

CITY OF HATTIESBURG, MISSISSIPPI

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2023

CITY OF HATTIESBURG, MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2023

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CITY OF HATTIESBURG, MISSISSIPPI

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CITY OF HATTIESBURG, MISSISSIPPI

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AND SPECIAL REPORTS
YEAR ENDED SEPTEMBER 30, 2023**

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CITY OF HATTIESBURG, MISSISSIPPI

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INTRODUCTORY SECTION (UNAUDITED)



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Dave Ware

COUNCIL - WARD FIVE
Nicholas Brown

June 25, 2024

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

The Department of Administration is pleased to submit the Audited Financial Statements and Special Reports of the City of Hattiesburg, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2023. These accompanying financial statements are prepared and presented in conformity with GASB Statement No 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, and we believe the report is accurate in all material respects.

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

Profile of Government

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

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

Current Economic Conditions

Hattiesburg ended the fiscal year with revenue increases in both sales tax and property taxes. Property tax revenue increased 2.19% over the prior year. Combined sales tax revenue consisting of general sales taxes, special sales taxes and internet sales taxes saw an increase of 3.43% from FY 2022. Revenue from the internet sales tax is used for infrastructure improvements, and the amount is expected to increase as the tax is more widely enforced with online vendors. For FY 2023, revenue from internet sales taxes was up 35.53% from FY 2022.

The General Fund's ending fund balance increased 2.37% from FY 2022. The increase was due to increases in revenues, such as the aforementioned increase in sales taxes, and decreases in expenditures.

2023 was another year of uniqueness, with the continuing yet waning impact of the COVID-19 Pandemic, inflationary constraints and supply chain issues. Local businesses were challenged to continue to alter their methods of providing goods and services in order to deal with rising costs and issues with obtaining goods. Elected officials struggled with these issues as well, with rising prices and delays in obtaining inventory led to difficulties in being able to provide services to their constituents.

The resourcefulness of local businesses, along with support from the community, enabled Hattiesburg to weather the impacts of these issues. Hattiesburg has, for many years, pointed out the many benefits of its diverse economy, and once again, that diversity provided the perfect mix to keep the City functioning well. The real estate market continued to experience the benefits of a strong local economy, and that, in turn, led to increasing prices on home sales due to demand amid a declining supply of homes on the market.

Future Economic Outlook

Many projects were begun in Fiscal Year 2023 including the Hall Avenue West Overpass, the Midtown Green Park, and Jaycee Park. Infrastructure improvements in the Midtown District and the Hall Avenue East Overpass continued as well as the project for re-routing traffic around the Forrest General Hospital campus moved forward. Other major transportation improvements, such as the Hardy Street Roundabout and Lamar Blvd, that began in the prior fiscal year, have been completed. There were several projects completed in 2023 which include Lincoln Road and the N 28th Bridge. The second phase of the \$45 Million bond issuance was completed in August 2020, and this provided the funds necessary for the Hall Avenue East Overpass construction near the Public Safety Complex in this fiscal year, as well as the Hall Avenue West Overpass near Broadway Drive which began in FY 2023. This Hall Avenue corridor connecting with Broadway Drive and Gulfport street utilizing the New overpasses will create a new main thoroughfare through the city. These infrastructures projects will greatly improve traffic flow and connectivity with the eastern and western sections of the City, improving commuting and emergency response times.

Financial and Budgetary Information

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

The Mayor and Council established the goal and desire to reduce and eventually eliminate the structural spending deficit in the General Fund. For several years, the City's expenditure budget has exceeded the revenue budget. This can be detrimental to building a strong fund balance. Based upon today's economy, it is recommended that the City seek to have a \$7 Million to \$8 Million ending cash balance. Mayor Barker was able to present a budget for FY 2023 to the council with projected new revenue equaling new expenditures, thereby accomplishing the objective of eliminating the structural spending deficit.

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

Enterprise Funds

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

Debt Administration

The City maintains the Municipal Bond and Interest Fund to retire debt associated with general obligation bonds. The funding source comes from levy and collection of ad valorem property taxes. Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed value. As of September 30, 2023, the City's remaining margin for further debt issuance stands at \$23,003,144. The City was able to correct many findings in previous audits and, as a result was able to secure the Aa3 bond rating with the issuance of \$29,850,000 in general obligation bonds in December 2018. That rating was maintained with issuance of \$15,150,000 general obligation bonds in August 2020. These two bond issues complete the \$45 Million bond issuance planned for the Public Safety Complex and overpass construction in the eastern section of the City.

Risk Management

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

Independent Auditors

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

Acknowledgments

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

Sincerely,

Malcolm Berch

Malcolm G. Berch
Chief Financial Officer

Financial Statement Transmittal Letter

Final Audit Report

June 27, 2024

Created:	June 27, 2024
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- ✍ Document e-signed by (mberch@hattiesburgms.com)
Signature Date: 6/27/2024 17:48:31 PM Central Daylight Time - IP address: 173.235.36.138
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MAYOR
Toby Barker

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Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Dave Ware

COUNCIL - WARD FIVE
Nicholas Brown

PUBLIC OFFICIALS

TOBY BARKER
MAYOR

COUNCIL MEMBERS

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Deficit Fund Balances

As described in Note 15 to the financial statements, deficit fund balances were reported in certain governmental funds as a result of modified accrual recognition of expenditures for which reimbursements were not available resources. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the



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

City of Hattiesburg, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control. Accordingly, no such opinion is expressed.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hattiesburg, Mississippi's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedules 1 through 8, including related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hattiesburg, Mississippi's basic financial statements. Schedules 9 through 25 and Schedule 26, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Information

Management is responsible for the other information. The other information comprises the Letter of Transmittal, List of Public Officials and Tables 1 through 14 (other information) but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 on our consideration of the City of Hattiesburg, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hattiesburg, Mississippi's internal control over financial reporting and compliance.


Hattiesburg, Mississippi
June 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Year Ended September 30, 2023

The Discussion and Analysis of the City of Hattiesburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the transmittal letter in order to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 were as follows:

- Total net position for 2023 increased \$26,256,537, or 15.81% from 2022 including a prior period adjustment of (\$430,993).
- Total assets of governmental activities increased \$32,904,909 or 11.50% from 2022.
- Total liabilities of governmental activities increased \$16,416,315 or 9.30% from 2022.
- In total, equity in cash and cash equivalents of governmental activities decreased \$1,830,659, or 3.06% from 2022.
- Total book value of capital assets for governmental activities increased \$29,923,126, or 15.96% from fiscal year 2022.

Using this Annual Financial Report:

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

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

Reporting the City of Hattiesburg as a Whole:

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

Changes to Net Revenue

Net Revenues exceeded expenses by \$26,687,530 in 2023. For 2022, Net Revenues exceeded expenses by \$19,340,504. This amounts to an increase in Net Revenue in 2023 of \$7,347,026 from 2022. There are a number of factors affecting this decrease in Net Revenues:

- Overall expenses increased \$7,589,165 from FY 2022 for governmental activities attributed to increase in inflation for supplies and increase of salaries of employees.
- General revenues and transfers increased \$4,399,383 primarily due to an upturn of sales and property tax collections.
- Program revenues for government activities increased by \$9,392,829 from 2022 primarily due to grant funding.

Revenues

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

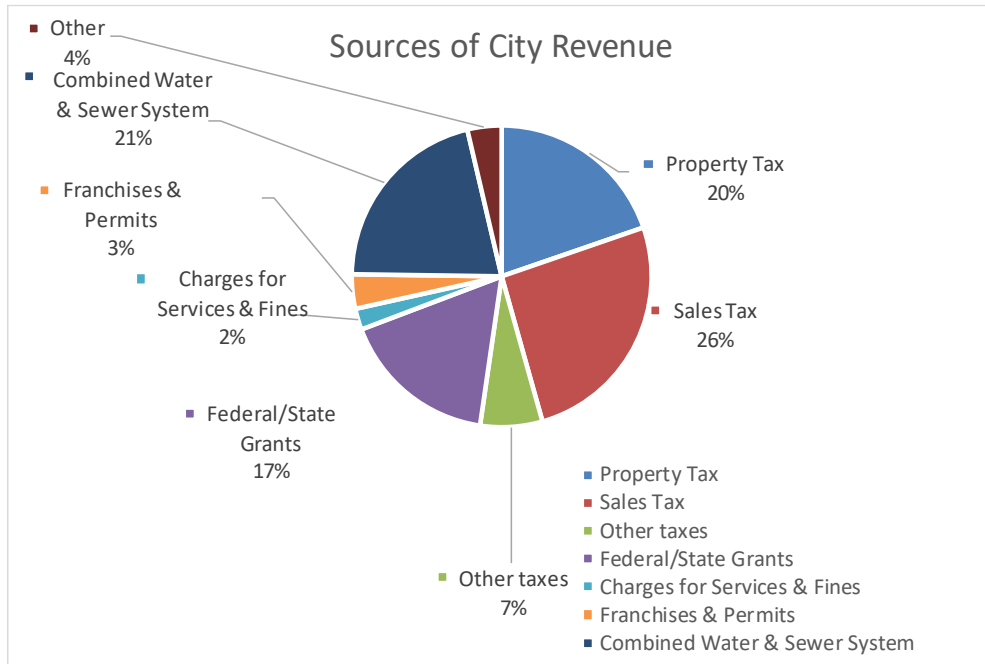
Property Tax - One of the major sources of revenue for the City, at 19.75% of total revenues, property tax revenue, increased \$564,564 from FY 2022. Adjustments to property values based on home sales and new construction contributed to the increase in total property valuations.

Sales Tax - An equally significant component of City revenue is sales tax, at 25.86% of total revenue. Sales tax revenue increased \$131,784 from FY 2022. This represents a 3.43% increase, which is slightly higher than the average due to increase local sales and inflationary factors.

The Mississippi Legislature passed a bill in 2019 that authorized the City to levy an additional tax on hotels, motels, and restaurants to be used to promote tourism and parks and recreation, and additionally to distribute a portion to the University of Southern Mississippi to be used for improvements to their athletic facilities. This tax was effective only if 60.00% of the qualified electors voted in favor of the tax. The referendum passed and collection of the additional 1.00% tax began on July 1, 2021, effective for a three-year period, after which it must be renewed by new legislation and referendum. The amount of \$3,474,217 was received in FY 2023, half of which was remitted to the University for their projects, as per the legislation. The portion retained by the City was used for projects such as tennis court upgrades, the conversion of a donated property to the new BlackBox Theater, major upgrades to Jaycee park, Tatum Park Fields and Kamper park. Along with improvements to other ballfield and various parks throughout the City. The City also began to construct a new park in midtown appropriately named Midtown Green.

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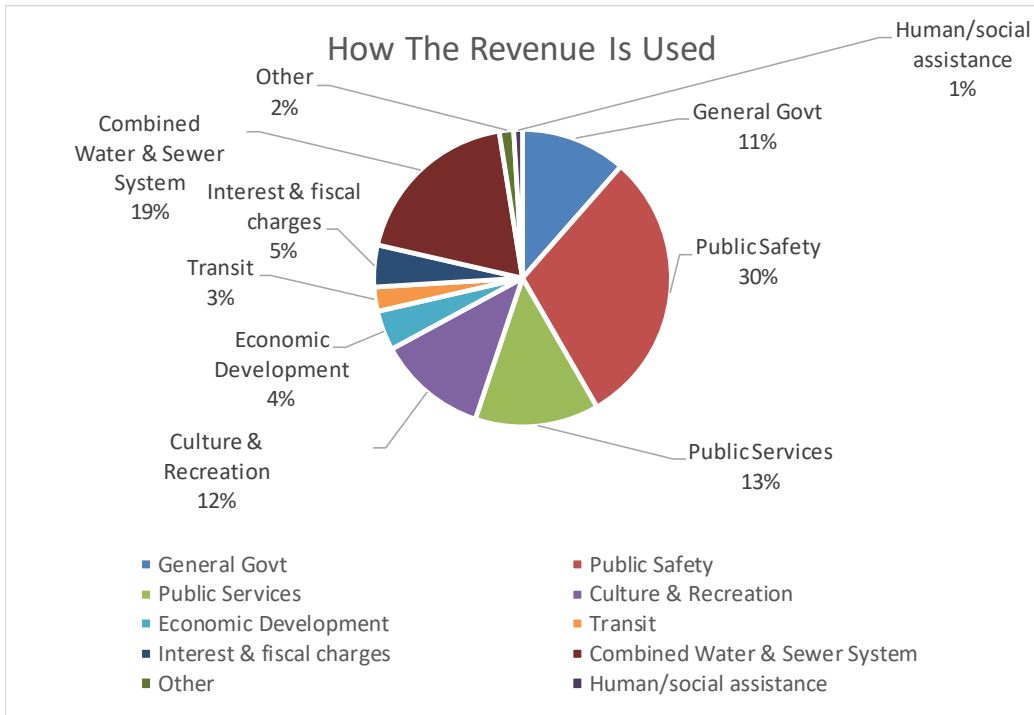
Water & Sewer - The City's Combined Water & Sewer System comprises a significant portion of the total revenues, and its revenues are used almost exclusively for water & sewer system maintenance and improvements.



Expenses

The following chart depicts the breakdown of how Hattiesburg's revenue is used. Public Safety and the Combined Water & Sewer System are the most significant portions of expenditures, and Public Services comprises the third largest portion of total expenditures.

(See Chart on Next Page)



Reporting on the City of Hattiesburg’s Most Significant Funds:

Governmental Funds:

Information about the City’s major governmental funds begins with items presented on the Governmental Funds Balance Sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$101,259,828 and expenditures of \$110,691,794, exclusive of other financing sources and uses.

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

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

The General Fund is the primary governmental operating fund, containing expenditures for general government, public safety, public services, other services, mass transit, culture and recreation, human/social assistance and economic development. The general fund accounts 64.81% of total revenues and 56.94% of total expenses.

Total expenditures for the General Fund decreased by \$1,194,515, or 1.86% from FY 2022. The General Fund’s ending fund balance increased by \$521,750, or 2.4% from FY 2022.

Proprietary Funds:

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

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

Operating expenses for the system increased by \$1,691,765 or 9.12% in FY 2023. This increase is reflected in the increase in personnel services and the result of differences in materials costs required for the various water and sewer line repairs.

Operating revenues increased by \$2,822,522 or 11.17% in FY 2023. Revenue increases were due to the final year of rate increases that were implemented over the last 3 years and a severe drought that occurred during the summer of 2023.

The City of Hattiesburg as a Whole:

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for FY 2023.

Table 2 shows the changes in net position for the year ended September 30, 2023.

The most significant changes in the information included in Table 1 are reflected in the *Assets, Liabilities and Deferred Inflows of Resources* sections. The increase in Capital Assets from FY 2022 of \$27,275,226 is due to the continuing work on the construction of the Hall Avenue East Overpass, Hall Avenue and the beginning of the construction on the Hall Avenue West Overpass. The increase in net pension liability from FY 2022 of \$16,825,152 is Hattiesburg's share of liability of the Public Employees Retirement System, from information provided by the Retirement System in their annual financial report. The increase in long-term liabilities, outstanding payable after one year is due to the inclusion of the 2021 Refunding bond that has money in escrow to pay off the outstanding bonds from the 2012 and 2013 Water and sewer issuances.

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**TABLE 1
CITY OF HATTIESBURG'S NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 101,645,913	\$ 98,664,130	\$ 37,129,140	\$ 17,918,051	\$ 138,775,053	\$ 116,582,181
Capital assets, net	217,443,207	187,520,081	123,136,472	121,855,194	340,579,679	309,375,275
Total assets	319,089,120	286,184,211	160,265,612	139,773,245	479,354,732	425,957,456
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	19,670,820	9,590,602	1,653,700	768,250	21,324,520	10,358,852
Related to OPEB	1,699,067	2,013,636	147,745	170,423	1,846,812	2,184,059
Prepaid bond insurance	289,806	290,804	363,791	380,047	653,597	670,851
Total deferred outflows of resources	21,659,693	11,895,042	2,165,236	1,318,720	23,824,929	13,213,762
LIABILITIES						
Long-term liabilities, outstanding:						
Due within one year	5,320,137	3,308,652	25,493,328	5,824,517	30,813,465	9,133,169
Payable after one year	73,675,163	73,054,727	41,136,141	46,092,200	114,811,304	119,146,927
Other liabilities	6,622,511	5,552,986	4,442,756	4,243,764	11,065,267	9,796,750
Net pension liability	99,473,975	83,959,537	7,063,453	5,752,739	106,537,428	89,712,276
Total OPEB liability	7,848,331	10,647,900	614,048	857,489	8,462,379	11,505,389
Total liabilities	192,940,117	176,523,802	78,749,726	62,770,709	271,689,843	239,294,511
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	1,732,647	644,696	-	-	1,732,647	644,696
Related to OPEB	5,958,731	2,695,951	518,151	228,171	6,476,882	2,924,122
Related to contracts	-	-	286,949	341,989	286,949	341,989
Related to grants	5,140,331	6,437,898	-	-	5,140,331	6,437,898
Related to lease revenue	213,879	225,409	-	-	213,879	225,409
Unearned revenues - property taxes	25,300,000	23,220,000	-	-	25,300,000	23,220,000
Total deferred inflows of resources	38,345,588	33,223,954	805,100	570,160	39,150,688	33,794,114
NET POSITION						
Net investment in capital assets	140,919,248	113,644,022	75,653,861	70,132,697	216,573,109	183,776,719
Restricted	9,107,348	18,415,828	9,827,235	11,495,267	18,934,583	29,911,095
Unrestricted	(40,563,488)	(43,728,353)	(2,605,074)	(3,876,868)	(43,168,562)	(47,605,221)
Total net position	\$ 109,463,108	\$ 88,331,497	\$ 82,876,022	\$ 77,751,096	\$ 192,339,130	\$ 166,082,593

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 3,022,377	\$ 2,912,260	\$ 28,109,349	\$ 25,286,827	\$ 31,131,726	\$ 28,199,087
Operating grants and contributions	7,394,730	4,738,050	-	-	7,394,730	4,738,050
Capital grants and contributions	15,106,733	8,480,701	70,824	322,567	15,177,557	8,803,268
Total program revenues	25,523,840	16,131,011	28,180,173	25,609,394	53,704,013	41,740,405
General revenues:						
Property taxes	26,320,264	25,755,700	-	-	26,320,264	25,755,700
Other taxes	48,288,196	46,205,049	-	-	48,288,196	46,205,049
Grants and contributions not restricted to specific programs	30,600	223,005	-	-	30,600	223,005
Other general revenues	5,033,377	2,954,621	339,743	464,188	5,373,120	3,418,809
Total general revenues	79,672,437	75,138,375	339,743	464,188	80,012,180	75,602,563
Total revenues	105,196,277	91,269,386	28,519,916	26,073,582	133,716,193	117,342,968
PROGRAM EXPENSES						
General government	12,282,057	11,296,096	-	-	12,282,057	11,296,096
Public safety	32,315,379	26,353,567	-	-	32,315,379	26,353,567
Public services	14,425,099	16,242,403	-	-	14,425,099	16,242,403
Other services	1,673,393	1,921,637	-	-	1,673,393	1,921,637
Mass transit	2,825,922	1,969,988	-	-	2,825,922	1,969,988
Culture and recreation	12,775,390	13,918,797	-	-	12,775,390	13,918,797
Human/social assistance	1,018,994	584,345	-	-	1,018,994	584,345
Water & Sewer	-	-	20,224,846	18,532,482	20,224,846	18,532,482
Economic development	4,623,506	2,181,782	-	-	4,623,506	2,181,782
Interest and fiscal charges	2,948,926	2,830,886	1,915,151	2,261,973	4,864,077	5,092,859
Total program expenses	84,888,666	77,299,501	22,139,997	20,794,455	107,028,663	98,093,956

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Increase (decrease) in net position before inclusion of transfers	\$ 20,307,611	\$ 13,969,885	\$ 6,379,919	\$ 5,279,127	\$ 26,687,530	\$ 19,249,012
Transfers In (Out)	824,000	958,679	(824,000)	(867,187)	-	91,492
<i>Increase (decrease) in net position after inclusion of transfers</i>	21,131,611	14,928,564	5,555,919	4,411,940	26,687,530	19,340,504
Net position - Beginning	88,331,497	73,236,117	77,751,096	73,339,156	166,082,593	146,575,273
Prior period adjustment	-	166,816	(430,993)	-	(430,993)	166,816
Net position - Beginning, as restated	88,331,497	73,402,933	77,320,103	73,339,156	165,651,600	146,742,089
Net position - Ending	\$ 109,463,108	\$ 88,331,497	\$ 82,876,022	\$ 77,751,096	\$ 192,339,130	\$ 166,082,593

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General Fund Budgetary Highlights

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The 2023 budget of the General Fund realized an increase in ending fund balance of \$872,257.

In May 2024, the City was given a Aa3 bond rating that will allow the City to continue to refinance old debt and issue new debt as need arises.

Other significant expenditures for FY 2023 included paving throughout the City, new sidewalks in various sections of the City (especially near schools), upgrading of major traffic corridors such as the Lincoln Road paving project, Hardy Street roundabout which was completed in 2023, infrastructure improvements on Lamar Boulevard (to accommodate increased traffic flow due to construction of a major banking facility). Other Notable projects were the N. 28th Bridge, Country Club Road, Midtown Streetscapes, both Overpasses and the upgrades to Midtown sewer, as well as continuation of infrastructure improvements considered more routine in nature.

From a budgetary point of view, the City's original General Fund revenue budget for FY 2023 totaled \$56,913,162 (exclusive of projected beginning cash at October 1, 2022 of \$19 million). The final revenue budget totaled \$58,197,424, with actual revenue collections of \$58,782,516 (100.33 collected). Amendments to the General Fund budget were attributable mostly to state grant awards.

The original FY 2023 budget for General Fund expenditures was \$56,912,918, and the final amended total was \$70,992,128. Actual expenditures totaled \$57,910,259 (81.57% of budget expended). The unexpended budget total of \$13,081,869 is mostly attributable to unexpended personnel costs for unfilled positions, unexpended grant funds, and unexpended funds for capital purchases which were not completed prior to the end of the fiscal year.

Capital Assets and General Long-Term Obligations

Capital Assets

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

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

	<u>2023</u>	<u>2022</u>
Land and construction in progress	\$ 73,333,044	\$ 48,571,835
Buildings and improvements	64,723,185	67,487,637
Machinery and equipment	8,930,069	5,023,634
Infrastructure	187,812,408	182,111,311
Intangible right-to-use assets	5,780,973	6,180,858
Total	<u>\$ 340,579,679</u>	<u>\$ 309,375,275</u>

The increase in the Land and construction in progress category is the result of continued work on the Hall Avenue East Overpass and the beginning of construction on the Hall Avenue West Overpass as well as other major street improvements throughout the city. The increase to Machinery and equipment is the result of the purchases of many vehicles and equipment. These include but are not limited to, Fire/Ladder Truck for Station #1, five new garbage trucks, new buses (Mass transit), multiple vehicles and large equipment for several departments. The decrease in Buildings and improvements, Infrastructure and Intangible right-to-use assets can be attributed to the depreciation on existing assets.

General Long-Term Debt Obligations

At September 30, 2023, the City of Hattiesburg had \$61,680,568 in outstanding General Obligation Bonds and Notes subject to the City’s overall general obligation debt limitations. The City’s overall legal debt margin at September 30, 2023 was calculated to be \$51,998,777. This number is based on the City’s most current property tax rolls in conjunction with existing general obligation debt. In addition to traditional general obligation debt, certain debt issues are secured by tax interceptor agreements with the State of Mississippi. Tax Increment Financing Bonds are secured by the incremental increase in property taxes at various taxing districts. The City has opted to maintain a margin of at least \$10 million as a matter of policy. Table 4 summarizes the total outstanding long-term debt obligations of the City.

