <u>23,787</u>

SUPPLEMENTAL INFORMATION

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF OPERATIONS - ACTUAL AND BUDGET
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgetary Basis <u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
OPERATING REVENUES	\$ <u>1,248,117</u>	<u>1,382,423</u>	<u>(134,306)</u>
EXPENSES:			
Personal services	496,572	509,423	12,851
Supplies	118,162	179,000	60,838
Other services and charges	<u>403,107</u>	<u>610,000</u>	<u>206,893</u>
Total expenses	<u>1,017,841</u>	<u>1,298,423</u>	<u>280,582</u>
Operating income before non-operating income	<u>230,276</u>	<u>84,000</u>	<u>146,276</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest on investments	3,342	10,000	(6,658)
Interest and fiscal charges	<u>(12,188)</u>	<u>(15,000)</u>	<u>2,812</u>
Total non-operating revenues (expenses)	<u>(8,846)</u>	<u>(5,000)</u>	<u>(3,846)</u>
INCOME	221,430	<u>79,000</u>	<u>142,430</u>
Bad debt expense	(4,676)		
Depreciation expense	(366,589)		
Decrease in receivables	(21,699)		
Decrease in prepaids	(401)		
Increase in compensated absences	(417)		
Increase in accounts payable paid after October 30	(13,531)		
Transfer out	<u>124</u>		
CHANGE IN NET ASSETS	\$ <u>(185,759)</u>		

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and, as such, does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2009**

<u>ADJUSTED ASSESSED VALUATION</u>	<u>Assessed Value</u>	<u>Tax</u>
<u>City:</u>		
Realty	\$ 13,360,500	
Personal - other than auto	2,735,550	
Public utilities	1,556,214	
Personal - auto (remitted by County)	<u>2,909,498</u>	
Total city @ 43.72 mills	<u>20,561,762</u>	898,960
Less: Homestead exemption allowed		<u>(83,371)</u> 815,589
 <u>Separate School District:</u>		
Realty	13,360,500	
Personal - other than auto	2,735,550	
Public utilities	1,556,214	
Personal - auto (remitted by County)*	<u>-</u>	
Total SSD @ 32.16 mills	<u>17,652,264</u>	567,697
Less: Homestead exemption allowed		<u>(103,323)</u> 464,374
Add: Actual Homestead reimbursement		67,431
Deduct: County Tax Collector's commissions		<u>(2,544)</u>
 <u>TOTAL TO BE ACCOUNTED FOR</u>		 <u>\$ 1,344,850</u>

* Remitted directly to SSD by County

CITY OF HAZLEHURST, MISSISSIPPI

**RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>	
<u>CREDITS</u>				
Collections allocated to:				
General Fund	\$ 612,971	52,805	665,776	
Parks and Recreation Fund	44,976	3,857	48,833	
Library Commission	44,977	3,857	48,834	
City Bond Fund	80,458	6,912	87,370	
SSD Maintenance	<u>455,284</u>	<u>-</u>	<u>455,284</u>	
Totals	<u>1,238,666</u>	<u>67,431</u>		1,306,097
<u>BALANCE REPRESENTED BY</u>				
Unpaid realty			4,229	
Unpaid personal			42,869	
Unaccounted for - over settled			<u>(8,345)</u>	
				<u>38,753</u>
<u>TOTAL ACCOUNTED FOR</u>				<u>\$ 1,344,850</u>