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

	<u>2023</u>	<u>2022</u>
Governmental Funds		
General obligation bonds	\$ 50,500,000	\$ 45,000,000
Limited obligation tax increment financing bonds	9,061,077	10,093,039
Certificates of participation	4,125,000	4,345,000
Economic development limited obligation bonds	91,645	113,208
Notes from direct borrowings and direct placements	2,027,846	3,006,231
Leases payable	5,703,973	6,180,858
SBITA payable	77,000	-
Unamortized premium	4,937,418	5,137,723
Claims and judgments	385,072	449,250
Subtotal governmental funds	<u>76,909,031</u>	<u>74,325,309</u>
Proprietary Fund		
General obligation bonds	2,010,000	2,860,000
Revenue bonds	63,647,000	48,697,000
Unamortized bond premium	120,117	165,497
State Revolving Loan Funds	455,494	-
Subtotal proprietary fund	<u>66,232,611</u>	<u>51,722,497</u>
Compensated Absences	<u>2,483,127</u>	<u>2,232,290</u>
Total Long-Term Obligations	<u><u>\$ 145,624,769</u></u>	<u><u>\$ 128,280,096</u></u>

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

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Current Financial Related Activities:

Combined sales tax collections, a major source of revenue for the General Fund, have been a strong indicator of the local economy, showing an approximate 3.43% increase in FY 2023. This is also slightly above the average rate of increase when looking at the history of collections over the period of several years. Hattiesburg has a diverse economy, driven by regional medical facilities, two universities, and a major military training installation south of the city limits. Efforts to bring sporting events and tournaments to the city have been successful, contributing to this revenue.

Property tax values did, in fact, increase from 2022 valuations, and this resulted in a 2.19% increase in property tax revenues for FY 2023. There was a strong real estate market in Hattiesburg during 2023, reflecting the federal and local economies. A decreasing supply of homes available for sale contributed to the increase in home values.

Contacting the City of Hattiesburg:

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

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BASIC FINANCIAL STATEMENTS

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position
September 30, 2023**

	PRIMARY		GOVERNMENT	Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents - unrestricted	\$ 20,495,756	\$ 10,844,659	\$ 31,340,415	\$ 2,185,191
Cash and cash equivalents - restricted	37,537,079	1,684,134	39,221,213	8,987,559
Cash with fiscal agent - restricted	324,098	22,275,848	22,599,946	-
Sales tax receivable	5,790,070	-	5,790,070	1,136,862
Property taxes receivable	25,750,343	-	25,750,343	-
Accounts receivable - Water and Sewer (net of allowance for doubtful accounts of \$4,436,199)	-	2,317,163	2,317,163	-
Accounts receivable - Solid Waste Services	213,724	-	213,724	-
Intergovernmental receivable	6,813,383	-	6,813,383	47,915
Fines receivable (net of allowance for doubtful accounts of \$25,265,182)	3,133,405	-	3,133,405	-
Lease receivable	213,879	-	213,879	116,643
Other receivables	1,350,523	7,667	1,358,190	-
Internal balances	331	(331)	-	-
Due from other agencies	262	-	262	-
Inventory - food and beverage	-	-	-	145,055
Inventory - gas and oil	23,060	-	23,060	-
Capital assets not being depreciated:				
Land and construction in progress	70,014,901	3,318,143	73,333,044	7,487,599
Capital assets, net of accumulated depreciation:				
Buildings and improvements	64,597,988	125,197	64,723,185	12,895,218
Machinery and equipment	8,089,285	840,784	8,930,069	1,620,514
Infrastructure	68,960,060	118,852,348	187,812,408	-
Leases and SBITA assets	5,780,973	-	5,780,973	5,523,862
Total assets	319,089,120	160,265,612	479,354,732	40,146,418
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	19,670,820	1,653,700	21,324,520	-
Related to OPEB	1,699,067	147,745	1,846,812	-
Prepaid bond insurance	289,806	363,791	653,597	-
Total deferred outflows of resources	21,659,693	2,165,236	23,824,929	-

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

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position
September 30, 2023**

	PRIMARY		GOVERNMENT	Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 2,710,513	\$ 1,769,612	\$ 4,480,125	\$ 476,574
Accrued wages and benefits	2,317,293	232,450	2,549,743	215,292
Other liabilities	152,972	17,211	170,183	-
Due to other agencies	188,029	-	188,029	-
Accrued expenses	562,715	-	562,715	-
Accrued interest	690,989	586,353	1,277,342	-
Other liabilities	-	152,996	152,996	-
Non-current liabilities:				
Portion due or payable within one year:				
General obligation bonds	1,919,000	585,000	2,504,000	-
General obligation note payable	-	40,321	40,321	-
Revenue bonds	-	24,792,000	24,792,000	139,829
Unamortized bond premium	187,148	16,478	203,626	-
Limited obligation tax increment financing bonds	1,023,049	-	1,023,049	-
Certificates of participation	230,000	-	230,000	-
Unamortized certificate of participation premium	13,158	-	13,158	-
Economic development limited obligation bonds	21,563	-	21,563	-
Notes from direct borrowings and direct placements	1,012,712	-	1,012,712	-
Leases payable	494,888	-	494,888	535,517
SBITA payable	34,455	-	34,455	-
Compensated absences	319,986	59,529	379,515	219,393
Claims and judgments	64,178	-	64,178	-
Portion due or payable after one year:				
General obligation bonds	48,581,000	1,425,000	50,006,000	-
General obligation note payable	-	415,173	415,173	-
Revenue bonds	-	38,855,000	38,855,000	5,022,739
Unamortized bond premium	4,579,227	103,639	4,682,866	-
Limited obligation tax increment financing bonds	8,038,028	-	8,038,028	-
Certificates of participation	3,895,000	-	3,895,000	-
Unamortized certificate of participation premium	157,885	-	157,885	-
Economic development limited obligation bonds	70,082	-	70,082	-
Notes from direct borrowings and direct placements	1,015,134	-	1,015,134	-
Leases payable	5,209,085	-	5,209,085	4,988,345
SBITA payable	42,545	-	42,545	-
Compensated absences	1,766,283	337,329	2,103,612	-
Claims and judgments	320,894	-	320,894	-
Net pension liability	99,473,975	7,063,453	106,537,428	-
Total OPEB liability	7,848,331	614,048	8,462,379	-
Customer meter deposits	-	1,684,134	1,684,134	-
Total liabilities	192,940,117	78,749,726	271,689,843	11,597,689

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

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position
September 30, 2023**

	PRIMARY		GOVERNMENT	Component Unit
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	\$ 1,732,647	\$ -	\$ 1,732,647	\$ -
Related to OPEB	5,958,731	518,151	6,476,882	-
Related to contracts	-	286,949	286,949	-
Related to grants	5,140,331	-	5,140,331	90,000
Related to lease proceeds	-	-	-	116,643
Related to lease revenue	213,879	-	213,879	-
Special event revenue	-	-	-	158,882
Unearned revenue - property taxes	25,300,000	-	25,300,000	-
Total deferred inflows of resources	38,345,588	805,100	39,150,688	365,525
NET POSITION				
Net investment in capital assets	140,919,248	75,653,861	216,573,109	16,840,763
Restricted for:				
Debt service	7,517,124	9,642,063	17,159,187	-
Flag display	-	-	-	90,000
Capital projects	1,590,224	185,172	1,775,396	509,342
Unrestricted	(40,563,488)	(2,605,074)	(43,168,562)	10,743,099
Total net position	\$ 109,463,108	\$ 82,876,022	\$ 192,339,130	\$ 28,183,204

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

EXHIBIT B

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Activities
Year Ended September 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 12,282,057	\$ -	\$ 1,874,785	\$ 9,687
Public safety	32,315,379	530,178	1,174,611	-
Public services	14,425,099	2,243,270	2,448,520	13,293,057
Other services	1,673,393	-	-	(28,318)
Mass transit	2,825,922	149,598	1,581,712	1,617,032
Culture and recreation	12,775,390	99,331	-	215,275
Human/social assistance	1,018,994	-	315,102	-
Economic development	4,623,506	-	-	-
Interest and fiscal charges	2,948,926	-	-	-
Total governmental activities	<u>84,888,666</u>	<u>3,022,377</u>	<u>7,394,730</u>	<u>15,106,733</u>
Business-Type Activities:				
Water and sewer system	20,224,846	28,109,349	-	70,824
Interest and fiscal charges	1,915,151	-	-	-
Total business-type activities	<u>22,139,997</u>	<u>28,109,349</u>	<u>-</u>	<u>70,824</u>
Total primary government	<u>\$ 107,028,663</u>	<u>\$ 31,131,726</u>	<u>\$ 7,394,730</u>	<u>\$ 15,177,557</u>
COMPONENT UNIT:				
Hattiesburg Convention Commission	\$ 12,122,653	\$ 6,308,672	\$ -	\$ -
Total component unit	<u>\$ 12,122,653</u>	<u>\$ 6,308,672</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales tax
- Franchise taxes and other licenses and permits
- Special sales tax
- Internet sales tax
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other local sources
- Miscellaneous
- Gain on sale of assets

TRANSFERS:

- Transfers, component unit
- Transfers, net

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED

Prior period adjustment

NET POSITION - BEGINNING, AS ADJUSTED

NET POSITION - ENDING

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (10,397,585)		\$ (10,397,585)	
(30,610,590)		(30,610,590)	
3,559,748		3,559,748	
(1,701,711)		(1,701,711)	
522,420		522,420	
(12,460,784)		(12,460,784)	
(703,892)		(703,892)	
(4,623,506)		(4,623,506)	
(2,948,926)		(2,948,926)	
<u>(59,364,826)</u>		<u>(59,364,826)</u>	
-	\$ 7,955,327	7,955,327	
-	(1,915,151)	(1,915,151)	
-	6,040,176	6,040,176	
<u>(59,364,826)</u>	<u>6,040,176</u>	<u>(53,324,650)</u>	
			<u>\$ (5,813,981)</u>
			<u>(5,813,981)</u>
22,878,716	-	22,878,716	-
3,441,548	-	3,441,548	-
34,455,573	-	34,455,573	-
4,902,849	-	4,902,849	-
3,862,604	-	3,862,604	6,940,353
5,067,170	-	5,067,170	-
30,600	-	30,600	-
286,988	339,743	626,731	41,740
2,780,639	-	2,780,639	-
1,491,837	-	1,491,837	14,980
8,512	-	8,512	-
465,401	-	465,401	(465,401)
824,000	(824,000)	-	-
<u>80,496,437</u>	<u>(484,257)</u>	<u>80,012,180</u>	<u>6,531,672</u>
21,131,611	5,555,919	26,687,530	717,691
88,331,497	77,751,096	166,082,593	27,465,513
-	(430,993)	(430,993)	-
<u>88,331,497</u>	<u>77,320,103</u>	<u>165,651,600</u>	<u>27,465,513</u>
<u>\$ 109,463,108</u>	<u>\$ 82,876,022</u>	<u>\$ 192,339,130</u>	<u>\$ 28,183,204</u>

CITY OF HATTIESBURG, MISSISSIPPI

**Balance Sheet - Governmental Funds
September 30, 2023**

	General Fund	Municipal Road and Bridge Fund	COVID Fiscal Recovery Fund
ASSETS			
Cash and cash equivalents - unrestricted	\$ 17,780,189	\$ -	\$ -
Cash and cash equivalents - restricted	-	8,648,095	11,578,241
Cash with fiscal agent - restricted	-	-	-
Due from other funds	2,753,500	-	-
Sales tax receivable	2,940,394	-	-
Intergovernmental receivables	38,740	-	-
Fines receivable (net of allowance for doubtful accounts of \$25,265,182)	3,133,405	-	-
Other receivables	1,267,146	12,166	-
Lease receivable	-	-	-
Property taxes receivable	21,632,711	-	-
Due from other agencies	262	-	-
Inventory - gas and oil	23,060	-	-
Advances to other funds	500,000	-	-
Prepaid insurance	289,806	-	-
Total assets	\$ 50,359,213	\$ 8,660,261	\$ 11,578,241
LIABILITIES			
Accounts payable	\$ 909,329	\$ 84,529	\$ -
Due to other funds	579	2,170,000	-
Due to other governments	45,185	-	-
Accrued wages and benefits	2,169,118	-	-
Other liabilities	109,789	-	-
Advances from other funds	-	-	-
Total liabilities	3,234,000	2,254,529	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	21,400,000	-	-
Unavailable revenue - lease revenue	-	-	-
Unavailable revenue - grants	-	-	5,140,330
Unavailable revenue - fines	3,133,405	-	-
Total deferred inflows of resources	24,533,405	-	5,140,330
FUND BALANCES			
Nonspendable:			
Inventories	23,060	-	-
Prepaid expenses	289,806	-	-
Long-term interfund advance	500,000	-	-

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,715,488	\$ 20,495,677
2,421,701	14,889,042	37,537,079
169,739	154,438	324,177
-	910	2,754,410
-	296,670	3,237,064
-	424,771	463,511
-	-	3,133,405
-	-	1,279,312
-	213,879	213,879
-	3,924,777	25,557,488
-	-	262
-	-	23,060
-	-	500,000
-	-	289,806
\$ 2,591,440	\$ 22,619,975	\$ 95,809,130
\$ 1,001,216	\$ 715,439	\$ 2,710,513
-	583,500	2,754,079
-	129,400	174,585
-	148,175	2,317,293
-	605,898	715,687
-	500,000	500,000
1,001,216	2,682,412	9,172,157
-	3,900,000	25,300,000
-	213,879	213,879
-	-	5,140,330
-	-	3,133,405
-	4,113,879	33,787,614
-	-	23,060
-	-	289,806
-	-	500,000

EXHIBIT C
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Balance Sheet - Governmental Funds
September 30, 2023**

	General Fund	Municipal Road and Bridge Fund	COVID Fiscal Recovery Fund
FUND BALANCES (Cont.)			
Restricted:			
Public safety:			
Fire protection	\$ -	\$ -	\$ -
Law enforcement	-	-	-
Public services	-	-	-
Mass transit	-	-	-
Debt service	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	6,437,911
Committed:			
Culture and recreation	-	-	-
Assigned:			
General government	109,964	-	-
Public safety	214,507	-	-
Public services	270,044	6,405,732	-
Economic development	310,500	-	-
Other services	45	-	-
Unassigned	20,873,882	-	-
Total fund balances	<u>22,591,808</u>	<u>6,405,732</u>	<u>6,437,911</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,359,213</u>	<u>\$ 8,660,261</u>	<u>\$ 11,578,241</u>

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,093,004	\$ 1,093,004
-	1,140,638	1,140,638
-	2,605,209	2,605,209
-	910,501	910,501
-	7,517,124	7,517,124
300,000	2,056,524	2,356,524
1,290,224	364,794	8,092,929
-	754,170	754,170
-	-	109,964
-	-	214,507
-	-	6,675,776
-	-	310,500
-	-	45
-	(618,280)	20,255,602
<u>1,590,224</u>	<u>15,823,684</u>	<u>52,849,359</u>
<u>\$ 2,591,440</u>	<u>\$ 22,619,975</u>	<u>\$ 95,809,130</u>

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
September 30, 2023**

Total <i>fund balances</i> for governmental funds (Exhibit C)		\$	52,849,359
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:			
Land	\$	30,578,599	
Construction in progress		39,436,302	
Buildings and improvements, net of \$41,072,688 accumulated depreciation		64,597,988	
Machinery and equipment, net of \$35,778,204 accumulated depreciation		8,089,285	
Infrastructure, net of \$115,440,642 accumulated depreciation		68,960,060	
Intangible right-to-use assets, net of \$979,057 accumulated depreciation		<u>5,780,973</u>	
Total capital assets			217,443,207
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenue in the funds.			3,133,405
Receivables not received within thirty days of year end are not reported in the funds.			9,380,668
Deferred outflows related to pensions and OPEB are not reported in the funds:			
Related to pensions		19,670,820	
Related to OPEB		<u>1,699,067</u>	
Total deferred outflows			21,369,887

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

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
September 30, 2023**

Deferred inflows related to pensions and OPEB are not reported in the funds:

Related to pensions	\$ (1,732,647)	
Related to OPEB	<u>(5,958,731)</u>	
Total deferred inflows		\$ (7,691,378)

Payables not paid within thirty days of year end are not reported in the funds.

(13,445)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position. Balances for these liabilities at September 30, 2023 are:

Accrued interest on bonds and notes	(690,989)	
General obligation bonds	(50,500,000)	
Limited obligation tax increment financing bonds	(9,061,077)	
Economic development limited obligation bonds	(91,645)	
Unamortized premiums on bonds	(4,766,375)	
Certificates of participation	(4,125,000)	
Unamortized premiums on certificates of participation	(171,043)	
Notes from direct borrowings and direct placements	(2,027,846)	
Leases payable	(5,703,973)	
Subscription based intangible asset payable	(77,000)	
Compensated absences	(2,086,269)	
Claims and judgments	(385,072)	
Net pension liability	(99,473,975)	
Total OPEB liability	<u>(7,848,331)</u>	
Total long-term liabilities		<u>(187,008,595)</u>

Total net position of governmental activities (Exhibit A)

\$ 109,463,108

EXHIBIT D
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2023**

	<u>General Fund</u>	<u>Municipal Road and Bridge Fund</u>	<u>COVID Fiscal Recovery Fund</u>
REVENUES			
General property taxes	\$ 21,323,185	\$ -	\$ -
Sales tax collections	34,820,897	-	-
Special sales tax collections	-	-	-
Internet sales tax	-	-	-
Other taxes	10,741	-	-
Licenses and permits	4,699,112	-	-
Fines, forfeitures and penalties	667,813	-	-
Interest, rents and concessions	150,445	45,683	-
Intergovernmental revenues	1,143,330	7,325,872	1,297,566
Charges for services	2,365,392	-	-
Other revenues	446,265	-	-
Total revenues	<u>65,627,180</u>	<u>7,371,555</u>	<u>1,297,566</u>
EXPENDITURES			
Current:			
General government	11,177,328	-	-
Public safety	25,455,330	-	1,297,566
Public services	12,890,419	1,543,474	-
Other services	1,463,397	-	-
Mass transit	-	-	-
Culture and recreation	6,899,042	-	-
Human/social assistance	-	-	-
Economic development	4,023,506	-	-
Debt service:			
Principal payments	781,247	-	-
Interest and fiscal charges	340,973	-	-
Total expenditures	<u>63,031,242</u>	<u>1,543,474</u>	<u>1,297,566</u>
Excess (deficiency) of revenues over expenditures	<u>2,595,938</u>	<u>5,828,081</u>	<u>-</u>

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,705,793	\$ 26,028,978
-	-	34,820,897
-	3,889,493	3,889,493
-	5,067,170	5,067,170
-	-	10,741
-	-	4,699,112
-	163,827	831,640
24,115	168,920	389,163
6,306,443	4,538,031	20,611,242
-	1,124,731	3,490,123
-	975,004	1,421,269
<u>6,330,558</u>	<u>20,632,969</u>	<u>101,259,828</u>
-	-	11,177,328
647,671	2,004,008	29,404,575
14,834,155	2,610,044	31,878,092
-	259,321	1,722,718
-	4,202,875	4,202,875
-	14,302,415	21,201,457
-	959,907	959,907
-	600,000	4,623,506
-	1,911,347	2,692,594
-	2,487,769	2,828,742
<u>15,481,826</u>	<u>29,337,686</u>	<u>110,691,794</u>
<u>(9,151,268)</u>	<u>(8,704,717)</u>	<u>(9,431,966)</u>

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2023**

	General Fund	Municipal Road and Bridge Fund	COVID Fiscal Recovery Fund
<i>OTHER FINANCING SOURCES (USES)</i>			
Proceeds from long-term debt	\$ -	\$ -	\$ -
Proceeds from subscription based intangible assets	115,500	-	-
Proceeds from sale of capital asset	713,826	-	-
Other sources	188,981	-	-
Transfers in	-	-	-
Transfers out	(3,092,495)	-	-
<i>Total other financing sources (uses)</i>	(2,074,188)	-	-
<i>NET CHANGE IN FUND BALANCES</i>	521,750	5,828,081	-
Fund balances – beginning	22,070,058	577,651	6,437,911
Fund balances – ending	<u>\$ 22,591,808</u>	<u>\$ 6,405,732</u>	<u>\$ 6,437,911</u>

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

Series 2019 and 2020 Bond Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,500,000	\$ 5,500,000
-	-	115,500
-	-	713,826
-	663	189,644
-	3,916,495	3,916,495
-	-	(3,092,495)
-	9,417,158	7,342,970
(9,151,268)	712,441	(2,088,996)
10,741,492	15,111,243	54,938,355
<u>\$ 1,590,224</u>	<u>\$ 15,823,684</u>	<u>\$ 52,849,359</u>

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2023**

Net change in <i>fund balances</i> - governmental funds (Exhibit D)	\$ (2,088,996)
The change in <i>net position</i> reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$39,981,364) exceeded depreciation expense (\$10,058,256) in the current period.	
	29,923,126
Intergovernmental revenues are recognized on the full- accrual basis in the statement of activities for revenues received thirty days after year end. This is the amount of effect of the change in revenue.	
	3,318,561
Fine revenue deferred in the funds for the modified accrual basis during the current year decreased because prior year recognition would have been required in the statement of activities using the full-accrual basis of accounting.	
	(55,984)
Proceeds from issuance of long-term debt are reported in the governmental funds. However, in the statement of net position a long-term liability is recorded. Repayments of long-term debt are reported as expenses in the governmental funds but are recorded against the liability in the statement of net position. Thus, the change in net position differs from the change in fund balances by the net amount of the debt proceeds and repayments.	
	(2,784,027)

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

CITY OF HATTIESBURG, MISSISSIPPI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2023**

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

Compensated absences	\$	(48,199)	
Amortization of certificates of participation premium		13,157	
Amortization of bond premium		187,148	
Special sales tax payable		127,667	
Accrued interest on bonds and notes		(160,891)	
Combined adjustment		<u> </u>	\$ 118,882
Change related to pension deferred outflows and inflows and liabilities			(6,522,171)
Change related to other post employment benefit deferred outflows and liabilities			<u>(777,780)</u>
Change in <i>net position</i> of governmental activities (Exhibit B)			<u><u>\$ 21,131,611</u></u>

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position - Proprietary Fund
September 30, 2023**

	<u>Combined Water and Sewer System</u>
<i>CURRENT ASSETS</i>	
Cash and cash equivalents - unrestricted	\$ 10,844,659
Cash with fiscal agent - restricted	22,275,848
Accounts receivable - trade (net of allowance for doubtful accounts of \$4,436,199)	2,317,163
Other receivables	7,667
Total current assets	<u>35,445,337</u>
<i>NONCURRENT ASSETS</i>	
Cash and cash equivalents - restricted	1,684,134
Capital assets	
Land	358,164
Construction in progress	2,959,979
Buildings and improvements, net	125,197
Machinery and equipment, net	840,784
Infrastructure, net	118,852,348
Total noncurrent assets	<u>124,820,606</u>
<i>Total assets</i>	<u>160,265,943</u>
<i>DEFERRED OUTFLOW OF RESOURCES</i>	
Related to pensions	1,653,700
Related to OPEB	147,745
Prepaid bond insurance	363,791
<i>Total deferred outflows</i>	<u>2,165,236</u>
<i>CURRENT LIABILITIES</i>	
Accounts payable	1,769,612
Accrued wages and benefits payable	232,450
Sales tax payable	17,211
Due to governmental funds	331
Accrued interest payable	586,353
Other liabilities	152,996
General obligation bonds - current	585,000
General obligation note payable - current	40,321
Revenue bonds - current	24,792,000
Unamortized bond premium - current	16,478
Compensated absences - current	59,529
Total current liabilities	<u>28,252,281</u>

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

EXHIBIT E
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Net Position - Proprietary Fund
September 30, 2023**

	<u>Combined Water and Sewer System</u>
<i>NON-CURRENT LIABILITIES</i>	
General obligation bonds	\$ 1,425,000
General obligation note payable	415,173
Revenue bonds	38,855,000
Unamortized bond premium	103,639
Compensated absences	337,329
Net pension liability	7,063,453
OPEB liability	614,048
Customer meter deposits	1,684,134
Total non-current liabilities	<u>50,497,776</u>
<i>Total liabilities</i>	<u>78,750,057</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>	
Related to OPEB	518,151
Related to contracts	286,949
<i>Total deferred inflows</i>	<u>805,100</u>
<i>NET POSITION</i>	
Net investment in capital assets	75,653,861
Restricted for debt service	9,642,063
Restricted for capital projects	185,172
Unrestricted	<u>(2,605,074)</u>
<i>Total net position</i>	<u>\$ 82,876,022</u>

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

EXHIBIT F

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Revenues, Expenses, and Changes In Net Position -
Proprietary Fund
Year Ended September 30, 2023**

	<u>Combined Water and Sewer System</u>
OPERATING REVENUES	
Water charges	\$ 13,176,551
Sewer charges	14,484,730
Sewer connections	45,694
Turn-on fees	62,393
Taps	339,981
Total operating revenues	<u>28,109,349</u>
OPERATING EXPENSES	
Personnel services	3,919,856
Other services and charges	9,025,443
Supplies and expenses	2,351,320
Depreciation	4,577,662
Other operating expenses	349,966
Total operating expenses	<u>20,224,247</u>
OPERATING INCOME	<u>7,885,102</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	339,743
Interest expense	(1,915,151)
Intergovernmental revenue	70,824
Other expenses	(599)
Total non-operating revenues (expenses)	<u>(1,505,183)</u>
INCOME BEFORE TRANSFERS	6,379,919
Transfers out	(824,000)
Total transfers	<u>(824,000)</u>
CHANGE IN NET POSITION	5,555,919
NET POSITION - beginning	77,751,096
Prior period adjustment	(430,993)
NET POSITION - beginning, as adjusted	<u>77,320,103</u>
NET POSITION - ending	<u>\$ 82,876,022</u>

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

EXHIBIT G
PAGE 1 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Cash Flows - Proprietary Fund
Year Ended September 30, 2023**

	Combined Water and Sewer System
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 27,759,514
Payments to suppliers and service providers	(11,643,616)
Payments to employees for salaries and benefits	(3,103,053)
Net cash provided by operating activities	<u>13,012,845</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers to other funds	(824,000)
Net cash used by noncapital financing activities	<u>(824,000)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Proceeds from long-term debt issued	455,494
Principal payments - bonds and notes	(5,750,000)
Proceeds placed with fiscal agent	19,419,007
Intergovernmental cash receipts	70,824
Acquisition and construction of capital assets	(5,858,940)
Other payments	(599)
Interest paid on capital debt	(1,987,247)
Net cash provided by capital and related financing activities	<u>6,348,539</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Interest income	339,743
Net cash provided by investing activities	<u>339,743</u>
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	18,877,127
<i>CASH AND CASH EQUIVALENTS - Beginning</i>	<u>15,927,514</u>
<i>CASH AND CASH EQUIVALENTS - Ending</i>	<u><u>\$ 34,804,641</u></u>
Displayed on Exhibit E as:	
Current Assets:	
Cash and cash equivalents - unrestricted	\$ 10,844,659
Cash with fiscal agent - restricted	22,275,848
Non-Current Assets:	
Cash and cash equivalents - restricted	<u>1,684,134</u>
	<u><u>\$ 34,804,641</u></u>

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

EXHIBIT G
PAGE 2 OF 2

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Cash Flows - Proprietary Fund
Year Ended September 30, 2023**

	<u>Combined Water and Sewer System</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
<i>Operating income</i>	\$ 7,885,102
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	4,577,662
Decrease (increase) in assets:	
Accounts receivable - trade	(332,555)
Deferred outflows related to pension	(885,450)
Deferred outflows related to OPEB	22,678
Prepaid insurance - bonds	16,256
Increase (decrease) in liabilities:	
Due from/to other governmental funds	(1,407)
Accounts payable	113,997
Other liabilities	(45,733)
Accrued wages and benefits payable	119,684
Sales tax payable	(38,394)
Compensated absences	202,638
Net pension liability	1,310,714
Total OPEB liability	(243,441)
Customer meter deposits	76,154
Deferred inflows related to OPEB	289,980
Deferred inflows related to contracts	(55,040)
Total adjustments	<u>5,127,743</u>
<i>Net cash provided by operating activities</i>	<u>\$ 13,012,845</u>

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

EXHIBIT H

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Fiduciary Net Position
September 30, 2023**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 89,571
Other receivables	1,026,359
Sales tax receivable	<u>72,243</u>
Total assets	<u><u>\$ 1,188,173</u></u>
LIABILITIES	
Due to other funds	\$ 247,177
Other liabilities	<u>1,320</u>
Total liabilities	<u><u>248,497</u></u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	<u>939,676</u>
Total net position	<u><u>939,676</u></u>
Total liabilities and net position	<u><u>\$ 1,188,173</u></u>

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

EXHIBIT I

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2023**

	Custodial Funds
ADDITIONS	
Property tax revenues	\$ 50,781,948
Sales tax revenues	954,021
Intergovernmental revenues	445,000
Other revenues	26,717
Interest	12,224
Total additions	<u>52,219,910</u>
DEDUCTIONS	
Payments of taxes to other funds	50,252,468
Administrative expense	61,554
Other expense	1,519,326
Total deductions	<u>51,833,348</u>
CHANGE IN FIDUCIARY NET POSITION	386,562
NET POSITION - BEGINNING	<u>553,114</u>
NET POSITION - ENDING	<u>\$ 939,676</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information

The City of Hattiesburg, Mississippi (the City) was incorporated in 1884 under the laws of the State of Mississippi and presently operates under a Mayor/Council form of government. It is the fifth largest municipality in the state with approximately 47,000 residents. The policy-making and legislative authority, as well as budgetary responsibilities, are vested with the City Council. The following services are provided by the City: Public Safety (Police, Fire, and Code Enforcement), Public Services, Engineering, Solid Waste Collection, Water and Sewer, Culture and Recreation, Mass Transit, Federal Programs, Urban Development, and General Administrative Services.

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

B. Reporting Entity

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

Discretely presented component unit - The Hattiesburg Convention Commission (the Commission) is composed of a seven member board whose members are appointed by the Hattiesburg City Council. The purpose of the Commission is to promote conventions and tourism. The Commission has authority over all matters relating to the establishment, development, construction, furnishing, and equipping of convention and tourism related facilities. The Commission is primarily funded by a 2.00% sales tax on local food, beverage, and alcoholic beverage package retailer permits. The Commission is presented as a governmental fund type. Pursuant to component unit criteria guidelines, the Commission is presented as a discretely presented component unit based upon the budgetary oversight provided by the City in conjunction with other related criteria including, but not limited to, the City's ability to make board appointments and the Commission's status as a legally separate entity.

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

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2023

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2023

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

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

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

The City reports the following major governmental funds:

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

Municipal Road and Bridge Fund - The Municipal Road and Bridge Fund is a special revenue fund that accounts for resources restricted for the purpose of construction, repair and maintenance of roads and bridges.

COVID Fiscal Recovery Fund - The COVID Fiscal Recovery Fund is a special revenue fund that accounts for water and sewer infrastructure projects funded by Coronavirus State Fiscal Recovery Fund Grant monies awarded through the U.S. Department of Treasury.

Series 2019 and 2020 Bond Projects Fund - The Series 2019 and 2020 Bond Projects Fund represents the City's major capital project fund. It accounts for all infrastructure projects associated with the Series 2019 and 2020 Bond Issuances.

The City reports the following major proprietary fund:

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2023

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

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPE

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meet specific criteria.

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FIVE

YEAR ENDED SEPTEMBER 30, 2023

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

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

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

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

Deposits and Investments

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

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral, and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney and have been validated by decree of the chancery court. Investments for the City and its component unit are reported at fair value.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED SEPTEMBER 30, 2023

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

Interfund Transactions and Balances

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

Receivables

All receivables for sales taxes and property taxes are considered collectible; therefore no reduction has been made for an allowance for these receivables. Fees paid in lieu of ad valorem taxes pursuant to separate agreements are recognized when collected or when probability of receipt is reasonably certain. Fines receivable is reported net of allowance for uncollectible accounts at September 30, 2023. Credits against fines are applied for any jail time served, community service, or electronic monitoring. Since any such credits are not known until actual events occur, the amounts of those credits cannot be reasonably estimated before they are earned. Therefore, future credits to be applied against existing fines receivable are not estimated or reflected in the City’s financial statements.

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

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

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SEVEN

YEAR ENDED SEPTEMBER 30, 2023

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

Inventories and Prepaid Items

All inventories are valued at cost, which approximates market, using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and improvements	20 – 50 years
Infrastructure	10 – 50 years
Machinery and equipment	3 – 15 years
Intangible right-to-use assets	**

** Intangible assets for the City represent right-to-use leased assets and are capitalized as a group for reporting purposes. The estimated useful life is the term of the lease agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives are not amortized.

The term “depreciation” includes the amortization of intangible assets.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED SEPTEMBER 30, 2023

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

Pensions

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

Deferred Outflows/Inflows of Resources

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

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

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE NINE

YEAR ENDED SEPTEMBER 30, 2023

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

Compensated Absences

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

Leases

The City's incremental borrowing rate is determined using the daily treasury rate that is in effect at the start of the lease adjusted by 1.00% based on the quality of the City's credit. This rate is used to calculate the present value of lease payments when the rate implicit in the lease is not known.

Long-Term Obligations

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

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

Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TEN

YEAR ENDED SEPTEMBER 30, 2023

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

Net Position

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

Fund Balance Policies

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

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE ELEVEN

YEAR ENDED SEPTEMBER 30, 2023

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

F. Budgets and Budgetary Accounting

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

1. In August, the City's Chief Financial Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 15, the budget is legally enacted through the passage of an ordinance by the City Council. The budget may be subsequently amended by action of the City Council.
3. The City's Chief Financial Officer is authorized to transfer budgeted amounts within departments within the published expenditure categories; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. All funds, with the exception of Fiduciary Funds, are budgeted, including the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds. These budgets are prepared on a cash basis, modified for encumbrances for goods and services which have not been received.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Pursuant to the Mississippi State Department of Audit's prescribed format, expenditures are budgeted by department and class as follows: personal services, supplies, other services and charges, capital outlays, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final approval of the City Council. Cumulative increases to departmental expenditures in excess of 10.00% must also be published in the local newspaper.

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

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE TWELVE

YEAR ENDED SEPTEMBER 30, 2023

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

G. Use of Estimates

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

H. Change in Accounting Standard

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), was implemented during fiscal year 2023. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purpose of this statement is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs.

NOTE 2 - PRIOR PERIOD ADJUSTMENT

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

Exhibit B (Business-Type Activities) and Exhibit F	Amount
<i>Correction of Error:</i>	
To correct posting of prior year activity in the current year	\$ (430,993)

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTEEN

YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS

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

The carrying amount of the City's deposits with financial institutions and petty cash reported in the government-wide statements was \$70,561,628 (exclusive of cash with fiscal agents disclosed below). The bank balance was \$80,444,848. The City's long standing, although not formally adopted, investment policy is based upon all bank accounts being fully collateralized (using the procedures described above) and interest-bearing with rates updated on a quarterly basis and benchmarked using verifiable appropriate federal funds rates. Interest is calculated using average balances and recorded monthly.

Custodial Credit Risk - Deposits - Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2023, the City's bank balance was not exposed to custodial credit risk because deposits are covered by the State Treasurer collateral pool.

Cash with Fiscal Agents - The carrying amount of the City's cash with fiscal agents held by financial institutions was \$22,599,946.

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

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,006,098	\$ 267,501	\$ (695,000)	\$ 30,578,599
Construction in progress	16,598,299	34,324,873	(11,486,870)	39,436,302
Total capital assets not being depreciated	<u>47,604,397</u>	<u>34,592,374</u>	<u>(12,181,870)</u>	<u>70,014,901</u>
Capital assets being depreciated:				
Buildings and improvements	104,784,736	885,939	-	105,670,675
Machinery and equipment	39,938,174	5,180,748	(546,811)	44,572,111
Infrastructure	173,012,012	11,388,691	-	184,400,703
Total capital assets being depreciated	<u>317,734,922</u>	<u>17,455,378</u>	<u>(546,811)</u>	<u>334,643,489</u>
Less accumulated depreciation for:				
Buildings and improvements	37,430,895	3,641,792	-	41,072,687
Machinery and equipment	35,778,204	1,251,433	(546,811)	36,482,826
Infrastructure	110,790,997	4,649,646	-	115,440,643
Total accumulated depreciation	<u>184,000,096</u>	<u>9,542,871</u>	<u>(546,811)</u>	<u>192,996,156</u>
Total capital assets being depreciated, net	<u>133,734,826</u>	<u>7,912,507</u>	<u>-</u>	<u>141,647,333</u>
Governmental activities capital assets, net	<u>\$ 181,339,223</u>	<u>\$ 42,504,881</u>	<u>\$ (12,181,870)</u>	<u>211,662,234</u>
Lease and SBITA assets, net				<u>5,780,973</u>
Total capital assets, net as reported in the statement of net position				<u>\$ 217,443,207</u>

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 4 - CAPITAL ASSETS (Cont.)

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 358,164	\$ -	\$ -	\$ 358,164
Construction in progress	609,274	5,673,103	(3,322,398)	2,959,979
Total capital assets not being depreciated	<u>967,438</u>	<u>5,673,103</u>	<u>(3,322,398)</u>	<u>3,318,143</u>
Capital assets being depreciated:				
Buildings and improvements	478,071	-	-	478,071
Machinery and equipment	10,228,774	185,837	-	10,414,611
Infrastructure	169,722,612	3,322,398	-	173,045,010
Total capital assets being depreciated	<u>180,429,457</u>	<u>3,508,235</u>	<u>-</u>	<u>183,937,692</u>
Less accumulated depreciation for:				
Buildings and improvements	344,275	8,599	-	352,874
Machinery and equipment	9,365,110	208,717	-	9,573,827
Infrastructure	49,832,316	4,360,346	-	54,192,662
Total accumulated depreciation	<u>59,541,701</u>	<u>4,577,662</u>	<u>-</u>	<u>64,119,363</u>
Total capital assets being depreciated, net	<u>120,887,756</u>	<u>(1,069,427)</u>	<u>-</u>	<u>119,818,329</u>
Business-type activities capital assets, net	<u>\$ 121,855,194</u>	<u>\$ 4,603,676</u>	<u>\$ (3,322,398)</u>	<u>\$ 123,136,472</u>

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 4 - CAPITAL ASSETS (Cont.)

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

Governmental Activities:		
General government		\$ 211,879
Public safety		1,866,344
Public services – which includes the depreciation of infrastructure assets		4,970,403
Other services		616,275
Mass transit		734,356
Culture and recreation		<u>1,143,614</u>
Total depreciation expense - governmental activities		<u><u>\$ 9,542,871</u></u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to/from various City funds at September 30, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Municipal road and bridge fund	\$ 2,170,000
General fund	Nonmajor governmental funds	583,500
Nonmajor governmental funds	General fund	579
Nonmajor governmental funds	Combined Water and Sewer System	<u>331</u>
Total		<u><u>\$ 2,754,410</u></u>

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

Advances to/from other funds at September 30, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u><u>\$ 500,000</u></u>

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont.)

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

The composition of interfund transfers for the year ended September 30, 2023, is as follows:

<u>Transfers out:</u>	<u>Transfers In:</u>	
	<u>Other Governmental Funds</u>	
General fund	\$	3,092,495
Combined water and sewer system		824,000
Total	\$	3,916,495

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

NOTE 6 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES

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

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 6 - AD VALOREM TAXES LEVIED FOR OTHER GOVERNMENTAL ENTITIES (Cont.)

For the fiscal year 2023, the following ad valorem tax levies were made in accordance with the applicable statutory requirements and authorizations:

<u>Entity/Purpose of Levy</u>	<u>Applicable State Law</u>	<u>Mills Levied</u>
School District:		
Operational Support	37-57-105	58.33
School Bonded Indebtedness	37-59-23	7.75
Library (support, upkeep and maintenance of Hattiesburg Public Library System)	39-3-7	1.95

NOTE 7 - CLAIMS AND JUDGMENTS

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

To limit its exposure to risk under this self-insured program, the City maintains reinsurance which provides two separate stop loss coverages: specific and aggregate. These coverages are provided by an outside commercial carrier. For fiscal year 2023, the specific coverage begins when an individual participant's claim exceeds \$125,000, with unlimited maximum benefit per covered person. The aggregate policy covers all submitted claims in excess of the minimum aggregate deductible, which is the greater of \$5,573,666 or 95% of the annualized first monthly aggregate deductible. Maximum covered expenses of \$125,000 per covered person accumulate toward the unlimited maximum aggregate benefit.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 7 - CLAIMS AND JUDGMENTS (Cont.)

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal year 2023:

Unpaid claims, beginning of fiscal year	\$ 372,316
Plus: Incurred claims (including IBNRs)	4,126,518
Less: Claims payments	<u>(4,247,074)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 251,760</u></u>

Cash on deposit in the Group Insurance Fund at September 30, 2023 was \$562,714. Based on the above project of net unpaid claims in excess of cash on deposit, interfund receivables were established from the respective operating funds at September 30, 2023.

Kohler Tax Exemption Judgment - Pursuant to the settlement and mutual release, effective January 31, 2019, the City agreed to pay Kohler Company \$599,250 in tax refunds over a period of 10 years. Installments of \$50,000 are due December 31 of each year. These payments may be processed as either cash settlements or ad valorem tax credits each year at the option of the City. See Note 9 for additional information related to the payment schedule.

NOTE 8 - INTANGIBLE RIGHT-TO-USE LEASES AND SUBSCRIPTION BASED IT ASSETS

A summary of lease and SBITA assets activity during the year ended September 30, 2023 is as follows:

	<u>Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>September 30, 2023</u>
Lease assets:			
Equipment	\$ 6,243,456	\$ -	\$ 6,243,456
Land	215,725	-	215,725
Property	<u>185,349</u>	<u>-</u>	<u>185,349</u>
Total lease assets	<u>6,644,530</u>	<u>-</u>	<u>6,644,530</u>

(Table Continued on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 8 - INTANGIBLE RIGHT-TO-USE LEASES AND SUBSCRIPTION BASED IT ASSETS (Cont.)

	<u>Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>September 30, 2023</u>
Less accumulated amortization for:			
Lease assets:			
Equipment	\$ 458,699	\$ 469,382	\$ 928,081
Land	3,935	3,174	7,109
Property	1,038	4,329	5,367
	<u>463,672</u>	<u>476,885</u>	<u>940,557</u>
Total accumulated amortization			
	<u>463,672</u>	<u>476,885</u>	<u>940,557</u>
Total lease assets, net	<u>6,180,858</u>	<u>(476,885)</u>	<u>5,703,973</u>
SBITA assets	-	115,500	115,500
Less accumulated amortization	-	38,500	38,500
	<u>-</u>	<u>77,000</u>	<u>77,000</u>
SBITA assets, net	<u>-</u>	<u>77,000</u>	<u>77,000</u>
Total lease and SBITA assets, net	<u>\$ 6,180,858</u>	<u>\$ (553,885)</u>	<u>\$ 5,780,973</u>

A summary of lease and subscription IT liabilities during the year ended September 30, 2023 is as follows:

	<u>Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2023</u>
Lease payable	\$ 6,180,858	\$ -	\$ 476,885	\$ 5,703,973
SBITA payable	-	115,500	38,500	77,000
Total	<u>\$ 6,180,858</u>	<u>\$ 115,500</u>	<u>\$ 515,385</u>	<u>\$ 5,780,973</u>

Leases

The City is a lessee for various non-cancellable leases of equipment, land and property. For leases that have a maximum possible term of 12 months or less at commencement, the City recognizes expense based on the provisions of the lease contract. For all other leases, other than short-term, the City recognized a lease liability and an intangible right-to-use lease asset.

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-ONE
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8 - INTANGIBLE RIGHT-TO-USE LEASES AND SUBSCRIPTION BASED IT ASSETS (Cont.)

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in amortization expense on an effective interest rate method over the shorter of the lease term or the useful life of the underlying asset.

The City generally uses its incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The City's incremental borrowing rate is determined using the daily treasury rate that is in effect at the start of the lease adjusted by 1.00% based on the quality of the City's credit.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either the City or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the City and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

As lessee:

The City had outstanding lease liabilities at September 30, 2023 with the following terms:

	<u>Discount Rate</u>	<u>Term</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Monthly Payment</u>		<u>Amount Outstanding</u>
Equipment	1.71% - 2.58%	48-192 months	Various	Various	\$295,429	A	\$ 5,315,375
Land	3.04%	40 years	10/1/2021	8/13/2059	9,613	B	208,616
Property	4.20%	25 years	6/1/2022	6/01/2047	1,000	C	<u>179,982</u>
Total							<u><u>\$ 5,703,973</u></u>

The lease agreements can only be cancelled if both parties agree. There are no options to extend the leases.

- A. One of these leases includes a payment escalation that occurs every February 4th throughout the lease term. The other leases contain fixed payment amounts.
- B. This lease contains a variable payment adjustment based on the Consumer Price Index.

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-TWO
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8 - INTANGIBLE RIGHT-TO-USE LEASES AND SUBSCRIPTION BASED IT ASSETS (Cont.)

C. This lease contains a variable payment adjustment that will be made upon completion of the project based on an appraisal of the property and this amount will remain in effect for the remaining first five-year term. A new appraisal will be completed at the beginning of each new five-year term to determine the lease payment for that period.

The following is a schedule by year of the total payments due:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 494,888	\$ 147,355
2025	517,168	134,508
2026	543,190	121,004
2027	574,655	106,727
2028	608,499	91,644
2029-2033	2,669,408	207,466
2034-2038	60,849	47,214
2039-2043	73,380	34,683
2044-2048	73,192	19,871
2049-2053	36,740	11,322
2054-2058	42,675	5,388
2059	9,329	284
Total	\$ 5,703,973	\$ 927,466

As lessor:

On April 3, 2018, the City entered into a lease agreement with an aviation company for the use of the facility owned by the City for the purpose of having access to the facility as a general fixed base operator. The lease stipulated that the lessee would pay approximately \$1,510 per month in lease payments expiring April 3, 2033, with an option to extend the lease for an additional five-year term, for a term of 20 years. Variable payments above the base amount are not included in the measurement of the lease receivable. The City is to receive \$18,120 in rent annually with an implicit interest rate of 2.99%.

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8 - INTANGIBLE RIGHT-TO-USE LEASES AND SUBSCRIPTION BASED IT ASSETS (Cont.)

Remaining amounts to be received associated with this lease are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 11,863	\$ 6,257
2025	12,240	5,880
2026	12,612	5,508
2027	12,994	5,126
2028	13,375	4,744
2029-2033	73,281	17,319
2034-2038	<u>77,514</u>	<u>5,536</u>
Total	<u>\$ 213,879</u>	<u>\$ 50,370</u>

SBITA Payable

On February 8, 2022, the City entered into a software subscription agreement with Environmental Systems Research Institute (ESRI), a software company for the use of ESRI term license software. The software terms stipulated that the City would pay approximately \$38,500 annually in software subscription payments expiring February 8, 2025.