CITY OF HAZLEHURST, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2009**

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>
Henry C. Banks, Sr.	Mayor	\$ 65,000	Travelers
Richard B. Akin	Alderman	65,000	Travelers
Frank A. Jones	Alderman	65,000	Travelers
Daryl McMillian	Alderman	65,000	Travelers
Ronald Sims	Alderman	65,000	Travelers
Shirley A. Sandifer	Alderman	65,000	Travelers
Sue Brown	City Clerk	50,000	St. Paul Companies
Sue Brown	Tax Collector	50,000	Brierfield Insurance Company
Brenda Slay	Deputy Clerk	50,000	St. Paul Companies
Brenda Slay	Deputy Tax Collector	50,000	St. Paul Companies
Bryon Swilley	Police Chief	50,000	Brierfield Insurance Company
Joyce Richardson	Clerk - Water Department	50,000	St. Paul Companies
Pamela Wilbert	Clerk - Water Department	50,000	Brierfield Insurance Company
Pamela Wilbert	Deputy - Tax Collector	50,000	Brierfield Insurance Company
Pamela Wilbert	Deputy Clerk	50,000	Brierfield Insurance Company
Lloyd Hillard	Superintendent - Water Department	50,000	St. Paul Companies
Bridget Evans	Court Clerk	50,000	Brierfield Insurance Company
Deborah Norwood	Assistant Court Clerk	50,000	Brierfield Insurance Company
Curley Linson	Parks Director	50,000	Brierfield Insurance Company
Emily T. Mitchell	Clerk - Water Department	50,000	Brierfield Insurance Company
Latrish Killingsworth	Temporary Clerk - Water Department	50,000	Brierfield Insurance Company

CITY OF HAZLEHURST, MISSISSIPPI

SCHEDULE OF LONG-TERM DEBT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original Issue</u>	<u>Balance Outstanding October 1, 2008</u>	<u>Transactions During Fiscal Year</u>		<u>Balance Outstanding September 30, 2009</u>
			<u>Issued</u>	<u>Redeemed</u>	
GENERAL OBLIGATION BONDS:					
General Obligation Bonds of 1999	\$ 985,000	482,000	-	(71,000)	411,000
NOTE:					
Mississippi Department of Economic and Community Development Capital Improvement Loan Program - Water tank	517,534	411,243	-	(21,087)	390,156
CAPITAL LEASE:					
Trustmark National Bank - Fire truck	109,637	19,898	-	(19,898)	-
BancorpSouth Bank - Street sweeper	154,370	<u>126,293</u>	<u>-</u>	<u>(29,410)</u>	<u>96,883</u>
		<u>\$ 1,039,434</u>	<u>-</u>	<u>(141,395)</u>	<u>898,039</u>

ADDITIONAL REPORTS

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

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**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 Aldermen
City of Hazlehurst, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2009, which collectively comprise the City of Hazlehurst, Mississippi's basic financial statements and have issued our report thereon dated May 27, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hazlehurst, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 Hazlehurst, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hazlehurst, Mississippi's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hazlehurst, Mississippi's ability to initiate,

authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Hazlehurst, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Hazlehurst, Mississippi's internal control. We consider the deficiency in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (2009-1).

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Hazlehurst, Mississippi's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies, including the significant deficiency described above in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Hazlehurst, Mississippi in a separate letter dated May 27, 2010.

This report is intended solely for the information and use of management, the Board of Aldermen, federal awarding agencies and pass-through entities, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Haddox Reed Barber & Colham PLLC

May 27, 2010

CITY OF HAZLEHURST, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

2009-1 FINANCIAL STATEMENT PREPARATION

Condition: The City relies on our Firm as its external auditors to assist management in the preparation of the City's external financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America. Under U.S. generally accepted auditing standards, performance of such functions by the City's independent auditor cannot be considered part of the City's internal control structure.

Cause: Due to the small size of the City's accounting staff, the City has determined that it is more cost effective to utilize the expertise of its auditor for preparation of the annual financial statements as opposed to hiring an employee with comparable expertise.

Effect: Financial statements produced by the City might contain material errors.

Recommendation: Management should continue to access the cost benefits of improving internal controls over financial reporting.

Response: Although management reviews the financial statements, related note disclosures, and all proposed adjusting journal entries thoroughly and accepts complete responsibility for the statements, the City's management has determined that it remains more cost efficient to utilize the auditor for preparation of the annual financial statements.

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Aldermen
City of Hazlehurst
Hazlehurst, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hazlehurst, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated May 27, 2010. 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 *Government Auditing Standards*, issued by the Controller General of the United States.

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

The results of those procedures and our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

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

Haddox Reid Burkes & Calhoun PLLC

May 27, 2010