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 34,455	\$ 4,045
2025	<u>42,545</u>	<u>2,241</u>
Total	<u>\$ 77,000</u>	<u>\$ 6,286</u>

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City and have been issued for both governmental and business-type activities. The City has no special assessment bonds at September 30, 2023. Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 5 to 30 years. Upon default, the Trustee shall notify the owners of all bonds then outstanding of such event of default by registered or certified mail, may pursue any available remedy at law or in equity or by stature to enforce the payment of principal of and interest on the bonds outstanding, and may declare the principal of and accrued interest on all bonds to be due and payable immediately.

General obligation bonds outstanding at September 30, 2023 are as follows:

General Obligation Bonds

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/23</u>
Public Improvements	2019	\$ 29,850,000	3.00 - 5.25%	2049	\$ 29,850,000
Public Improvements	2020	15,150,000	3.00 - 4.00%	2050	15,150,000
Public Improvements	2022	5,500,000	3.75%	2027	<u>5,500,000</u>
Total					<u><u>\$ 50,500,000</u></u>
<u>Business-type Activities:</u>					
Public Improvements	2011	\$ 3,600,000	2.60 - 3.70%	2031	\$ 1,630,000
Public Improvements	2016	4,605,000	2.00 - 3.00%	2024	<u>380,000</u>
Total					<u><u>\$ 2,010,000</u></u>

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-FIVE
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Limited Obligation Tax Increment Financing Bonds

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

Limited obligation TIF bonds outstanding at September 30, 2023 are as follows:

Limited Obligation TIF Bonds

Governmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/23
Chauvet Square	2007	\$ 1,400,000	4.50%	2027	\$ 690,000
Turtle Creek Crossing	2011	400,000	5.68%	2025	50,000
Southern Pointe	2014	2,600,000	4.85%	2029	1,260,000
Hattiesburg Clinic - Midtown Project	2015	845,000	3.90 - 4.00%	2031	514,000
Ridge at Turtle Creek	2016	1,225,000	5.50%	2031	770,000
Midtown Market	2016	210,000	5.50%	2031	133,000
Whispering Pines	2016	3,021,000	4.00 - 4.75%	2031	1,834,000
Turtle Creek Phase III	2019	750,000	5.50%	2028	455,000
Elam Arms	2020	3,215,000	4.15%	2035	2,718,000
Planet Fitness	2020	768,000	3.00%	2036	637,077
Total					\$ 9,061,077

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Certificates of Participation

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

At completion, the Corporation entered into a 20 year agreement with the City, with the City being obligated to make payments to the Corporation equal to the principal and interest payments on the debt. When the debt is paid, the City will assume ownership of the facilities. The obligation is not a general obligation and does not constitute a pledge of full faith and credit of the City. Upon default, the City will be liable for, any deficiency resulting from said reletting of the Project or sale of the Improvements, or from the continuation of this Lease by the Lessor, beyond the amount of the specific appropriation, if any, by the City for the Project for the Fiscal Year in which the default occurred reduced by the amount of said current and specific appropriation disbursed by the City in accordance with the terms of this Lease and the Trust Agreement.

There is an unamortized premium of \$171,043 which is not included in the principal in the following schedule:

Certificates of Participation

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/23</u>
Certificates of Participation	2016	\$ 5,300,000	3.00 - 5.00%	2036	<u>\$ 4,125,000</u>

Economic Development Limited Obligation Bonds

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

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Limited obligation bonds and notes outstanding at September 30, 2023 are as follows:

Economic Development Limited Obligation Bonds

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/23</u>
MDB Limited Obligation Bonds	2009	\$ 2,937,000	2.90 - 6.00%*	2030	<u>\$ 91,645</u>

*Variable rate for MDB debt is adjusted weekly using the SIFMA Muni-Index plus 1.20%.

Notes from Direct Borrowings and Direct Placements

The City issues notes to provide funds for the acquisition and construction of major capital facilities. These notes from direct borrowings and direct placements are direct obligations and pledge the full faith and credit of the City and have been issued for governmental activities. Notes from direct borrowings and direct placements are generally issued with a five-year maturity. The City has no anticipation notes at September 30, 2023. Upon default, the notes from direct borrowings and direct placements become immediately due in full.

Notes from direct borrowings and direct placements outstanding at September 30, 2023 are as follows:

Notes from Direct Borrowings/Direct Placements

<u>Governmental Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/23</u>
Fire truck	2018	\$ 439,502	2.83%	2025	\$ 108,930
Public Improvements	2019	494,000	1.52%	2025	205,875
Public Improvements	2019	4,100,000	1.82%	2025	<u>1,713,041</u>
Total					<u><u>\$ 2,027,846</u></u>

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Business-type Activities (Water and Sewer) Revenue Bonds

In addition to water and sewer general obligation bonds, the City also issues water and sewer revenue bonds to provide funds for the acquisition and construction of water and sewer system infrastructure and related improvements and system rehabilitation. These bonds are secured by water and sewer operating revenues and are subject to the requirements of the respective revenue bond documents. These bond documents include important parity debt requirements with the issuance of each new series of revenue bonds and require annual net revenue tests to be performed in accordance with the prescribed calculations. Water and sewer rates are required to be adjusted if debt requirements are not met. Upon default, the Trustee shall notify the owners of all bonds then outstanding of such event of default by registered or certified mail, may pursue any available remedy at law or in equity or by statute to enforce the payment of principal of and interest on the bonds outstanding, and may declare the principal of and accrued interest on all bonds to be due and payable immediately.

Bonds are generally issued as serial bonds with essentially level principal and interest payments maturing each year with maturities that range from 10 to 25 years. Revenue bonds outstanding at September 30, 2023 are as follows:

Revenue Bonds

<u>Business-type Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 9/30/23</u>
W&S Revenue Project, Series 2012	2012	\$ 12,500,000	2.50 - 5.00%	2024	\$ 640,000
W&S Refunding Bonds, Series 2013	2014	28,000,000	2.75 - 4.78%	2027	24,650,000
W&S Refunding Bonds, Series 2021	2021	38,402,000	0.95% - 2.50%	2038	37,257,000
Total					<u><u>\$ 62,547,000</u></u>

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

State Revolving Loan Fund Notes

In addition to water and sewer revenue bonds, the City has utilized financing available under the State of Mississippi Revolving Loan Fund (SRF) program to provide funds for qualified sewer projects. Monthly principal and interest payments for the repayment of this note is deducted from the City's monthly sales tax diversion payments from the Mississippi Department of Revenue, with monthly reimbursements to the City's general fund being made from monthly operating sewer system revenues as authorized by the City's budget document. The SRF note outstanding at September 30, 2023 is as follows:

State Revolving Loan Funds

			Interest		
<u>Business-type Activities:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 09/30/23</u>
SRF	2022	\$ 455,494	1.95%	7/1/2042	<u>\$ 455,494</u>

Compensated Absences

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

Compensated absences at September 30, 2023 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>
Accrued vacation pay	\$ 1,986,826	\$ 396,198	\$ 2,383,024
Accrued overtime pay	11,141	660	11,801
Accrued holiday pay	88,302	-	88,302
Total	<u>\$ 2,086,269</u>	<u>\$ 396,858</u>	<u>\$ 2,483,127</u>

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2023 are as follows:

	Balance
	September 30, 2022
<u>Governmental Activities:</u>	
Bonds and notes payable	
General obligation bonds	\$ 45,000,000
Unamortized premium on bonds	4,953,523
Limited obligation TIF bonds	10,093,039
Certificates of participation	4,345,000
Unamortized premium on certificates of participation	184,200
Economic development limited obligation bonds	113,208
Notes from direct borrowings and direct placements	3,006,231
Total bonds and notes payable	<u>67,695,201</u>
Compensated absences	2,038,070
Claims and judgments	449,250
Governmental activities long-term liabilities	<u>\$ 70,182,521</u>
<u>Business-type Activities:</u>	
Bonds and notes payable	
General obligation bonds	\$ 2,860,000
Revenue bonds	48,697,000
Unamortized premium on bonds	165,497
State revolving loan funds	-
Total bonds and notes payable	<u>51,722,497</u>
Compensated absences	194,220
Business-type activities long-term liabilities	<u>\$ 51,916,717</u>

<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance September 30, 2023</u>	<u>Due Within One Year</u>
\$ 5,500,000	\$ -	\$ -	\$ 50,500,000	\$ 1,919,000
-	(187,148)	-	4,766,375	187,148
-	(1,031,962)	-	9,061,077	1,023,049
-	(220,000)	-	4,125,000	230,000
-	(13,157)	-	171,043	13,158
-	(21,563)	-	91,645	21,563
-	(978,385)	-	2,027,846	1,012,712
<u>5,500,000</u>	<u>(2,452,215)</u>	<u>-</u>	<u>70,742,986</u>	<u>4,406,630</u>
48,199	-	-	2,086,269	319,986
-	(64,178)	-	385,072	64,178
<u>\$ 5,548,199</u>	<u>\$ (2,516,393)</u>	<u>\$ -</u>	<u>\$ 73,214,327</u>	<u>\$ 4,790,794</u>
\$ -	\$ (850,000)	\$ -	\$ 2,010,000	\$ 585,000
-	(4,900,000)	19,850,000	63,647,000	24,792,000
-	(45,380)	-	120,117	16,478
455,494	-	-	455,494	40,321
<u>455,494</u>	<u>(5,795,380)</u>	<u>19,850,000</u>	<u>66,232,611</u>	<u>25,433,799</u>
202,638	-	-	396,858	59,529
<u>\$ 658,132</u>	<u>\$ (5,795,380)</u>	<u>\$ 19,850,000</u>	<u>\$ 66,629,469</u>	<u>\$ 25,493,328</u>

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

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

Governmental Activities:

<u>Year Ending September 30,</u>	<u>G.O. Bonds</u>		<u>Limited Obligation TIF Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,919,000	\$ 2,248,848	\$ 1,023,049	\$ 397,344
2025	1,990,000	2,065,826	1,062,370	350,753
2026	2,435,000	1,976,137	1,091,731	302,403
2027	2,521,000	1,877,532	1,138,133	252,965
2028	1,135,000	1,802,956	997,577	199,732
2029-2033	6,465,000	8,225,081	3,067,111	439,995
2034-2038	8,075,000	6,617,793	681,106	40,315
2039-2043	9,915,000	4,774,803	-	-
2044-2048	12,280,000	2,409,075	-	-
2049-2051	3,765,000	124,762	-	-
Total	\$ 50,500,000	\$ 32,122,813	\$ 9,061,077	\$ 1,983,507

<u>Year Ending September 30,</u>	<u>Certificates of Participation</u>		<u>Economic Development Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 230,000	\$ 178,700	\$ 21,563	\$ 1,742
2025	240,000	171,650	21,563	1,567
2026	245,000	164,375	21,563	1,411
2027	260,000	154,200	21,563	1,270
2028	270,000	140,950	5,393	635
2029-2033	1,665,000	480,312	-	-
2034-2036	1,215,000	83,363	-	-
Total	\$ 4,125,000	\$ 1,373,550	\$ 91,645	\$ 6,625

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

<u>Year Ending September 30,</u>	<u>Notes from Direct Borrowings and Direct Placements</u>		<u>Total Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,012,712	\$ 28,809	\$ 4,270,502	\$ 2,855,443
2025	1,015,134	9,889	4,393,245	2,599,685
Total	\$ 2,027,846	\$ 38,698		

<u>Year Ending September 30,</u>	<u>Claims and Judgments</u>		<u>Total Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 64,178	\$ -	\$ 4,270,502	\$ 2,855,443
2025	64,178	-	4,393,245	2,599,685
2026	64,178	-	3,857,472	2,444,326
2027	64,178	-	4,004,874	2,285,967
2028	64,178	-	2,472,148	2,144,273
2029-2033	64,182	-	11,261,293	9,145,388
2034-2038	-	-	9,971,106	6,741,471
2039-2043	-	-	9,915,000	4,774,803
2044-2048	-	-	12,280,000	2,409,075
2049-2051	-	-	3,765,000	124,762
Total	\$ 385,072	\$ -	\$ 66,190,640	\$ 35,525,193

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - LONG-TERM LIABILITIES (Cont.)

Business-type Activities:

Year Ending September 30,	G.O. Bonds		State Revolving Loan Funds	
	Principal	Interest	Principal	Interest
2024	\$ 585,000	\$ 77,089	\$ 40,321	\$ 8,523
2025	210,000	56,104	41,114	7,730
2026	220,000	44,459	41,923	6,921
2027	230,000	38,159	42,748	6,096
2028	245,000	24,429	43,589	5,255
2029-2033	520,000	25,384	231,151	13,068
2034-2038	-	-	14,648	51
Total	\$ 2,010,000	\$ 265,624	\$ 455,494	\$ 47,644

Year Ending September 30,	Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 24,792,000	\$ 1,290,106	\$ 25,418,114	\$ 1,374,925
2025	5,080,000	749,235	5,331,923	812,260
2026	5,116,000	660,454	5,378,748	711,009
2027	2,304,000	590,859	2,577,589	634,273
2028	2,315,000	529,253	2,791,151	566,750
2029-2033	12,267,000	1,993,123	12,787,000	2,018,558
2034-2038	10,010,000	857,250	10,010,000	857,250
2039	1,763,000	22,038	1,763,000	22,038
Total	\$ 63,647,000	\$ 6,692,318	\$ 66,057,525	\$ 6,997,063

During the year ended September 30, 2023, interest expense paid for governmental activities and business-type activities totaled \$2,948,926 and \$1,915,151, respectively.

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 10 - SCHEDULE OF STATUTORY DEBT LIMITATIONS

The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, *Mississippi Code of 1972 Annotated*. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15.00% and 20.00% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests.

Presented in the schedule below are the calculations of the applicable statutory debt limitations as of September 30, 2023:

	<u>15.00% Test</u>	<u>20.00% Test</u>
Assessed value as of September 30, 2023 (\$534,960,585) times applicable percentage	[a] \$ 80,244,088	\$ 106,992,117
Present debt subject to debt limits as of September 30, 2023:		
Total bonds and notes other than water and sewer	61,680,568	61,680,568
Less: Bonds exempt from debt limitation calculations	(9,152,722)	(9,152,722)
Add: Water & Sewer debt other than revenue bonds	<u>N/A</u>	<u>2,465,494</u>
General obligation debt subject to applicable tests	[b] <u>52,527,846</u>	<u>54,993,340</u>
Margin for additional debt [a] minus [b]	<u>\$ 27,716,242</u>	<u>\$ 51,998,777</u>

NOTE 11 - TAX ABATEMENTS

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

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

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 11 - TAX ABATEMENTS (Cont.)

Section 27-31-101 and 27-31-105, Mississippi Code of 1972 Annotated - All allowable tax levies
There are twenty-one companies that have tax abatements under this statute.

<u>Category</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>	<u>Direct Employment Impact</u>	<u>Indirect Employment Impact</u>
Industrial expansion exemptions	\$ 1,698,232	4,766 jobs	4,866 jobs

The projected public investment for jobs impacted by industrial expansions is \$561 per direct job and \$274 per indirect job.

The economic impact information presented above was compiled by consultants contracted by the City and was prepared in conjunction with fiscal year 2023 tax abatement totals obtained from the Forrest County Tax Assessor's office. There were no tax abatement agreements for Lamar County properties in fiscal year 2023.

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

NOTE 12 - RELATED ORGANIZATION

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

Hattiesburg Tourism Commission - The Commission consists of seven members appointed by the Mayor and ratified by the City Council. Funding is from a special tax levied upon the gross proceeds from hotel and motel overnight room rentals. The City collects that tax and distributes it to the Tourism Commission. Amounts disbursed for the fiscal year ended September 30, 2023 totaled \$961,846.

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 13 - JOINT VENTURES

The City of Hattiesburg is a participant with Forrest County in a joint venture authorized by Section 57-31-1, *Mississippi Code of 1972 Annotated*, to operate the Forrest County Industrial Park Commission (FCIPC). The joint venture was created to develop and operate an industrial park complex for citizens of Forrest County and the City of Hattiesburg. During fiscal year 2023, the City contributed \$245,000 to the Forrest County Industrial Park Commission. The Commission is governed by a ten member board. The governing authorities of the City of Hattiesburg and the Forrest County Board of Supervisors each appoint five members. Each entity is obligated to provide equal funding for the ongoing financial support of the Commission. A separate financial statement of the Forrest County Industrial Park Commission can be obtained by contacting the Commission at Post Office Box 1898, Hattiesburg, Mississippi 39403.

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

The City of Hattiesburg is a participant with Forrest County and the City of Petal in a joint venture authorized by Section 39-3-38, *Mississippi Code of 1972 Annotated* to operate the Library of Hattiesburg, Petal, and Forrest County. The joint venture was created to provide free public library service to the citizens of Forrest County and the Cities of Hattiesburg and Petal. The library is governed by a fifteen member board appointed by the governments involved as follows: City of Hattiesburg - six members; Forrest County - six members; and City of Petal - three members. Each entity is obligated by contract to levy not less than 1.25 mills as authorized by Sections 39-3-35 and 39-3-37, *Mississippi Code of 1972 Annotated*, for the ongoing financial support of the library. A separate financial statement of the library can be obtained by contacting the Library at 329 Hardy Street, Hattiesburg, Mississippi 39401.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

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

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 15 - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

At September 30, 2023, the City's 2012 TIF Bond and Interest Kohl's Fund, Airport Improvement Fund and Community Development Block Grant Fund reported deficit fund balances of \$1,495, \$337,686 and \$280,594, respectively, which are primarily attributable to the cumulative effect of program expenditures in excess of grant reimbursements.

NOTE 16 - COMMITMENTS

Commitments for construction projects in progress are as follows:

<u>September 30, 2023</u>	<u>Amount</u>
Infrastructure projects	\$ 999,076
Economic development	10,098,467
Culture and recreation	2,300,052
Water and sewer projects	<u>1,134,777</u>
<i>Commitments for construction projects in progress, end of fiscal year</i>	<u>\$ 14,532,372</u>

NOTE 17 - CONTINGENCIES

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

In 2015, the City began the process to annex properties located West and North of the current city limits. The discovery process was completed in the fall of 2019. The trial was delayed due to the Covid-19 Pandemic. It began in October 2022 and is still in process to this date.

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.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 17 - CONTINGENCIES (Cont.)

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

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

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS

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

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

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Participating retirees make monthly contributions through premium payments based on coverage type. Monthly retiree contributions for single and family coverage for the fiscal year ended September 30, 2023 totaled \$488 and \$388, respectively. For the years ended September 30, 2023, 2022, and 2021, the City contributed \$200,391, \$276,053, and \$259,815, respectively, to the plan for expected payouts for retiree benefits, which represented 10.43%, 15.54%, and 14.45%, respectively, of the actuarially determined annual required contribution of \$1,920,748, \$1,776,553, and \$1,797,653, respectively. No amounts have been contributed to finance future medical benefits under the plan for either current or future retirees.

Employees Covered by Benefit Terms - At September 30, 2023, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving	59
Active members	<u>564</u>
Total participants	<u><u>623</u></u>

Total OPEB Liability - The City's Total OPEB liability of \$8,462,379 was measured as of September 30, 2023, and was determined by an actuarial valuation as of October 1, 2023.

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

Inflation	3.00%
Salary increase	2.50% per annum
Discount rate	4.87%
Healthcare costs trends rate	6.25% graded uniformly to 5.60% over 3 years and following the 2021 Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075
Administrative costs	\$128 per member
Retirees' share of health benefit related cost	100% of health premiums

The discount rate was based on the S&P 500 High Grade 20 Year Rate Index as of September 30, 2023.

Mortality rates were based on the PUB.G Headcount-Weighted Mortality tables adjusted with Improvement Scale MP-2021.

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

100% of future eligible retirees are assumed to elect the medical coverage upon retirement.

Claims cost have been calculated for a male at attained age of 65 and decrease according to the Dale Yamamoto aging table.

Schedule of Changes in Total OPEB Liability - The change in Total OPEB liability for the year ended September 30, 2023 is as follows:

	Total OPEB Liability
Service cost	\$ 995,289
Interest	298,897
Difference between expected and actual experience	(1,242,595)
Changes of assumptions	(2,894,210)
Benefit payments	<u>(200,391)</u>
Net change	(3,043,010)
Beginning Total OPEB Liability	<u>11,505,389</u>
Ending Total OPEB Liability	<u><u>\$ 8,462,379</u></u>

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

1.00% Decrease 3.87%	Current Discount Rate 4.87%	1.00% Increase 5.87%
<u>\$ 9,527,644</u>	<u>\$ 8,462,379</u>	<u>\$ 7,545,128</u>

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

(See Table on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

<u>1.00% Decrease</u>	<u>Current Rate</u>	<u>1.00% Increase</u>
5.25% to 6.00% grading to 4.60% over 3 years and following the Getzen model thereafter	6.25% to 7.00% grading to 5.60% over 3 years and following the Getzen model thereafter	7.25% to 8.00% grading to 6.60% over 3 years and following the Getzen model thereafter
<u>\$ 7,565,597</u>	<u>\$ 8,462,379</u>	<u>\$ 9,548,092</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended September 30, 2023, the City recognized OPEB expense of \$846,997. The City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,448,161	\$ 3,805,304
Experience losses (gains)	398,651	2,671,578
Total	<u>\$ 1,846,812</u>	<u>\$ 6,476,882</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the total OPEB liability at September 30, 2023, will be recognized as an addition to or reduction of, respectively, OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 337,247	\$ 265,829
2025	337,247	265,829
2026	337,247	265,829
2027	337,247	265,829
2028	337,247	265,829
Thereafter	160,577	5,147,737
Total	<u>\$ 1,846,812</u>	<u>\$ 6,476,882</u>

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement Plans

Plan Descriptions - The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan (the Cost-Sharing Plan), which covers all eligible employees, except certain sworn and uniformed policemen and firemen who participate in the City of Hattiesburg Police and Fire Disability and Relief Fund (PFDR), also administered by PERS. Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PFDR Plan members consist of all full-time sworn and uniformed policemen and firemen who were employed by July 1, 1987. All full-time sworn and uniformed policemen and firemen employed after July 1, 1987, participate in the Cost-Sharing Plan. The PFDR Plan is affiliated with the Mississippi Municipal Retirement System (MRS), an agent multiple-employer defined benefit pension plan, and as of June 30, 2021, included no active members and 135 retirees and beneficiaries currently receiving benefits. Benefit provisions for both plans are established by State law and may be amended only by the State of Mississippi Legislature. The Plans' provisions and the Board of Trustees' authority to determine contribution rates are established by Mississippi Code of 1972 Annotated 25-11-1 et seq, and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Cost-Sharing Plan Benefits Provided - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

PFDR Plan Benefits Provided - MRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Membership eligibility and benefit provisions are governed by the general laws of the State of Mississippi, as well as local and private legislation enacted by the Mississippi State Legislature. Statutes may only be amended by the Mississippi Legislature. The PFDR retirement allowance is payable under this plan to any member who retires and has completed at least 20 years of creditable service, regardless of age. The retirement benefits are calculated in an amount equal to 50.00% of the employee's average compensation, plus 1.70% of average compensation for each year of credited service over 20 with an aggregate amount not to exceed 66-2/3%. Annual cost-of-living (COLA) adjustments are made to allowances of all retirees and beneficiaries, as further described below. Disability and death benefits are also provided under the plan. Upon a member's termination for any reason before retirement, that member's accumulated contributions are refunded.

Cost-Sharing Plan Contributions - At September 30, 2023, PERS members were required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2023 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ended September 30, 2023, 2022 and 2021 were \$4,593,213, \$4,405,518, and \$4,317,268, respectively, equal to the required contributions each year.

PFDR Funding Policy - The PERS System Board of Trustees establishes the funding policy for MRS plans. The funding policy for PFDR provides for periodic employer contributions at actuarially determined rates, expressed as millage rate tax applied to assessed property tax values, and active employee contributions at stated rates. The employee contribution rate as of September 30, 2022, was 10.00% of covered payroll. Contributions under this funding policy, established beginning in the 2011-2012 fiscal year, will generate an ultimate asset reserve level equal to a reasonable percentage (initially 100.00% - 150.00%) of the next year's projected benefit payment. At that point, actuarially determined employer contributions will be set equal to the fiscal year's projected benefit payments and adjusted as necessary to maintain the assets at the established reserve level; however, ultimately the City has the option of determining the contribution rate to set as its certified millage rate. The millage rate set by the City must be at a level that will ensure actuarial soundness of the System.

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

In developing the annual required contribution shown in the following paragraphs, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over a remaining amortization period of twenty years. The asset valuation method used is a 5-year smoothed market method. The City has the option to set property tax rates to allow for extended contributions beyond 2023 under the funding policy adopted by the PERS Board of Trustees in February 2011. The millage rates certified as of June 30, 2023 for the fiscal years ending September 30, 2024 and September 30, 2025 are 2.53 mills and 2.63 mills, respectively. The actual tax levy set in 2022 for the pension fund for policemen and firemen for the year ended September 30, 2023 was 2.03 mills.

For the plan year ended June 30, 2023, contributions totaling \$2,256,406 (employer only, no active members) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2023. The employer's annual required contribution (ARC) as of June 30, 2023, was actuarially determined to be \$1,079,102.

Pension Liabilities and Pension Expense - At September 30, 2023, the City reported a liability of approximately \$106,537,428 for its proportionate share of the collective net pension liability (NPL). The NPL for both plans was measured as of June 30, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date for both the Cost-Sharing Plan and PFDR Plan.

The NPL recorded and the pension expense recognized by the City for the year ended September 30, 2023, were as follows:

	<u>Cost - Sharing Plan</u>	<u>PFDR</u>	<u>Total</u>
Net pension liability	<u>\$ 91,575,957</u>	<u>\$ 14,961,471</u>	<u>\$ 106,537,428</u>
Net pension expense	<u>\$ 9,919,955</u>	<u>\$ 3,934,094</u>	<u>\$ 13,854,049</u>

The NPL is the difference between the TPL and the pension plans' fiduciary net position (FNP). The TPL is the present value of the pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments. The FNP is determined on the same basis as that used by the pension plans. The City's proportion of the collective Cost-Sharing Plan NPL was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2023, the City's proportionate share was 0.3641% as compared to its proportion measured at June 30, 2022 of 0.3653%, or a decrease of 0.0012%.

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED SEPTEMBER 30, 2023**

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

Sensitivity to the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate - The discount rate used to measure the TPL was 7.00% for both pension plans. The projection of cash flows used to determine the discount rate for the Cost-Sharing Plan assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be phased in to 22.40% over three years (17.40% for FYE 2024, 19.40% for FYE 2025, 21.40% for FYE 2026, and 22.40% for FYE 2027). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

The following presents the City's net pension liabilities calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liabilities would be calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Cost-sharing plan net pension liability	<u>\$ 118,089,518</u>	<u>\$ 91,575,957</u>	<u>\$ 69,818,633</u>
PFDR plan net pension liability	<u>\$ 17,683,883</u>	<u>\$ 14,961,471</u>	<u>\$ 12,599,947</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>September 30, 2023</u>	<u>Cost - Sharing Plan Deferred Outflows of Resources</u>	<u>PFDR</u>	
		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,654,229	\$ -	\$ -
Net difference between projected and actual earnings on investments	2,866,294	568,086	-

(Table Continued on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

<u>September 30, 2023</u>	<u>Cost - Sharing Plan</u>	<u>PFDR</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 7,757,545	\$ -	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contribution	7,292,112	-	1,732,647
Employer contributions subsequent to the measurement date	1,101,077	85,177	-
Total	<u>\$ 20,671,257</u>	<u>\$ 653,263</u>	<u>\$ 1,732,647</u>

Deferred outflows of resources related to the Cost-Sharing Plan and PFDR resulting from City contributions subsequent to June 30, 2023 (the measurement date) were \$1,101,077 and \$85,177, respectively, and will be recognized as a reduction of the net pension liability in the year ending September 30, 2024.

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

<u>Year Ending September 30,</u>	<u>Cost - Sharing Plan</u>	<u>PFDR</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 6,381,692	\$ 142,022	\$ 433,162
2025	6,381,692	142,022	433,162
2026	4,891,799	142,022	433,162
2027	1,914,997	142,020	433,161
Total	<u>\$ 19,570,180</u>	<u>\$ 568,086</u>	<u>\$ 1,732,647</u>

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

No deferred inflows related to the Cost-Sharing Plan were reported in the year ended September 30, 2023. Recognition of pension-related deferred inflows and deferred outflows is reflected in changes in unrestricted net position.

Actuarial Assumptions - In determining employer contribution rates for the PFDR Plan, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. The TPL as of June 30, 2023 was determined by an actuarial valuation prepared as of June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods in the measurement:

	<u>Cost - Sharing Plan</u>	<u>PFDR Plan</u>
Inflation	2.40%	2.40%
Investment rate of return (net of plan investment expense, including inflation)	7.00%	6.05%
Projected salary increases, including inflation	2.65% - 17.90%	N/A

For both plans, the mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95.00% of male rates up to age 60, 110.00% for ages 61 to 75 and 101.00% for ages above 77. For females, 84.00% of female rates up to age 72 and 100.00% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134.00% for males and 121.00% for females. Mortality rates for Contingent Annuity were based on the PubS.H-2010(B) Contingent Annuity Table, adjusted 97.00% for males and 110.00% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

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

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE FORTY-EIGHT
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 19 - DEFINED BENEFIT PENSION PLANS (Cont.)

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

<u>Investment Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	27.00%	4.75%
International equity	22.00	4.75
Global equity	12.00	4.95
Fixed income	20.00	1.75
Real estate	10.00	3.25
Private equity	8.00	6.00
Cash equivalents	1.00	0.25
Total	<u>100.00%</u>	

The actuarial value of assets for the PFDR Plan recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20.00% of the difference between market value and expected market value. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

NOTE 20 - ASSET RETIREMENT OBLIGATION

The City has determined that based on the highly unlikely scenario of water and sewer services no longer being required across its service area and the numerous variables that would be involved with completely abandoning its plant facilities and waste water lagoon it is unable to feasibly determine the calculation of this liability as of September 30, 2023.

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CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
PAGE FORTY-NINE
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT

Capital asset activity for the Hattiesburg Convention Commission (Commission) for the year ended September 30, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,445,386	\$ -	\$ -	\$ 1,445,386
Construction in progress - Convention Center improvements	97,578	38,726	(97,578)	38,726
Construction in progress - The Lawn at Lake Terrace	35,800	-	(35,800)	-
Construction in progress - Moeller	-	79,938	-	79,938
Construction in progress - Eureka	69,526	190,080	(259,606)	-
Construction in progress - Zoo projects	39,923	86,982	-	126,905
Construction in progress - Osceola McCarty House Museum	17,845	232,141	-	249,986
Construction in progress - Water Park	3,753,696	7,492,962	(5,700,000)	5,546,658
Total capital assets not being depreciated	<u>5,459,754</u>	<u>8,120,829</u>	<u>(6,092,984)</u>	<u>7,487,599</u>

(Table Continued on Next Page)

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2023

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT (Cont.)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Governmental activities (cont.):				
Capital assets being depreciated:				
Buildings and improvements	\$ 23,189,630	\$ 276,448	\$ -	\$ 23,466,078
Furniture and fixtures	487,942	5,907	-	493,849
Equipment and vehicles	2,694,896	875,681	-	3,570,577
Intangible right-of-use assets	94,439	5,700,000	-	5,794,439
Total capital assets being depreciated	<u>26,466,907</u>	<u>6,858,036</u>	<u>-</u>	<u>33,324,943</u>
Less accumulated depreciation for:				
Buildings and improvements	10,086,089	484,771	-	10,570,860
Furniture and fixtures	443,763	2,068	-	445,831
Equipment and vehicles	1,808,415	189,666	-	1,998,081
Intangible right-of-use assets	27,415	243,162	-	270,577
Total accumulated depreciation	<u>12,365,682</u>	<u>919,667</u>	<u>-</u>	<u>13,285,349</u>
Total capital assets being depreciated, net	<u>14,101,225</u>	<u>5,938,369</u>	<u>-</u>	<u>20,039,594</u>
 Governmental activities capital assets, net	 <u>\$ 19,560,979</u>	 <u>\$ 14,059,198</u>	 <u>\$ (6,092,984)</u>	 <u>\$ 27,527,193</u>

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CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

PAGE FIFTY-ONE

YEAR ENDED SEPTEMBER 30, 2023

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT (Cont.)

The Commission executed a contract in 2010 with the City for the management of the Hattiesburg Zoo at Kamper Park. In May of 2012, a new agreement was entered into by the City and the Commission where the Commission agreed to accept full financial responsibility for any subsidy requirement necessary for the operation of the Hattiesburg Zoo. This agreement was renewed in August 2015. In September 2020, the subsequent renewal agreement was styled to continue without a designated termination date. Pursuant to the agreement, all parties reserve the right to cancel this agreement at any time upon six months written notice to the other party. Furthermore, the City agrees to reimburse on a pro rata basis, the Commission for capital equipment, expansion expenditures or major renovation expenditures executed for benefit of the City in the 2 years prior to the date of notice of cancellation.

During the year ended September 30, 2023, the Commission contracted for certain capital projects. The Commission transferred completed construction projects totaling \$465,401 to the City, which are reflected in capital assets of the City as of September 30, 2023.

NOTE 22 - SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated and disclosed all material subsequent events through June 25, 2024, which is the date the financial statements were available to be issued as follows:

On May 22, 2024, the City issued a 13 year Water and Sewer Bond in the amount of \$7,500,000 at a 5% interest rate for the replacement of city's water meters.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1
PAGE 1 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

**Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>
REVENUES		
Intergovernmental:		
Federal grants	\$ 1,956,751	\$ 3,241,013
State grants	428,528	428,528
State - shared revenue	26,066,063	26,066,063
General property taxes	19,600,000	19,600,000
Other taxes	23,500	23,500
Licenses and permits	4,387,020	4,387,020
Charges for services:		
Public safety	275,000	275,000
Sanitation	2,325,800	2,325,800
Fines and forfeitures	934,000	934,000
Miscellaneous	442,800	442,800
Non-revenue receipts	473,700	473,700
Total revenues	<u>56,913,162</u>	<u>58,197,424</u>
EXPENDITURES		
General government:		
Personnel	4,877,015	4,977,420
Supplies and expenses	202,525	273,169
Other services and charges	6,039,984	7,505,790
Capital outlays	50,600	170,600
Total general government	<u>11,170,124</u>	<u>12,926,979</u>
Police department:		
Personnel	12,065,080	12,249,240
Supplies and expenses	779,060	811,460
Other services and charges	1,005,259	1,334,741
Capital outlays	26,282	1,059,997
Total police department	<u>13,875,681</u>	<u>15,455,438</u>
Police and fire training:		
Personnel	53,630	53,730
Supplies and expenses	101,072	101,072
Other services and charges	85,495	85,495
Capital outlays	-	46,000
Total police and fire training	<u>240,197</u>	<u>286,297</u>

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

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 885,573	\$ (2,355,440)
335,475	(93,053)
27,740,350	1,674,287
20,476,979	876,979
10,741	(12,759)
4,636,937	249,917
120,821	(154,179)
2,244,237	(81,563)
683,880	(250,120)
594,270	151,470
<u>1,053,253</u>	<u>579,553</u>
<u>58,782,516</u>	<u>585,092</u>
4,369,162	608,258
146,149	127,020
5,287,707	2,218,083
91,521	79,079
<u>9,894,539</u>	<u>3,032,440</u>
10,893,396	1,355,844
723,213	88,247
957,496	377,245
627,281	432,716
<u>13,201,386</u>	<u>2,254,052</u>
37,934	15,796
62,489	38,583
54,791	30,704
46,000	-
<u>201,214</u>	<u>85,083</u>

SCHEDULE 1
PAGE 2 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

**Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES (Cont.)		
Fire department:		
Personnel	\$ 9,727,850	\$ 9,727,850
Supplies and expenses	314,200	318,200
Other services and charges	338,720	355,020
Capital outlays	-	125,000
Total fire department	<u>10,380,770</u>	<u>10,526,070</u>
Land development administration:		
Personnel	720,830	722,790
Supplies and expenses	31,755	34,155
Other services and charges	210,450	285,450
Capital outlays	-	127,500
Total land development administration	<u>963,035</u>	<u>1,169,895</u>
Public safety contractual services:		
Personnel	220,340	233,840
Other services and charges	949,459	1,045,000
Total public safety contractual services	<u>1,169,799</u>	<u>1,278,840</u>
Public services:		
Personnel	6,556,710	6,589,590
Supplies and expenses	1,190,120	1,359,920
Other services and charges	4,868,712	5,472,067
Capital outlays	670,000	2,393,357
Total public services	<u>13,285,542</u>	<u>15,814,934</u>
Animal control:		
Personnel	143,520	143,520
Supplies and expenses	10,900	12,900
Other services and charges	185,550	220,550
Total animal control	<u>339,970</u>	<u>376,970</u>

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

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 8,879,843	\$ 848,007
285,927	32,273
303,000	52,020
6,671	118,329
<u>9,475,441</u>	<u>1,050,629</u>
602,154	120,636
31,335	2,820
228,565	56,885
71,776	55,724
<u>933,830</u>	<u>236,065</u>
212,484	21,356
907,519	137,481
<u>1,120,003</u>	<u>158,837</u>
5,105,394	1,484,196
1,161,529	198,391
4,639,189	832,878
2,019,760	373,597
<u>12,925,872</u>	<u>2,889,062</u>
126,308	17,212
10,716	2,184
200,329	20,221
<u>337,353</u>	<u>39,617</u>

SCHEDULE 1
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CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES (Cont.)		
Human/social assistance:		
Other services and charges	\$ 365,900	\$ 465,900
Total human/social assistance	<u>365,900</u>	<u>465,900</u>
Economic development:		
Other services and charges	-	3,850,400
Capital outlays	65,748	3,529,508
Total economic development	<u>65,748</u>	<u>7,379,908</u>
Airport:		
Supplies and expenses	17,650	17,650
Other services and charges	40,550	40,550
Total airport	<u>58,200</u>	<u>58,200</u>
Cemetery:		
Personnel	889,100	889,100
Supplies and expenses	82,350	82,350
Other services and charges	60,301	60,301
Capital outlays	60,500	316,500
Total cemetery	<u>1,092,251</u>	<u>1,348,251</u>
Parking garages:		
Personnel	91,160	91,160
Supplies and expenses	2,050	2,050
Other services and charges	54,350	54,350
Total parking garages	<u>147,560</u>	<u>147,560</u>

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

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 452,128	\$ 13,772
<u>452,128</u>	<u>13,772</u>
3,539,900	310,500
483,606	3,045,902
<u>4,023,506</u>	<u>3,356,402</u>
6,659	10,991
21,863	18,687
<u>28,522</u>	<u>29,678</u>
631,225	257,875
74,635	7,715
50,917	9,384
286,042	30,458
<u>1,042,819</u>	<u>305,432</u>
33,151	58,009
222	1,828
22,551	31,799
<u>55,924</u>	<u>91,636</u>

SCHEDULE 1
PAGE 4 OF 4

CITY OF HATTIESBURG, MISSISSIPPI

Budgetary Comparison Schedule - General Fund
Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES (Cont.)		
Debt service:		
Principal payments	\$ 781,685	\$ 781,685
Interest payments	337,708	337,708
Pay agent fees	3,000	3,000
Total debt service	<u>1,122,393</u>	<u>1,122,393</u>
Total expenditures	<u>54,277,170</u>	<u>68,357,635</u>
Excess (deficiency) of revenues over expenditures	2,635,992	(10,160,211)
OTHER FINANCING SOURCES (USES)		
Transfers in	1,284,000	1,285,255
Transfers out	<u>(3,919,748)</u>	<u>(3,919,748)</u>
Total other financing sources (uses)	<u>(2,635,748)</u>	<u>(2,634,493)</u>
NET CHANGE IN FUND BALANCES	244	(12,794,704)
Fund balances - beginning (Non-GAAP Budgetary Basis)	<u>19,000,000</u>	<u>19,130,736</u>
Fund balances - ending (Non-GAAP Budgetary Basis)	<u>\$ 19,000,244</u>	<u>\$ 6,336,032</u>
ADJUSTMENTS:		
To adjust for other receivables/accruals		
Fund balances - ending (GAAP Basis)		

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

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 781,247	\$ 438
337,973	(265)
3,000	-
<u>1,122,220</u>	<u>173</u>
54,814,757	13,542,878
3,967,759	14,127,970
824,246	(461,009)
(3,919,748)	-
<u>(3,095,502)</u>	<u>(461,009)</u>
872,257	<u>\$ 13,666,961</u>
<u>19,130,736</u>	
20,002,993	
2,588,815	
<u>\$ 22,591,808</u>	

SCHEDULE 2

CITY OF HATTIESBURG, MISSISSIPPI

**Budgetary Comparison Schedule - COVID Fiscal Recovery Fund
Year Ended September 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
EXPENDITURES				
Capital outlays	\$ 12,875,822	\$ 12,875,808	\$ 1,297,567	\$ 11,578,241
Total expenditures	<u>12,875,822</u>	<u>12,875,808</u>	<u>1,297,567</u>	<u>11,578,241</u>
Excess (deficiency) of revenues over expenditures	<u>(12,875,822)</u>	<u>(12,875,808)</u>	<u>(1,297,567)</u>	<u>11,578,241</u>
NET CHANGE IN FUND BALANCES	<u>(12,875,822)</u>	<u>(12,875,808)</u>	<u>(1,297,567)</u>	<u>\$ 11,578,241</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)	<u>12,875,822</u>	<u>12,875,808</u>	<u>12,875,808</u>	
Fund balances - ending (Non-GAAP Budgetary Basis)	<u>\$ -</u>	<u>\$ -</u>	<u>11,578,241</u>	
ADJUSTMENTS:				
To adjust for other receivables/accruals			<u>(5,140,330)</u>	
Fund balances - ending (GAAP Basis)			<u>\$ 6,437,911</u>	

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

SCHEDULE 3

CITY OF HATTIESBURG, MISSISSIPPI

**Budgetary Comparison Schedule - Municipal Road and Bridge Fund
Year Ended September 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental:				
Federal grants	\$ 1,700,000	\$ 1,700,000	\$ 1,271,110	\$ (428,890)
State grants	1,203,976	5,203,976	4,461,289	(742,687)
State - shared revenue	1,820,000	1,820,000	1,915,320	95,320
Miscellaneous	1,000	1,000	45,689	44,689
Total revenues	<u>4,724,976</u>	<u>8,724,976</u>	<u>7,693,408</u>	<u>(1,031,568)</u>
EXPENDITURES				
Public services	1,540,000	1,540,000	838,404	701,596
Capital outlay	2,384,976	6,221,769	1,339,971	4,881,798
Total expenditures	<u>3,924,976</u>	<u>7,761,769</u>	<u>2,178,375</u>	<u>5,583,394</u>
Excess (deficiency) of revenues over expenditures	<u>800,000</u>	<u>963,207</u>	<u>5,515,033</u>	<u>4,551,826</u>
NET CHANGE IN FUND BALANCES	800,000	963,207	5,515,033	<u>\$ 4,551,826</u>
Fund balances - beginning (Non-GAAP Budgetary Basis)	<u>800,000</u>	<u>963,207</u>	<u>963,207</u>	
Fund balances - ending (Non-GAAP Budgetary Basis)	<u>\$ 1,600,000</u>	<u>\$ 1,926,414</u>	6,478,240	
ADJUSTMENTS:				
To adjust for other receivables/accruals			<u>(72,508)</u>	
Fund balances - ending (GAAP Basis)			<u>\$ 6,405,732</u>	

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

SCHEDULE 4

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of the City's Proportionate Share of the Net Pension Liability - PERS
Last Ten Fiscal Years*
Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability (asset)	0.364059%	0.365326%	0.370199%	0.381271%
City's proportionate share of the net pension liability (asset)	\$ 91,575,956	\$ 75,192,033	\$ 54,717,178	\$ 73,815,249
Covered payroll	\$ 26,986,787	\$ 25,150,190	\$ 24,614,500	\$ 25,387,885
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	339.34%	298.97%	222.30%	290.75%
Plan fiduciary net position as a percentage of the total pension liability	55.70%	59.93%	70.44%	58.97%

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

2019	2018	2017	2016	2015
0.378836%	0.366040%	0.365585%	0.356159%	0.354714%
\$ 66,638,394	\$ 60,876,674	\$ 60,775,128	\$ 63,626,214	\$ 54,831,789
\$ 24,672,648	\$ 23,616,660	\$ 23,537,422	\$ 23,739,349	\$ 22,228,762
270.09%	257.77%	258.21%	268.02%	246.67%
61.59%	62.54%	61.49%	57.47%	61.70%

SCHEDULE 5

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of City Contributions
Public Employees' Retirement System - PERS
Last Ten Fiscal Years*
Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 4,593,213	\$ 4,405,518	\$ 4,317,268	\$ 4,334,297
Contributions in relation to the contractually required contribution	<u>(4,593,213)</u>	<u>(4,405,518)</u>	<u>(4,317,268)</u>	<u>(4,334,297)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 26,397,779	\$ 25,319,074	\$ 24,811,882	\$ 24,909,750
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%

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

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 4,024,837	\$ 3,719,626	\$ 3,707,145	\$ 3,738,948	\$ 3,501,030
<u>(4,024,837)</u>	<u>(3,719,626)</u>	<u>(3,707,145)</u>	<u>(3,738,948)</u>	<u>(3,501,030)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,698,252	\$ 23,616,673	\$ 23,537,429	\$ 23,739,352	\$ 22,228,762
16.30%	15.75%	15.75%	15.75%	15.75%

SCHEDULE 6

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of the City's Proportionate Share of the Net Pension Liability - PFDR
Last Ten Fiscal Years*
Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability (asset)	12.47%	12.16%	12.06%	11.77%
City's proportionate share of the net pension liability (asset)	\$14,961,471	\$14,520,242	\$10,443,751	\$14,617,877
Covered payroll**	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll**	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	54.61%	55.01%	68.43%	56.64%

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

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

2019	2018	2017	2016	2015
11.75%	11.49%	11.26%	11.04%	10.86%
\$14,266,753	\$14,249,426	\$14,848,105	\$15,838,774	\$14,490,323
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
58.99%	59.68%	59.01%	56.63%	60.94%

SCHEDULE 7

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of City Contributions
Mississippi Municipal Retirement Systems - PFDR
Last Ten Fiscal Years*
Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 1,053,717	\$ 1,344,603	\$ 1,377,105
Contributions in relation to the contractually required contribution	<u>(1,053,717)</u>	<u>(1,344,603)</u>	<u>(1,377,105)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	N/A	N/A	N/A
Contributions as a percentage of covered payroll**	N/A	N/A	N/A

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

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,378,508	\$ 1,392,033	\$ 1,512,066	\$ 1,334,243	\$ 1,346,542	\$ 1,626,692
<u>(1,378,508)</u>	<u>(1,392,033)</u>	<u>(1,512,066)</u>	<u>(1,334,243)</u>	<u>(1,346,542)</u>	<u>(1,626,692)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE 8

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*
Year Ended September 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 995,289	\$ 971,677	\$ 854,541	\$ 825,006	\$ 785,720	\$ 601,832
Interest	298,897	272,948	446,341	410,359	304,750	236,232
Differences between expected and actual experience	(1,242,595)	-	(3,455,780)	-	896,966	-
Change in assumptions	(2,894,210)	-	1,078,625	-	1,391,514	-
Benefit payments	<u>(200,391)</u>	<u>(276,053)</u>	<u>(259,815)</u>	<u>(468,268)</u>	<u>(436,614)</u>	<u>(211,305)</u>
Net change in total OPEB liability	(3,043,010)	968,572	(1,336,088)	767,097	2,942,336	626,759
Total OPEB liability - beginning	<u>11,505,389</u>	<u>10,536,817</u>	<u>11,872,905</u>	<u>11,105,808</u>	<u>8,163,472</u>	<u>7,536,713</u>
Total OPEB liability - ending	<u>\$ 8,462,379</u>	<u>\$ 11,505,389</u>	<u>\$ 10,536,817</u>	<u>\$ 11,872,905</u>	<u>\$ 11,105,808</u>	<u>\$ 8,163,472</u>
City's covered-employee payroll	\$ 26,397,779	\$ 25,319,074	\$ 24,811,882	\$ 24,909,750	\$ 24,698,252	\$ 23,616,673
Total OPEB liability as a percentage of its covered-employee payroll	32.06%	45.44%	42.47%	47.66%	44.97%	34.57%

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - BUDGETARY COMPARISON SCHEDULES

A. Basis of Presentation:

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

B. Budget/GAAP Reconciliation:

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

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The budget to GAAP reconciliation is shown at the bottom of Schedules 1 through 3.

NOTE 2 - PENSION SCHEDULES

A. Changes of Assumptions:

2015

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

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

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 - PENSION SCHEDULES (Cont.)

A. Changes of Assumptions (Cont.):

2016

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

2017

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

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

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

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

2019

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

- For males, 112.00% of male rates from ages 18 to 75 scaled down to 105.00% for ages 80 to 119.
- For females, 85.00% of the female rates from ages 18 to 65 scaled up to 102.00% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

- For males, 137.00% of male rates at all ages.
- For females, 115.00% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION PAGE THREE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 - PENSION SCHEDULES (Cont.)

A. Changes of Assumptions (Cont.):

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7.00% to 9.00%.

2021

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

- For males, 95.00% of male rates up to age 60, 110.00% for ages 61 to 75, and 101.00% for ages above 77.
- For females, 84.00% of female rates up to age 72, 100.00% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

- For males, 134.00% of male rates at all ages.
- For females, 121.00% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

- For males, 97.00% of male rates at all ages.
- For females, 110.00% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PAGE FOUR
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 2 - PENSION SCHEDULES (Cont.)

A. Changes of Assumptions (Cont.):

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9.00% to 12.00%.

The percentage of active member deaths assumed to be in in the line of duty was decreased from 6.00% to 4.00%.

2023

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

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

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

The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60.00% to 65.00%.

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

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

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

B. Changes in Benefit Provisions:

2016

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE FIVE

YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 - PENSION SCHEDULES (Cont.)

C. Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2023 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	26.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40%
Salary increase	2.65% to 17.90%, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, including inflation

NOTE 3 - OPEB SCHEDULES

A. Changes of Assumptions:

2017

The discount rate is 2.98% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 29, 2017, compared to the prior year Statement No. 45 discount rate of 4.00%.

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

The medical trend was changed from 8.00% grading to 5.00% over 6 years beginning in 2014 to 8.00% grading to 5.00% over 10 years beginning in 2017.

2019

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PAGE SIX

YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 - OPEB SCHEDULES (Cont.)

A. Changes of Assumptions (Cont.):

2019 (Cont.)

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

2021

The discount rate is 2.43% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 20, 2021 under Statement No. 75, compared to the prior discount rate of 3.58%.

The assumed trend rate for the medical claims was changed to 6.25% grading uniformly to 5.50% over 3 years and following the 2021 Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075.

Mortality was updated to PUB.G Headcount-weighted mortality tables with scale MP-2021.

2023

The discount rate is 4.87% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 20, 2023 under Statement No. 75, compared to the prior discount rate of 2.43%.

The medical trend was updated to 6.25% in 2023 grading uniformly over 3 years and following the Getzen model thereafter to an ultimate rate of 4.04% in 2075.

B. Funding Policy:

Benefits of the plan are self-insured by the City. The City maintains an account for the purpose of paying claims and administrative costs of its self-funded health insurance plan. The account requires that a minimum balance be maintained, and the City deposits additional funds for claims incurred and anticipated payments on a pay-as-you-go basis. No assets have been segregated and restricted to provide for postretirement benefits.

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SUPPLEMENTARY INFORMATION

SCHEDULE 9

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2023**

	Special Revenue Funds (Schedule 11)	Debt Service Funds (Schedule 13)
ASSETS		
Cash and cash equivalents - unrestricted	\$ 2,715,488	\$ -
Cash and cash equivalents - restricted	6,558,444	7,379,670
Cash with fiscal agent - restricted	-	154,438
Due from other funds	910	-
Sales tax receivable	296,670	-
Intergovernmental receivables	424,771	-
Lease receivable	213,879	-
Property taxes receivable	1,308,261	2,616,516
Total assets	\$ 11,518,423	\$ 10,150,624
LIABILITIES		
Accounts payable	\$ 715,439	\$ -
Due to other funds	550,000	33,500
Due to other governments	129,400	-
Accrued wages and benefits	148,175	-
Other liabilities	605,898	-
Advances from other funds	500,000	-
Total liabilities	<u>2,648,912</u>	<u>33,500</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,300,000	2,600,000
Unavailable revenue - lease revenue	213,879	-
Total deferred inflows of resources	<u>1,513,879</u>	<u>2,600,000</u>
FUND BALANCES		
Restricted:		
Public safety:		
Fire protection	1,093,004	-
Law enforcement	192,929	-
Public services	2,605,209	-
Mass transit	910,501	-
Debt service	-	7,517,124
Culture and recreation	2,054,130	-
Economic development	363,969	-
Committed:		
Culture and recreation	754,170	-
Unassigned		
	(618,280)	-
Total fund balances	<u>7,355,632</u>	<u>7,517,124</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,518,423	\$ 10,150,624

See independent auditor's report.

Capital Project Funds (Schedule 15)	Total Nonmajor Governmental Funds (Exhibit C)
\$ -	\$ 2,715,488
950,928	14,889,042
-	154,438
-	910
-	296,670
-	424,771
-	213,879
-	3,924,777
<u>\$ 950,928</u>	<u>\$ 22,619,975</u>
\$ -	\$ 715,439
-	583,500
-	129,400
-	148,175
-	605,898
-	500,000
<u>-</u>	<u>2,682,412</u>
-	3,900,000
-	213,879
<u>-</u>	<u>4,113,879</u>
-	1,093,004
947,709	1,140,638
-	2,605,209
-	910,501
-	7,517,124
2,394	2,056,524
825	364,794
-	754,170
-	(618,280)
<u>950,928</u>	<u>15,823,684</u>
<u>\$ 950,928</u>	<u>\$ 22,619,975</u>

SCHEDULE 10

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended September 30, 2023**

	Special Revenue Funds (Schedule 12)	Debt Service Funds (Schedule 14)
REVENUES		
General property taxes	\$ 1,264,245	\$ 3,441,548
Special sales tax collections	3,889,493	-
Internet sales tax	5,067,170	-
Fines, forfeitures and penalties	163,827	-
Interest, rents and concessions	142,509	25,106
Intergovernmental revenues	3,867,379	670,652
Charges for services	1,124,731	-
Other revenues	975,004	-
Total revenues	16,494,358	4,137,306
EXPENDITURES		
Current:		
Public safety	2,004,008	-
Public services	2,610,044	-
Other services	233,557	25,764
Mass transit	4,202,875	-
Culture and recreation	14,302,415	-
Human/social assistance	959,907	-
Economic development	600,000	-
Debt service:		
Principal payments	60,100	1,851,247
Interest and fiscal charges	4,102	2,483,667
Total expenditures	24,977,008	4,360,678
Excess (deficiency) of revenues over expenditures	(8,482,650)	(223,372)
OTHER FINANCING SOURCES		
Proceeds from long-term debt	5,500,000	-
Other sources	663	-
Transfers in	3,850,335	66,160
Total other financing sources	9,350,998	66,160
NET CHANGE IN FUND BALANCES	868,348	(157,212)
Fund balances - beginning	6,487,284	7,674,336
Fund balances - ending	\$ 7,355,632	\$ 7,517,124

See independent auditor's report.

Capital Project Funds (Schedule 16)	Total Nonmajor Governmental Funds (Exhibit D)
\$ -	\$ 4,705,793
-	3,889,493
-	5,067,170
-	163,827
1,305	168,920
-	4,538,031
-	1,124,731
-	975,004
<u>1,305</u>	<u>20,632,969</u>
-	2,004,008
-	2,610,044
-	259,321
-	4,202,875
-	14,302,415
-	959,907
-	600,000
-	1,911,347
-	2,487,769
<u>-</u>	<u>29,337,686</u>
1,305	(8,704,717)
-	5,500,000
-	663
-	3,916,495
<u>-</u>	<u>9,417,158</u>
1,305	712,441
<u>949,623</u>	<u>15,111,243</u>
<u>\$ 950,928</u>	<u>\$ 15,823,684</u>

SCHEDULE 11

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Balance Sheet - Nonmajor Special Revenue Funds
September 30, 2023**

	PARKS & RECREATION	MUNICIPAL FIRE PROTECTION	SPECIAL STREET	POLICE FORFEITURES	AIRPORT IMPROVEMENT
ASSETS					
Cash and cash equivalents - unrestricted	\$ 654,893	\$ -	\$ -	\$ 27,300	\$ 226,661
Cash and cash equivalents - restricted	-	1,093,731	363,969	192,929	-
Due from other funds	-	46	-	864	-
Sales tax receivable	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
Lease receivable	-	-	-	-	213,879
Property taxes receivable	1,046,595	-	-	-	-
Total assets	\$ 1,701,488	\$ 1,093,777	\$ 363,969	\$ 221,093	\$ 440,540
LIABILITIES					
Accounts payable	\$ 77,172	\$ 773	\$ -	\$ -	\$ 14,347
Due to other funds	-	-	-	-	550,000
Due to other governments	-	-	-	-	-
Accrued wages and benefits	69,059	-	-	-	-
Other liabilities	1,350	-	-	28,164	-
Advances from other funds	-	-	-	-	-
Total liabilities	147,581	773	-	28,164	564,347
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,040,000	-	-	-	-
Unavailable revenue - lease revenue	-	-	-	-	213,879
Total deferred inflows of resources	1,040,000	-	-	-	213,879
FUND BALANCES					
Restricted:					
Public safety:					
Fire protection	-	1,093,004	-	-	-
Law enforcement	-	-	-	192,929	-
Public services	-	-	-	-	-
Mass transit	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	363,969	-	-
Committed:					
Culture and recreation	513,907	-	-	-	-
Unassigned	-	-	-	-	(337,686)
Total fund balances	513,907	1,093,004	363,969	192,929	(337,686)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,701,488	\$ 1,093,777	\$ 363,969	\$ 221,093	\$ 440,540

<u>MASS TRANSIT OPERATING</u>	<u>COMMUNITY CENTERS</u>	<u>CDBG FUND</u>	<u>SPECIAL 1% SALES TAX</u>	<u>INTERNET SALES TAX</u>	<u>GROUP INSURANCE</u>	<u>TOTAL</u>
\$ -	\$ 284,727	\$ 229,454	\$ 729,739	\$ -	\$ 562,714	\$ 2,715,488
545,146	-	-	1,757,460	2,605,209	-	6,558,444
-	-	-	-	-	-	910
-	-	-	296,670	-	-	296,670
424,771	-	-	-	-	-	424,771
-	-	-	-	-	-	213,879
261,666	-	-	-	-	-	1,308,261
<u>\$ 1,231,583</u>	<u>\$ 284,727</u>	<u>\$ 229,454</u>	<u>\$ 2,783,869</u>	<u>\$ 2,605,209</u>	<u>\$ 562,714</u>	<u>\$ 11,518,423</u>
\$ 15,497	\$ 9,049	\$ 186	\$ 598,415	\$ -	\$ -	\$ 715,439
-	-	-	-	-	-	550,000
-	-	-	129,400	-	-	129,400
45,585	21,745	9,862	1,924	-	-	148,175
-	13,670	-	-	-	562,714	605,898
-	-	500,000	-	-	-	500,000
<u>61,082</u>	<u>44,464</u>	<u>510,048</u>	<u>729,739</u>	<u>-</u>	<u>562,714</u>	<u>2,648,912</u>
260,000	-	-	-	-	-	1,300,000
-	-	-	-	-	-	213,879
<u>260,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,513,879</u>
-	-	-	-	-	-	1,093,004
-	-	-	-	-	-	192,929
-	-	-	-	2,605,209	-	2,605,209
910,501	-	-	-	-	-	910,501
-	-	-	2,054,130	-	-	2,054,130
-	-	-	-	-	-	363,969
-	240,263	-	-	-	-	754,170
-	-	(280,594)	-	-	-	(618,280)
<u>910,501</u>	<u>240,263</u>	<u>(280,594)</u>	<u>2,054,130</u>	<u>2,605,209</u>	<u>-</u>	<u>7,355,632</u>
<u>\$ 1,231,583</u>	<u>\$ 284,727</u>	<u>\$ 229,454</u>	<u>\$ 2,783,869</u>	<u>\$ 2,605,209</u>	<u>\$ 562,714</u>	<u>\$ 11,518,423</u>

SCHEDULE 12

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds
Year Ended September 30, 2023**

	<u>PARKS & RECREATION</u>	<u>MUNICIPAL FIRE PROTECTION</u>	<u>SPECIAL STREET</u>	<u>POLICE FORFEITURES</u>	<u>AIRPORT IMPROVEMENT</u>
REVENUES					
General property taxes	\$ 1,009,295	\$ -	\$ -	\$ -	\$ -
Special sales tax collections	-	-	-	-	-
Internet sales tax	-	-	-	-	-
Fines, forfeitures and penalties	-	45	-	163,782	-
Interest, rents and concessions	20,587	6,048	2,231	38	8,748
Intergovernmental revenues	-	314,831	95,041	-	-
Charges for services	79,427	95,652	-	-	-
Other revenues	-	-	-	-	18,817
Total revenues	<u>1,109,309</u>	<u>416,576</u>	<u>97,272</u>	<u>163,820</u>	<u>27,565</u>
EXPENDITURES					
Current:					
Public safety	-	152,055	-	19,720	-
Public services	-	-	19	-	-
Other services	-	-	-	-	233,557
Mass transit	-	-	-	-	-
Culture and recreation	3,762,634	-	-	-	-
Human/social assistance	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal payments	-	60,100	-	-	-
Interest and fiscal charges	-	4,102	-	-	-
Total expenditures	<u>3,762,634</u>	<u>216,257</u>	<u>19</u>	<u>19,720</u>	<u>233,557</u>
Excess (deficiency) of revenues over expenditures	(2,653,325)	200,319	97,253	144,100	(205,992)
OTHER FINANCING SOURCES					
Proceeds from long-term debt	-	-	-	-	-
Other sources	663	-	-	-	-
Transfers in	2,314,335	-	-	-	250,000
Total other financing sources	<u>2,314,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
NET CHANGE IN FUND BALANCES	(338,327)	200,319	97,253	144,100	44,008
Fund balances - beginning	<u>852,234</u>	<u>892,685</u>	<u>266,716</u>	<u>48,829</u>	<u>(381,694)</u>
Fund balances - ending	<u>\$ 513,907</u>	<u>\$ 1,093,004</u>	<u>\$ 363,969</u>	<u>\$ 192,929</u>	<u>\$ (337,686)</u>

<u>MASS TRANSIT OPERATING</u>	<u>COMMUNITY CENTERS</u>	<u>CDBG FUND</u>	<u>SPECIAL 1% SALES TAX</u>	<u>INTERNET SALES TAX</u>	<u>GROUP INSURANCE</u>	<u>TOTAL</u>
\$ 254,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,264,245
-	-	-	3,889,493	-	-	3,889,493
-	-	-	-	5,067,170	-	5,067,170
-	-	-	-	-	-	163,827
1,949	7,331	4,234	45,220	46,123	-	142,509
2,308,706	164,430	659,371	325,000	-	-	3,867,379
929,748	19,904	-	-	-	-	1,124,731
6,187	-	-	950,000	-	-	975,004
<u>3,501,540</u>	<u>191,665</u>	<u>663,605</u>	<u>5,209,713</u>	<u>5,113,293</u>	<u>-</u>	<u>16,494,358</u>
-	-	-	-	1,832,233	-	2,004,008
-	-	-	-	2,610,025	-	2,610,044
-	-	-	-	-	-	233,557
4,202,875	-	-	-	-	-	4,202,875
-	919,291	-	9,620,490	-	-	14,302,415
-	-	959,907	-	-	-	959,907
-	-	-	600,000	-	-	600,000
-	-	-	-	-	-	60,100
-	-	-	-	-	-	4,102
<u>4,202,875</u>	<u>919,291</u>	<u>959,907</u>	<u>10,220,490</u>	<u>4,442,258</u>	<u>-</u>	<u>24,977,008</u>
(701,335)	(727,626)	(296,302)	(5,010,777)	671,035	-	(8,482,650)
-	-	-	5,500,000	-	-	5,500,000
-	-	-	-	-	-	663
400,000	850,000	36,000	-	-	-	3,850,335
<u>400,000</u>	<u>850,000</u>	<u>36,000</u>	<u>5,500,000</u>	<u>-</u>	<u>-</u>	<u>9,350,998</u>
(301,335)	122,374	(260,302)	489,223	671,035	-	868,348
<u>1,211,836</u>	<u>117,889</u>	<u>(20,292)</u>	<u>1,564,907</u>	<u>1,934,174</u>	<u>-</u>	<u>6,487,284</u>
<u>\$ 910,501</u>	<u>\$ 240,263</u>	<u>\$ (280,594)</u>	<u>\$ 2,054,130</u>	<u>\$ 2,605,209</u>	<u>\$ -</u>	<u>\$ 7,355,632</u>

SCHEDULE 13

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Balance Sheet - Nonmajor Debt Service Funds
September 30, 2023**

	2019 TIF BOND AND INTEREST PLANET FITNESS	CITY BOND AND INTEREST	2014 TIF BOND AND INTEREST SOUTHERN POINTE	2003 TIF BOND AND INTEREST CHAUVET SQUARE	2007 TIF BOND AND INTEREST TURTLE CROSSING
ASSETS					
Cash and cash equivalents - restricted	\$ 137,777	\$ 4,611,148	\$ 376,520	\$ 221,503	\$ 281,136
Cash with fiscal agent - restricted	-	-	-	-	-
Property taxes receivable	-	2,616,516	-	-	-
Total assets	\$ 137,777	\$ 7,227,664	\$ 376,520	\$ 221,503	\$ 281,136
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	2,600,000	-	-	-
Total deferred inflows of resources	-	2,600,000	-	-	-
FUND BALANCES					
Restricted:					
Debt service	137,777	4,627,664	376,520	221,503	281,136
Total fund balances	137,777	4,627,664	376,520	221,503	281,136
Total liabilities, deferred inflows of resources, and fund balances	\$ 137,777	\$ 7,227,664	\$ 376,520	\$ 221,503	\$ 281,136

2008 TIF BOND AND INTEREST LINCOLN CENTER	2012 TIF BOND AND INTEREST KOHL'S	2016 TIF BOND AND INTEREST WHISPERING PINES	2016 TIF BOND AND INTEREST HATTIESBURG CLINIC	2015-A TIF BOND AND INTEREST RIDGE AT TURTLE CREEK	2015-B TIF BOND AND INTEREST MIDTOWN MARKET	2019 TIF BOND AND INTEREST ELAM ARMS	TOTAL
\$ 65,929	\$ 5	\$ 700,904	\$ 109,018	\$ 120,366	\$ 19,867	\$ 735,497	\$ 7,379,670
-	-	-	-	-	-	154,438	154,438
-	-	-	-	-	-	-	2,616,516
<u>\$ 65,929</u>	<u>\$ 5</u>	<u>\$ 700,904</u>	<u>\$ 109,018</u>	<u>\$ 120,366</u>	<u>\$ 19,867</u>	<u>\$ 889,935</u>	<u>\$ 10,150,624</u>
\$ -	\$ 1,500	\$ -	\$ 25,000	\$ -	\$ 7,000	\$ -	\$ 33,500
-	1,500	-	25,000	-	7,000	-	33,500
-	-	-	-	-	-	-	2,600,000
-	-	-	-	-	-	-	2,600,000
65,929	(1,495)	700,904	84,018	120,366	12,867	889,935	7,517,124
<u>65,929</u>	<u>(1,495)</u>	<u>700,904</u>	<u>84,018</u>	<u>120,366</u>	<u>12,867</u>	<u>889,935</u>	<u>7,517,124</u>
<u>\$ 65,929</u>	<u>\$ 5</u>	<u>\$ 700,904</u>	<u>\$ 109,018</u>	<u>\$ 120,366</u>	<u>\$ 19,867</u>	<u>\$ 889,935</u>	<u>\$ 10,150,624</u>

SCHEDULE 14

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Debt Service Funds
Year Ended September 30, 2023**

	2019 TIF BOND AND INTEREST PLANET FITNESS	CITY BOND AND INTEREST	2014 TIF BOND AND INTEREST SOUTHERN POINTE	2003 TIF BOND AND INTEREST CHAUVET SQUARE	2007 TIF BOND AND INTEREST TURTLE CROSSING
REVENUES					
General property taxes	\$ 26,485	\$ 2,525,932	\$ 138,876	\$ 200,000	\$ 115,000
Interest, rents and concessions	390	12,300	818	633	527
Intergovernmental revenues	32,128	-	119,033	-	62,028
Total revenues	<u>59,003</u>	<u>2,538,232</u>	<u>258,727</u>	<u>200,633</u>	<u>177,555</u>
EXPENDITURES					
Current:					
Other services	-	25,764	-	-	-
Debt service:					
Principal payments	38,962	819,285	180,000	155,000	105,000
Interest and fiscal charges	18,335	2,026,793	66,725	40,790	35,935
Total expenditures	<u>57,297</u>	<u>2,871,842</u>	<u>246,725</u>	<u>195,790</u>	<u>140,935</u>
Excess (deficiency) of revenues over expenditures	1,706	(333,610)	12,002	4,843	36,620
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,706	(333,610)	12,002	4,843	36,620
Fund balances - beginning	136,071	4,961,274	364,518	216,660	244,516
Fund balances - ending	<u>\$ 137,777</u>	<u>\$ 4,627,664</u>	<u>\$ 376,520</u>	<u>\$ 221,503</u>	<u>\$ 281,136</u>

2008 TIF BOND AND INTEREST LINCOLN CENTER	2012 TIF BOND AND INTEREST KOHL'S	2016 TIF BOND AND INTEREST WHISPERING PINES	2016 TIF BOND AND INTEREST HATTIESBURG CLINIC	2015-A TIF BOND AND INTEREST RIDGE AT TURTLE CREEK	2015-B TIF BOND AND INTEREST MIDTOWN MARKET	2019 TIF BOND AND INTEREST ELAM ARMS	TOTAL
\$ -	\$ -	\$ 167,295	\$ 34,040	\$ 89,571	\$ 10,707	\$ 133,642	\$ 3,441,548
92	1	1,590	270	219	28	8,238	25,106
-	-	210,285	41,583	29,853	10,762	164,980	670,652
<u>92</u>	<u>1</u>	<u>379,170</u>	<u>75,893</u>	<u>119,643</u>	<u>21,497</u>	<u>306,860</u>	<u>4,137,306</u>
-	-	-	-	-	-	-	25,764
50,000	-	190,000	53,000	75,000	13,000	172,000	1,851,247
2,500	-	92,043	22,645	46,353	9,613	121,935	2,483,667
<u>52,500</u>	<u>-</u>	<u>282,043</u>	<u>75,645</u>	<u>121,353</u>	<u>22,613</u>	<u>293,935</u>	<u>4,360,678</u>
(52,408)	1	97,127	248	(1,710)	(1,116)	12,925	(223,372)
-	-	-	-	-	-	66,407	66,407
-	(247)	-	-	-	-	-	(247)
<u>-</u>	<u>(247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,407</u>	<u>66,160</u>
(52,408)	(246)	97,127	248	(1,710)	(1,116)	79,332	(157,212)
<u>118,337</u>	<u>(1,249)</u>	<u>603,777</u>	<u>83,770</u>	<u>122,076</u>	<u>13,983</u>	<u>810,603</u>	<u>7,674,336</u>
<u>\$ 65,929</u>	<u>\$ (1,495)</u>	<u>\$ 700,904</u>	<u>\$ 84,018</u>	<u>\$ 120,366</u>	<u>\$ 12,867</u>	<u>\$ 889,935</u>	<u>\$ 7,517,124</u>

SCHEDULE 15

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Balance Sheet - Nonmajor Capital Project Funds
September 30, 2023**

	<u>TIF CONSTRUCTION</u>	<u>BOND CONSTRUCTION</u>	<u>KAMPER PARK/ZOO IMPROVEMENTS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents - restricted	\$ 825	\$ 947,709	\$ 2,394	\$ 950,928
Total assets	<u>\$ 825</u>	<u>\$ 947,709</u>	<u>\$ 2,394</u>	<u>\$ 950,928</u>
FUND BALANCES				
Restricted:				
Public safety - law enforcement	\$ -	\$ 947,709	\$ -	\$ 947,709
Culture and recreation	-	-	2,394	2,394
Economic development	825	-	-	825
Total fund balances	<u>825</u>	<u>947,709</u>	<u>2,394</u>	<u>950,928</u>
Total fund balances	<u>\$ 825</u>	<u>\$ 947,709</u>	<u>\$ 2,394</u>	<u>\$ 950,928</u>

See independent auditor's report.

SCHEDULE 16

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Project Funds
Year Ended September 30, 2023**

	<u>TIF CONSTRUCTION</u>	<u>BOND CONSTRUCTION</u>	<u>KAMPER PARK/ZOO IMPROVEMENTS</u>	<u>TOTAL</u>
REVENUES				
Interest, rents and concessions	\$ 2	\$ 1,268	\$ 35	\$ 1,305
Total revenues	<u>2</u>	<u>1,268</u>	<u>35</u>	<u>1,305</u>
NET CHANGE IN FUND BALANCES	2	1,268	35	1,305
Fund balances - beginning	<u>823</u>	<u>946,441</u>	<u>2,359</u>	<u>949,623</u>
Fund balances - ending	<u>\$ 825</u>	<u>\$ 947,709</u>	<u>\$ 2,394</u>	<u>\$ 950,928</u>

See independent auditor's report.

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Departmental Expenditures - Budgetary Basis - General Fund
Year Ended September 30, 2023**

	PERSONNEL SERVICES	SUPPLIES & EXPENSES
GENERAL GOVERNMENT		
City Council	\$ 375,056	\$ 2,324
Mayor/Administration	820,093	15,647
Municipal Clerk	184,451	505
Accounting Division	267,073	3,147
Purchasing Division	133,375	2,445
City Attorney	87,745	-
Human Resources Division	252,157	1,677
Loss Control Division	75,763	1,295
Urban Development	498,745	14,561
Information Systems	280,705	33,863
Metro Planning	169,523	569
General Government Building	-	14,560
General Government - Other	-	164
Intermodal Facility	-	6,027
Federal Grant Administration	75,899	293
City Court	1,148,577	49,072
Total General Government	4,369,162	146,149
PUBLIC SAFETY		
Police Department	10,893,396	723,213
Police and Fire Training	37,934	62,489
Fire Department	8,879,843	285,927
Land Development Administration	602,154	31,334
Contractual Services	212,484	-
Total Public Safety	20,625,811	1,102,963
PUBLIC SERVICE		
Traffic Maintenance	295,536	109,413
Street Division	854,653	260,295
Street Lights	-	-
Engineering	534,703	11,860
Shop Division	392,101	22,362
Garage and Office	-	970
Drainage Division	-	7,371
Construction Division	513,219	82,997
Sanitation Division	1,478,108	522,973
Health Division	1,037,074	143,287
Total Public Service	5,105,394	1,161,528

OTHER SERVICES/ CHARGES	CAPITAL OUTLAYS	DEBT SERVICE	TOTAL
\$ 221,410	\$ 4,161	\$ -	\$ 602,951
178,358	-	-	1,014,098
31,439	-	-	216,395
1,930	-	-	272,150
3,237	-	-	139,057
-	-	-	87,745
4,984	-	-	258,818
938	-	-	77,996
82,816	-	-	596,122
823,277	35,437	-	1,173,282
8,848	-	-	178,940
159,602	-	-	174,162
3,301,529	-	-	3,301,693
67,020	51,923	-	124,970
7,757	-	-	83,949
394,562	-	-	1,592,211
<u>5,287,707</u>	<u>91,521</u>	<u>-</u>	<u>9,894,539</u>
957,496	627,281	-	13,201,386
54,791	46,000	-	201,214
303,000	6,671	-	9,475,441
228,566	71,776	-	933,830
907,519	-	-	1,120,003
<u>2,451,372</u>	<u>751,728</u>	<u>-</u>	<u>24,931,874</u>
34,764	28,935	-	468,648
1,308,803	68,101	-	2,491,852
1,299,421	-	-	1,299,421
343,327	-	-	889,890
46,635	-	-	461,098
18,119	-	-	19,089
45,153	520,060	-	572,584
92,057	-	-	688,273
1,449,263	1,345,000	-	4,795,344
1,648	57,664	-	1,239,673
<u>4,639,190</u>	<u>2,019,760</u>	<u>-</u>	<u>12,925,872</u>

CITY OF HATTIESBURG, MISSISSIPPI

**Statement of Departmental Expenditures - Budgetary Basis - General Fund
Year Ended September 30, 2023**

	<u>PERSONNEL SERVICES</u>	<u>SUPPLIES & EXPENSES</u>
HUMAN/SOCIAL ASSISTANCE		
Human/Social Assistance	\$ -	\$ -
Total Human/Social Assistance	<u>-</u>	<u>-</u>
ECONOMIC DEVELOPMENT		
Economic Development	-	-
Total Economic Development	<u>-</u>	<u>-</u>
OTHER SERVICES		
Animal Control	126,307	10,716
Airport	-	6,659
Cemetery	631,225	74,635
Parking Operations	33,150	222
Total Other Services	<u>790,682</u>	<u>92,232</u>
DEBT SERVICE	<u>-</u>	<u>-</u>
TOTAL DEPARTMENTAL EXPENDITURES	<u>\$ 30,891,049</u>	<u>\$ 2,502,872</u>

<u>OTHER SERVICES/ CHARGES</u>	<u>CAPITAL OUTLAYS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
\$ 452,128	\$ -	\$ -	\$ 452,128
<u>452,128</u>	<u>-</u>	<u>-</u>	<u>452,128</u>
3,539,900	483,606	-	4,023,506
<u>3,539,900</u>	<u>483,606</u>	<u>-</u>	<u>4,023,506</u>
200,330	-	-	337,353
21,863	-	-	28,522
50,917	286,042	-	1,042,819
22,552	-	-	55,924
<u>295,662</u>	<u>286,042</u>	<u>-</u>	<u>1,464,618</u>
-	-	1,122,220	1,122,220
<u>\$ 16,665,959</u>	<u>\$ 3,632,657</u>	<u>\$ 1,122,220</u>	<u>\$ 54,814,757</u>

SCHEDULE 18

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Fiduciary Net Position - Custodial Funds
September 30, 2023**

	Tax Collectors Fund	Industrial Park Fund	Hattiesburg Special Sales Tax	Total
ASSETS				
Cash and cash equivalents	\$ 73,195	\$ 16,416	\$ -	\$ 89,611
Other receivables	1,026,359	-	-	1,026,359
Sales tax receivable	-	-	72,243	72,243
Total assets	\$ 1,099,554	\$ 16,416	\$ 72,243	\$ 1,188,213
LIABILITIES				
Due to other funds	\$ 247,177	\$ -	\$ -	\$ 247,177
Other liabilities	-	1,320	40	1,360
Total liabilities	247,177	1,320	40	248,537
NET POSITION				
Restricted for:				
Individuals, organizations and other governments	852,377	15,096	72,203	939,676
Total net position	852,377	15,096	72,203	939,676
Total liabilities and net position	\$ 1,099,554	\$ 16,416	\$ 72,243	\$ 1,188,213

See independent auditor's report.

SCHEDULE 19

CITY OF HATTIESBURG, MISSISSIPPI

**Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
Year Ended September 30, 2023**

	<u>Tax Collectors Fund</u>	<u>Industrial Park Fund</u>	<u>Hattiesburg Special Sales Tax</u>	<u>Total</u>
ADDITIONS				
Property tax revenues	\$ 50,781,948	\$ -	\$ -	\$ 50,781,948
Sales tax revenues	-	-	954,021	954,021
Intergovernmental revenues	-	445,000	-	445,000
Other revenues	-	26,717	-	26,717
Interest	11,071	1,153	-	12,224
Total additions	<u>50,793,019</u>	<u>472,870</u>	<u>954,021</u>	<u>52,219,910</u>
DEDUCTIONS				
Payments of taxes to other funds	50,252,468	-	-	50,252,468
Administrative expense	-	61,554	-	61,554
Other expense	-	557,480	961,846	1,519,326
Total deductions	<u>50,252,468</u>	<u>619,034</u>	<u>961,846</u>	<u>51,833,348</u>
CHANGE IN FIDUCIARY NET POSITION	540,551	(146,164)	(7,825)	386,562
NET POSITION - BEGINNING	<u>311,826</u>	<u>161,260</u>	<u>80,028</u>	<u>553,114</u>
NET POSITION - ENDING	<u>\$ 852,377</u>	<u>\$ 15,096</u>	<u>\$ 72,203</u>	<u>\$ 939,676</u>

See independent auditor's report.

SCHEDULE 20

CITY OF HATTIESBURG, MISSISSIPPI

**Schedule of Surety Bonds for Municipal Officials
September 30, 2023**

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Amount</u>
Thomas "Toby" Barker	Mayor	Travelers	\$ 100,000
Deborah Denard Delgado	Council Member	FCCI Insurance Co.	100,000
Edmond Carter Carroll	Council Member	Western Surety Co.	100,000
Dave Ware	Council Member	FCCI Insurance Co.	100,000
Nicholas R. Brown	Council Member	FCCI Insurance Co.	100,000
Jeffrey Randolph George	Council Member	Travelers	100,000
Kermas Eaton	City Clerk	Travelers	50,000
Peggy Sealy	Police Chief	FCCI Insurance Co.	50,000

SCHEDULE 21

CITY OF HATTIESBURG, MISSISSIPPI

**Full Cost Accounting - Solid Waste Management Services
Year Ended September 30, 2023**

EXPENSES - Sanitation Cost Center (General Fund):

Personnel costs	\$ 1,478,108
Supplies	522,973
Other services and charges	1,449,263
Total expenses (other than capital outlay) sanitation cost center	<u>3,450,344</u>

Depreciation expense 159,645

Allocation of certain expenses in Other Cost Centers:

50% of shop cost center - repair and maintenance	230,549
Indirect cost allocation - 10% of administration cost centers	222,544

Total calculated expenses - full cost basis \$ 4,063,082

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

Sanitation trucks:	
Garbage (tons)	15,381
Trash (tons)	53,434
<i>Total tons solid waste</i>	<u>68,815</u>

Distribution of residential and non-residential costs:

Residential (84%)	\$ 3,412,989
Non-residential (16%)	650,093

Total distribution \$ 4,063,082

NOTES:

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

SCHEDULE 22

CITY OF HATTIESBURG, MISSISSIPPI

**Report on Revenues and Expenditures
Additional 1% Sales Tax for City Parks & Recreation Projects
and Improvements to USM Athletic Facilities - Modified Accrual Basis
Year Ended September 30, 2023**

Revenues (Special Sales Tax Fund):

Additional 1% Sales Taxes	
Restaurants	\$ 3,383,075
Hotels and motels	506,418
Total additional 1% sales taxes	<u>3,889,493</u>
Other revenues	
Contributions - forrest	325,000
Contributions - other	950,000
Interest	45,220
Total other revenues	<u>1,320,220</u>
Total revenues	<u>5,209,713</u>
Expenditures	
Culture and recreation	7,548,329
Economic development	600,000
Payments to USM of 1/2 of special taxes collected	2,071,750
Miscellaneous	411
Total expenditures	<u>10,220,490</u>
Other Financing Sources	
Proceeds from bonds	<u>5,500,000</u>
Total other financing sources	<u>5,500,000</u>
NET CHANGE IN FUND BALANCE	489,223
Fund balance - beginning	<u>1,564,907</u>
Fund balance - ending	<u>\$ 2,054,130</u>

NOTES:

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

See independent auditor's report.

SCHEDULE 23

CITY OF HATTIESBURG, MISSISSIPPI

**Water and Sewer Budget Basis Balance Sheets
September 30, 2023**

	OPERATIONS AND MAINTENANCE FUND	BOND AND INTEREST FUND	REVENUE FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 791,895	\$ -	\$ 4,078,075
Cash and cash equivalents - restricted	-	6,294,049	-
Cash with fiscal agent - restricted	-	23,021,229	-
Prepaid insurance - bonds	-	430,807	-
Due from other funds	1,176,824	297,500	-
Total current assets	<u>1,968,719</u>	<u>30,043,585</u>	<u>4,078,075</u>
Total assets	<u><u>\$ 1,968,719</u></u>	<u><u>\$ 30,043,585</u></u>	<u><u>\$ 4,078,075</u></u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 44,593
Sales tax payable	-	-	179,904
Customer deposits	-	-	1,789,068
Due to other funds	-	-	2,360,406
Total current liabilities	<u>-</u>	<u>-</u>	<u>4,373,971</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,373,971</u>
NET POSITION	<u>1,968,719</u>	<u>30,043,585</u>	<u>(295,896)</u>
Total liabilities and net position	<u><u>\$ 1,968,719</u></u>	<u><u>\$ 30,043,585</u></u>	<u><u>\$ 4,078,075</u></u>

See independent auditor's report.

<u>ENVIRONMENTAL ESCROW FUND</u>	<u>CONSTRUCTION FUND</u>	<u>2016 CONSTRUCTION FUND</u>	<u>2012 CONSTRUCTION FUND</u>	<u>2010 CONSTRUCTION FUND</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	1,779,371	-	-	-
175,023	-	-	66	594
-	-	-	-	-
-	479,575	-	-	-
<u>175,023</u>	<u>2,258,946</u>	<u>-</u>	<u>66</u>	<u>594</u>
<u>\$ 175,023</u>	<u>\$ 2,258,946</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 594</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	15,424	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>15,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	15,424	-	-	-
<u>175,023</u>	<u>2,243,522</u>	<u>-</u>	<u>66</u>	<u>594</u>
<u>\$ 175,023</u>	<u>\$ 2,258,946</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 594</u>

SCHEDULE 24

CITY OF HATTIESBURG, MISSISSIPPI

**Water and Sewer Budget Basis Statements of Revenues, Expenses,
and Changes in Net Position
Year Ended September 30, 2023**

	<u>OPERATIONS AND MAINTENANCE FUND</u>	<u>BOND AND INTEREST FUND</u>	<u>REVENUE FUND</u>
OPERATING REVENUES	<u>\$ 75,020</u>	<u>\$ -</u>	<u>\$ 28,012,115</u>
OPERATING EXPENSES			
Personnel services	3,104,792	-	-
Supplies and expenses	1,518,308	-	-
Other services and charges	9,540,440	-	-
Other operating expenses	129,542	-	3,671
Total operating expenses	<u>14,293,082</u>	<u>-</u>	<u>3,671</u>
OPERATING INCOME (LOSS)	<u>(14,218,062)</u>	<u>-</u>	<u>28,008,444</u>
NON-OPERATING REVENUES (EXPENSES)			
Proceeds from long-term debt	-	-	-
Principal payments on notes	-	(12,190,444)	-
Interest expense	-	(2,194,103)	(11,450)
Interest revenue	5,676	173,851	53,607
Intergovernmental revenues	-	-	-
Other revenue	1,586	-	126,600
Other expense	-	(359,998)	-
Total non-operating revenues (expenses)	<u>7,262</u>	<u>(14,570,694)</u>	<u>168,757</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(14,210,800)</u>	<u>(14,570,694)</u>	<u>28,177,201</u>
OPERATING TRANSFERS			
Operating transfers in	13,990,309	8,560,981	-
Operating transfers out	-	-	(28,095,986)
Total operating transfers	<u>13,990,309</u>	<u>8,560,981</u>	<u>(28,095,986)</u>
CHANGES IN NET POSITION	<u>\$ (220,491)</u>	<u>\$ (6,009,713)</u>	<u>\$ 81,215</u>

See independent auditor's report.

<u>ENVIRONMENTAL ESCROW FUND</u>	<u>CONSTRUCTION FUND</u>	<u>2016 CONSTRUCTION FUND</u>	<u>2012 CONSTRUCTION FUND</u>	<u>2010 CONSTRUCTION FUND</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	985,627	-	-	-
-	5,510,151	143,635	-	-
-	6,495,778	143,635	-	-
-	(6,495,778)	(143,635)	-	-
-	455,494	-	-	-
-	-	-	-	-
-	-	-	-	-
4,006	4,370	64,340	2	22
-	70,824	-	-	-
-	56,656	-	-	-
-	-	-	-	-
4,006	587,344	64,340	2	22
4,006	(5,908,434)	(79,295)	2	22
70,800	6,246,739	-	-	-
-	-	(1,596,843)	-	-
70,800	6,246,739	(1,596,843)	-	-
\$ 74,806	\$ 338,305	\$ (1,676,138)	\$ 2	\$ 22

SCHEDULE 25

CITY OF HATTIESBURG, MISSISSIPPI

**Water and Sewer Budget Basis Operation and Maintenance Cost Centers
Year Ended September 30, 2023**

	<u>Personnel Services</u>	<u>Supplies and Expenses</u>	<u>Other Services and Charges</u>	<u>Capital Outlays</u>	<u>Total</u>
Office	\$ 731,961	\$ 62,685	\$ 436,910	\$ 34,255	\$ 1,265,811
Transmission	1,043,817	552,188	2,692,810	-	4,288,815
Plant	615,193	465,994	1,373,580	87,156	2,541,923
Sewer	373,177	205,258	3,045,458	8,131	3,632,024
Sewer lagoon	340,644	232,183	1,991,682	-	2,564,509
<i>Total expenses</i>	<u>\$ 3,104,792</u>	<u>\$ 1,518,308</u>	<u>\$ 9,540,440</u>	<u>\$ 129,542</u>	<u>\$ 14,293,082</u>

See independent auditor's report.

SCHEDULE 26
PAGE 1 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Housing and Urban Development</i>				
Pass-Through Programs From:				
Governor's Department of Housing and Urban Development				
<i>CDBG Entitlement Grants - Cluster:</i>				
Community Development Block Grants / Entitlement Grants	14.218	MC-28-0006	\$ 665,376	
HOME Investment Partnerships Program	14.239	MC-28-0201/M21-MP280201	38,340	
Pass-Through Programs From:				
Office of Lead Hazard Control and Healthy Homes				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	MSLHB0771-21	83,948	
Total U.S. Department of Housing and Urban Development Pass-Through Programs			787,664	
<i>U.S. Department of Justice</i>				
Office of Justice Programs:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	2,750	
Office of Justice Programs:				
Violence Against Women Formula Grants	16.588	N/A	125,385	
Bulletproof Vest Partnership Program	16.607	N/A	14,979	
COPS Hiring Program	16.607	2020UMWX0429	77,732	
			92,711	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Justice (Cont.)</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 12,187	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>23,412</u>	<u>\$ 9,397</u>
			<u>35,599</u>	
Total U.S. Department of Justice Direct Programs			<u>256,445</u>	
Pass-Through Programs From:				
Mississippi Department of Health OVW Technical Assistance Initiative	16.526	2023-ST-019	<u>41,648</u>	
Total U.S. Department of Justice Pass-Through Programs			<u>41,648</u>	
<i>U.S. Department of Transportation</i>				
Federal Aviation Administration Airport Improvement Program	20.106	N/A	14,026	
Airport Improvement Program	20.106	N/A	75,222	
Drainage Improvement Program	20.106	N/A	<u>3,198</u>	
			<u>92,446</u>	
Consolidated Rail Infrastructure and Safety Improvements	20.325	N/A	<u>2,349,350</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE 26
PAGE 3 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Transportation (Cont.)</i>				
Federal Transit Administration				
<i>Federal Transit Cluster:</i>				
Federal Transit Formula Grants:				
Mass Transit Capital	20.507	N/A	\$ 24,992	
Mass Transit Capital	20.507	N/A	170,840	
Mass Transit Capital	20.507	N/A	89,360	
Mass Transit Capital	20.507	N/A	169,720	
Mass Transit Operating	20.507	N/A	438,729	
Mass Transit Preventive	20.507	N/A	17,789	
Mass Transit Capital	20.507	N/A	200,000	
Mass Transit Operating	20.507	N/A	148,271	
Mass Transit Preventive/Capital	20.507	N/A	332,518	
Mass Transit Rolling Stock	20.507	N/A	13,230	
Mass Transit Rolling Stock	20.507	N/A	210,937	
Mass Transit Capital	20.507	N/A	35,196	
Mass Transit Capital	20.507	N/A	11,636	
Mass Transit Capital	20.507	N/A	838,380	
Mass Transit Operating	20.507	N/A	387,258	
Total - Federal Transit Cluster			<u>3,088,856</u>	
Total U.S. Department of Transportation Direct Programs			<u>5,530,652</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE 26
PAGE 4 OF 5

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Transportation (Cont.)</i>				
Federal Highway Administration				
Pass-Through Programs From:				
Mississippi Department of Transportation				
Highway Planning and Construction Cluster:				
Metropolitan Planning Organization	20.205	N/A	\$ 120,183	
Hall Avenue West Overpass Build Grant	20.205	FBLD-8769-00(001)108639-801000	8,541,701	
Country Club Road Improvements	20.205	STP-8760-00(005)LPA/108134-701000	382,651	
Hardy Street Roundabout Improvements	20.205	STP-0210-00(037)LPA/108081-701000	331,681	
Total - Highway Planning and Construction Cluster			<u>9,376,216</u>	
National Highway Traffic Safety Administration				
Pass-Through Programs From:				
Mississippi Department of Public Safety -				
Office of Highway Safety				
Alcohol Open Container Requirements	20.607	154-AL-2022-ST-21-51	60,158	
Total U.S. Department of Transportation Pass-Through Programs			<u>9,436,374</u>	
<i>U.S. Department of Treasury</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,297,567	
Total U.S. Department of Treasury Direct Program			<u>1,297,567</u>	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<i>U.S. Department of Commerce</i>				
Pass-Through Programs From:				
Mississippi Arts Commission				
Promotion of the Arts Partnership Agreements	45.025	23-25667986-AI/BFA	\$ 219,240	
Total U.S. Department of Commerce Pass-Through-Programs			<u>219,240</u>	
<i>U.S. Department of Health and Human Services</i>				
Substance Abuse and Mental Health Services				
Projects of Regional and National Significance	93.243	N/A	<u>183,290</u>	
Total U.S. Department of Health and Human Services Direct Programs			<u>183,290</u>	
<i>Executive Office of the President</i>				
Pass-Through Program From:				
Mississippi Bureau of Narcotics				
High Intensity Drug Trafficking Areas Program	95.001	G21GC0003A	<u>20,060</u>	
Total Executive Office of the President Pass-Through Programs			<u>20,060</u>	
<i>U.S. Department of Homeland Security</i>				
Pass-Through Programs From:				
Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4626-DR-MS	<u>346,850</u>	
Total U.S. Department of Homeland Security Pass-Through Programs			<u>346,850</u>	
<i>Total Expenditures of Federal Awards</i>			<u>\$ 18,119,790</u>	<u>\$ 9,397</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF HATTIESBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Hattiesburg under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Hattiesburg, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hattiesburg.

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

NOTE 2 - DE MINIMIS COST RATE

The City elected not to recover indirect costs for federal programs using the 10.00% de minimis cost rate allowed under the Uniform Guidance.

NOTE 3 - PAYMENTS MADE TO SUBRECIPIENTS

Federal funds provided to subrecipients from the Edward Byrne Memorial Justice Assistance Program during the year ended September 30, 2023 totaled \$9,397.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hattiesburg, Mississippi’s basic financial statements, and have issued our report thereon dated June 25, 2024.

Report on Internal Control over Financial Reporting

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

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



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FAX: 228.864.3850

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 through 2023-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

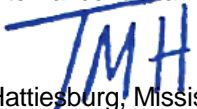
As part of obtaining reasonable assurance about whether the City of Hattiesburg, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City of Hattiesburg's Response to Findings

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

Purpose of this Report

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



Hattiesburg, Mississippi
June 25, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the City of Hattiesburg, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Hattiesburg, Mississippi's major federal programs for the year ended September 30, 2023. The City of Hattiesburg, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Hattiesburg, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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



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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Hattiesburg, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

- Obtain an understanding of the City of Hattiesburg, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Hattiesburg, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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


Hattiesburg, Mississippi
June 25, 2024

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

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

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Municipal Road and Bridge Fund	Unmodified
COVID Fiscal Recovery Fund	Unmodified
Series 2019 and 2020 Bond Projects Fund	Unmodified
Aggregate Remaining Governmental Funds	Unmodified
Combined Water and Sewer System	Unmodified

Internal control over financial reporting:

Material weaknesses identified?	Yes
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported

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

Highway Planning and Construction Cluster	Unmodified
Consolidated Rail Infrastructure and Safety Improvements	Unmodified
Coronavirus State and Local Fiscal Recovery Funds	Unmodified

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
20.325	Consolidated Rail Infrastructure and Safety Improvements
21.027	Coronavirus State and Local Fiscal Recovery

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

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

Finding:

Finding 2023-001 Entity-Level Control Environment and Risk Assessment Processes

Finding Type: Material Weakness

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

Condition - The City did not timely initiate or make substantial progress in implementation of corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2023.

Context - The City has previously developed a comprehensive plan in response to certain material entity-level control weaknesses related to financial reporting, but the City had not yet implemented corrective actions during fiscal year 2023.

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

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings (Cont.)

Finding 2023-001 Entity-Level Control Environment and Risk Assessment Processes
(Cont.)

Effect - Previously identified material weaknesses in internal control continued unmitigated in fiscal year 2023.

Identification of Repeat Finding 2022-001

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

Views of Responsible Officials - See the Auditee's Corrective Action Plan.

Finding:

Finding 2023-002 Entity-Level Information, Communication and Monitoring

Finding Type: Material weakness

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

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

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

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CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings (Cont.)

Finding 2023-002 Entity-Level Information, Communication and Monitoring (Cont.)

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

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

Identification of Repeat Finding 2022-002

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

Views of Responsible Officials - See the Auditee's Corrective Action Plan.

Finding:

Finding 2023-003 Financial Statement Adjustment, Close, and Disclosure

Finding Type: Material weakness

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

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings (Cont.)

Finding 2023-003 Financial Statement Adjustment, Close, and Disclosure (Cont.)

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

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

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

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

Identification of Repeat Finding 2022-003

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

Views of Responsible Officials - See the Auditee's Corrective Action Plan.

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings (Cont.)

Finding:

Finding 2023-004 Water and Sewer Customer Accounts Receivable

Finding Type: Material weakness

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

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

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

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

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

CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings (Cont.)

Finding 2023-004 Water and Sewer Customer Accounts Receivable (Cont.)

Identification of Repeat Finding 2022-004

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

Views of Responsible Officials - See the Auditee's Corrective Action Plan.

Finding:

Finding 2023-005 Capital Assets

Finding Type: Material weakness

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

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

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

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CITY OF HATTIESBURG, MISSISSIPPI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings (Cont.)

Finding 2023-005 Capital Assets (Cont.)

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

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

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

Identification of Repeat Finding 2022-005

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

Views of Responsible Officials - See the Auditee's Corrective Action Plan.

Section III - Federal Awards Findings and Questioned Costs

No matters were reported.

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CITY OF HATTIESBURG, MISSISSIPPI

AUDITEE CORRECTIVE ACTION PLAN

Year Ended September 30, 2023



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Dave Ware

COUNCIL - WARD FIVE
Nicholas Brown

Auditee Corrective Action Plan

The City of Hattiesburg respectfully submits the following corrective action plan.

Audit Period: September 30, 2023

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

Corrective Action Plan for Financial Statement Findings

2023-001 Entity-Level Control Environment and Risk Assessment Processes

The City's Administration acknowledges the importance of the control environment and, in particular, the organizational structure, with the assignment of authority and responsibility in addressing risks relevant to the achievement of financial reporting objectives. The Administration initiated an entity-wide assessment of the existing organizational structure and found that many issues were relevant to deficiencies in financial software in use. The City has purchased new software, and training and implementation began during the summer of 2020. The financial software became fully operational in January 2021. The Payroll module became operational on July 1, 2021. The Municipal Court module became operational November 1, 2021, and the Water Billing module became operational on October 7, 2023.

Name of Responsible Person: Ann Jones, Chief Administrative Officer;
Malcolm Berch, Chief Financial Officer
Name of Department Contact: Ann Jones, Chief Administrative Officer
Expected Date of Completion: Fall 2024

2023-002 Entity-Level Information, Communication and Monitoring

The City has recognized that the current financial software has deficiencies which impede the ability to obtain, maintain, and analyze data from varied sources. The City has purchased financial software, and training and implementation began during the summer of 2020. The financial software module became operational on January 1, 2021. The Payroll module became operational on July 1, 2021. The Municipal Court module became operational November 1, 2021, and the Water Billing module became operational on October 7, 2023. The new software will aid in improving internal control procedures and provide greater detail for project accounting and documentation of federal awards.

Auditee Corrective Action Plan (Cont.)

Name of Responsible Person:	Malcolm Berch, Chief Financial Officer
Name of Department Contact:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2024

2023-003 Financial Statement Adjustment, Close, and Disclosure

Finding 2023-003 emphasizes the "increasing complexity of financial reporting requirements", and it includes other notations that generally describe the difficulties encountered by the City in its financial accounting functions. Other points, including the need for a formal process for ensuring the accuracy and completeness of various peripheral systems and reconciliation procedures, are, in the opinion of the Administration, valid concerns.

As noted in our response to findings 2023-001 and 2023-002, the City has purchased financial software, which became operational on January 1, 2021. The Accounting staff has endeavored to produce timely and reliable budgetary basis accounting reports in the interim and has facilitated improved conversion procedures as far as practicable until new software is fully functional. The final module, Water Billings, became operational October 7, 2023.

Name of Responsible Person:	Lisa Hanson, Comptroller
Expected Date of Completion:	Fall 2024

2023-004 Water and Sewer Customer Accounts Receivable

The Administration implemented procedures to prepare and reconcile water and sewer customer accounts receivable activity. Due to deficiencies with current billing and financial software, some data is not accessible or has not been captured, making manual capture of the data on subsidiary spreadsheets necessary. Along with financial software upgrades, new billing software became operational on October 7, 2023. This will enable seamless communication with the Accounting Department to properly capture financial data and provide more detailed information on outstanding balance, aging of accounts receivable, and allowance for doubtful accounts.

Name of Responsible Person:	Allen Howe, Director of Water and Sewer
Name of Department Contact:	Wanda Turner, Office Manager
Estimated Date of Completion:	Fall 2024

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Auditee Corrective Action Plan (Cont.)

2023-005 Capital Assets

The City has implemented a system of policies and procedures for accounting for capital assets pending implementation of financial software which will be able to capture this information seamlessly as part of the financial transactions. The current system can accommodate both approved construction projects and acquisitions of assets achieved outside the routine cash disbursement process, as well as any contributions or transfers of fixed assets to the City. Periodic review by the City's management team for the identification of impaired assets or assets no longer in service is performed to ensure that capitalization policies and procedures are followed. Greater accountability for accuracy of capital assets will be available when new software is fully implemented. The financial software module became fully operational on January 1, 2021. It has many additional reporting capabilities, which are being utilized to track capital assets and provide more detailed reporting.

Name of Responsible Person:	Malcolm Berch, Chief Financial Officer; Ann Jones, Chief Administrative Officer
Name of Department Contact:	Lamar Rutland, Director of Engineering; Lisa Hanson, Comptroller
Estimated Date of Completion:	Fall 2024

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CITY OF HATTIESBURG, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2023



MAYOR
Toby Barker

COUNCIL - WARD ONE
Jeffrey George

COUNCIL - WARD TWO
Deborah Denard Delgado

COUNCIL - WARD THREE
Carter Carroll

COUNCIL - WARD FOUR
Dave Ware

COUNCIL - WARD FIVE
Nicholas Brown

Summary Schedule of Prior Audit Findings Year Ended September 30, 2023

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

2022-001 Entity-Level Control Environment and Risk Assessment Process

Condition - This finding was a material weakness stating that entity-wide controls and procedures were not effectively initiated or implemented for corrective actions in response to material weaknesses and significant deficiencies in internal control identified in its financial statement audit for the year ended September 30, 2022.

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

Current Status - In early 2018, the Administration implemented changes to the organizational structure, adding a Department of Finance and Procurement, and assigning responsibility for this function to the Chief Financial Officer. The Accounting and Purchasing departments continue to operate under the supervision of the City Clerk and coordination with the Chief Financial Officer. An additional accountant was hired and serves as liaison with the various city departments to ensure greater accountability and documentation of ongoing projects.

2022-002 Entity-Level Information, Communication and Monitoring

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

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

Summary Schedule of Prior Audit Findings Year Ended September 30, 2023 (Cont.)

Current Status - As mentioned in the current status to Finding 2022-001, the additional accountant hired has been assigned the responsibility of communicating with various city departments to ensure proper capture and documentation of financial information on various projects. This position is responsible for compiling and documenting information for federal awards, and preparation and maintenance of supplementary spreadsheets has been developed and is being utilized at this time. City Administration acknowledges that updating the financial software is necessary in order to properly report financial information in accordance with generally accepted accounting principles, and the Administration has purchased new software and is currently engaged in training and subsequent implementation. The financial software became fully operational on January 1, 2021.

2022-003 Financial Statement Adjustment, Close, and Disclosure

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

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

Current Status - As stated in the current status to Finding 2022-002, a needs assessment and subsequent selection and implementation of updated financial software has been completed and new software purchased. The financial software module became fully operational on January 1, 2021. The payroll module became operational on July 1, 2021. The Municipal Court module became operational November 1, 2021, and the Water Billings module became operational on October 7, 2023. The Administration acknowledges that during the period 2014 – 2018, staffing changes due to retirements resulted in loss of institutional knowledge which had, in the past, afforded timely and accurate production of financial information at year-end. The Administration has taken steps to provide the needed support and institutional knowledge to ensure improvement in this area through the hiring process and subsequent training of current staff.

2022-004 Water and Sewer Customer Accounts Receivable

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

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

Summary Schedule of Prior Audit Findings Year Ended September 30, 2023 (Cont.)

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

2022-005 Capital assets

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

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

Current Status - New financial software was implemented on January 1, 2021, which will capture the capital asset information during the procurement process. Other staff, such as the Engineer and Chief Financial Officer, as well as engineer consultants, may be included when assessing potential impairment as well as reporting construction in progress.

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

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

We have audited the basic financial statements of the City of Hattiesburg, Mississippi as of and for the year ended September 30, 2023, and have issued our report dated June 25, 2024. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

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

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

Finding 1 - Fixed Asset Accounting

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

Criteria, Context, and Condition

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



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

Recommendation

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

Response

The City Administration agrees with this finding, and management had implemented a temporary corrective action plan to address all fixed asset recordkeeping requirements. New financial software was implemented on January 1, 2021, which will satisfy recording requirements.

Finding 2 - Annual Inventory of Assets

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

Criteria, Context, and Condition

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

Recommendation

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

Response

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

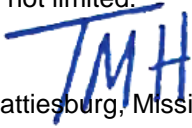
[See Schedule 27 - Schedule of Findings and Questioned Costs.]

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

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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



Hattiesburg, Mississippi
June 25, 2024

STATISTICAL INFORMATION
(UNAUDITED)

TABLE 1

CITY OF HATTIESBURG, MISSISSIPPI

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

	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 140,919,248	\$ 113,644,022	\$ 93,576,562	\$ 68,207,984	\$ 76,522,662	\$ 106,200,635	\$ 114,719,895	\$ 100,533,244	\$ 110,313,874	\$ 108,266,535
Restricted for:										
Debt service	7,517,124	7,674,336	8,610,167	9,766,038	8,817,108	7,169,815	6,162,469	4,100,910	4,067,078	3,764,608
Capital projects	1,590,224	10,741,492	21,339,899	30,834,556	-	-	-	-	-	50,515
Other purposes	-	-	-	-	-	-	-	-	-	1,794,732
Federal program	-	-	-	-	-	-	-	-	1,913,562	10,593
Unrestricted	(40,563,488)	(43,728,353)	(50,290,511)	(58,126,369)	(31,910,542)	(56,327,118)	(57,378,373)	(37,764,759)	(46,057,590)	12,182,338
Governmental activities net position	<u>\$ 109,463,108</u>	<u>\$ 88,331,497</u>	<u>\$ 73,236,117</u>	<u>\$ 50,682,209</u>	<u>\$ 53,429,228</u>	<u>\$ 57,043,332</u>	<u>\$ 63,503,991</u>	<u>\$ 66,869,395</u>	<u>\$ 70,236,924</u>	<u>\$ 126,069,321</u>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	\$ 75,653,861	\$ 70,132,697	\$ 66,705,055	\$ 62,836,484	\$ 50,999,854	\$ 39,832,512	\$ 29,709,397	\$ 23,460,573	\$ 44,493,366	\$ 60,747,195
Restricted for:										
Debt service	9,642,063	8,039,394	4,987,900	6,373,573	8,094,960	8,094,960	7,685,090	-	4,833,982	4,838,130
Capital projects	185,172	3,455,873	6,148,826	6,328,731	-	-	-	-	-	-
Unrestricted	(2,605,074)	(3,876,868)	(4,502,625)	(5,091,662)	5,234,042	13,933,041	21,938,437	33,737,335	(921,448)	4,758,857
Business-type activities net position	<u>\$ 82,876,022</u>	<u>\$ 77,751,096</u>	<u>\$ 73,339,156</u>	<u>\$ 70,447,126</u>	<u>\$ 64,328,856</u>	<u>\$ 61,860,513</u>	<u>\$ 59,332,924</u>	<u>\$ 57,197,908</u>	<u>\$ 48,405,900</u>	<u>\$ 70,344,182</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 216,573,109	\$ 183,776,719	\$ 160,281,617	\$ 131,044,468	\$ 127,522,516	\$ 146,033,147	\$ 144,429,292	\$ 123,993,817	\$ 154,807,240	\$ 169,013,730
Restricted for:										
Debt service	17,159,187	15,713,730	13,598,067	16,139,611	16,912,068	15,264,775	13,847,559	4,100,910	8,901,060	8,602,738
Capital projects	1,775,396	14,197,365	27,488,725	37,163,287	-	-	-	-	-	50,515
Other purposes	-	-	-	-	-	-	-	-	-	1,794,732
Federal program	-	-	-	-	-	-	-	-	1,913,562	10,593
Unrestricted	(43,168,562)	(47,605,221)	(54,793,136)	(63,218,031)	(26,676,500)	(42,394,077)	(35,439,936)	(4,027,424)	(46,979,038)	16,941,195
Primary government net position	<u>\$ 192,339,130</u>	<u>\$ 166,082,593</u>	<u>\$ 146,575,273</u>	<u>\$ 121,129,335</u>	<u>\$ 117,758,084</u>	<u>\$ 118,903,845</u>	<u>\$ 122,836,915</u>	<u>\$ 124,067,303</u>	<u>\$ 118,642,824</u>	<u>\$ 196,413,503</u>

TABLE 2

CITY OF HATTIESBURG, MISSISSIPPI

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

	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GOVERNMENTAL ACTIVITIES:										
General government	\$ 12,282,057	\$ 11,296,096	\$ 8,893,046	\$ 9,706,192	\$ 9,856,181	\$ 10,331,281	\$ 9,454,614	\$ 8,601,383	\$ 11,569,276	\$ 7,641,758
Public safety	32,315,379	26,353,567	24,956,253	27,025,859	27,096,070	24,554,459	24,876,846	24,355,235	20,821,509	21,476,883
Public services	14,425,099	16,242,403	16,226,202	17,317,329	19,589,388	18,216,227	22,301,631	20,621,611	16,434,765	15,253,508
Other services	1,673,393	1,921,637	1,792,825	1,388,068	1,579,771	1,395,047	1,429,409	980,641	2,093,259	1,847,824
Mass transit	2,825,922	1,969,988	2,343,864	2,154,841	2,380,293	1,802,171	1,901,374	1,861,405	1,217,110	1,203,191
Cultural and recreation	12,775,390	13,918,797	12,163,054	6,393,310	5,565,089	4,893,041	4,336,206	4,298,347	4,323,579	4,039,345
Human/social assistance	1,018,994	584,345	626,487	475,730	576,634	947,143	772,346	746,355	712,985	1,130,925
Economic development	4,623,506	2,181,782	1,037,317	4,353,707	1,070,757	305,000	255,000	5,319,409	208,115	286,500
Interest and fiscal charges	2,948,926	2,830,886	2,840,774	2,161,961	1,644,427	960,978	1,119,296	976,120	990,023	893,887
Total governmental activities expenses	<u>84,888,666</u>	<u>77,299,501</u>	<u>70,879,822</u>	<u>70,976,997</u>	<u>69,358,610</u>	<u>63,405,347</u>	<u>66,446,722</u>	<u>67,760,506</u>	<u>58,370,621</u>	<u>53,773,821</u>
BUSINESS-TYPE ACTIVITIES:										
Water and sewer system	20,224,846	18,532,482	18,480,336	16,039,290	17,715,761	17,568,985	16,373,370	18,507,187	31,166,774	14,349,426
Interest and fiscal charges	1,915,151	2,261,973	2,243,984	2,177,472	2,296,933	2,446,012	2,389,665	2,197,054	2,235,365	2,034,814
Total business-type activities expenses	<u>22,139,997</u>	<u>20,794,455</u>	<u>20,724,320</u>	<u>18,216,762</u>	<u>20,012,694</u>	<u>20,014,997</u>	<u>18,763,035</u>	<u>20,704,241</u>	<u>33,402,139</u>	<u>16,384,240</u>
Total primary government expenses	<u>\$ 107,028,663</u>	<u>\$ 98,093,956</u>	<u>\$ 91,604,142</u>	<u>\$ 89,193,759</u>	<u>\$ 89,371,304</u>	<u>\$ 83,420,344</u>	<u>\$ 85,209,757</u>	<u>\$ 88,464,747</u>	<u>\$ 91,772,760</u>	<u>\$ 70,158,061</u>
PROGRAM REVENUES:										
Governmental Activities:										
Charges for services	\$ 3,022,377	\$ 2,912,260	\$ 3,283,403	\$ 3,063,373	\$ 2,640,705	\$ 3,986,607	\$ 3,827,142	\$ 4,843,653	\$ 3,854,495	\$ 5,718,952
Operating grants and contributions	7,394,730	4,738,050	11,008,590	4,212,115	3,814,222	4,433,288	6,598,716	4,886,946	4,614,942	4,783,239
Capital grants and contributions	15,106,733	8,480,701	744,993	2,901,877	2,262,474	1,227,481	1,519,484	437,183	25,901,537	3,669,922
Total governmental activities program revenues	<u>25,523,840</u>	<u>16,131,011</u>	<u>15,036,986</u>	<u>10,177,365</u>	<u>8,717,401</u>	<u>9,647,376</u>	<u>11,945,342</u>	<u>10,167,782</u>	<u>34,370,974</u>	<u>14,172,113</u>
Business-Type Activities:										
Charges for services	28,109,349	25,286,827	23,687,770	23,121,868	21,947,492	22,821,070	20,748,288	20,627,608	17,086,586	16,361,169
Operating grants and contributions	-	-	356,025	-	-	228,348	-	38,718	-	-
Capital grants and contributions	70,824	322,567	-	-	-	-	-	-	474,084	1,407,145
Total business-type activities program revenues	<u>28,180,173</u>	<u>25,609,394</u>	<u>24,043,795</u>	<u>23,121,868</u>	<u>21,947,492</u>	<u>23,049,418</u>	<u>20,748,288</u>	<u>20,666,326</u>	<u>17,560,670</u>	<u>17,768,314</u>
Total primary government program revenues	<u>\$ 53,704,013</u>	<u>\$ 41,740,405</u>	<u>\$ 39,080,781</u>	<u>\$ 33,299,233</u>	<u>\$ 30,664,893</u>	<u>\$ 32,696,794</u>	<u>\$ 32,693,630</u>	<u>\$ 30,834,108</u>	<u>\$ 51,931,644</u>	<u>\$ 31,940,427</u>

See independent auditor's report.

TABLE 2
PAGE TWO

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PROGRAM REVENUES (Cont.):										
Net Revenues (Expenses):										
Governmental activities	\$ (59,364,826)	\$ (61,168,490)	\$ (55,842,836)	\$ (60,799,632)	\$ (60,641,209)	\$ (53,757,971)	\$ (54,501,380)	\$ (57,592,724)	\$ (23,999,647)	\$ (39,601,708)
Business-type activities	6,040,176	4,814,939	3,319,475	4,905,106	1,934,798	3,034,421	1,985,253	(37,915)	(15,841,469)	1,384,074
Total primary government net revenues (expenses)	\$ (53,324,650)	\$ (56,353,551)	\$ (52,523,361)	\$ (55,894,526)	\$ (58,706,411)	\$ (50,723,550)	\$ (52,516,127)	\$ (57,630,639)	\$ (39,841,116)	\$ (38,217,634)
GENERAL REVENUES AND OTHER CHANGES:										
Governmental Activities:										
Property taxes	\$ 26,320,264	\$ 25,755,700	\$ 24,974,297	\$ 23,958,334	\$ 23,540,801	\$ 22,260,336	\$ 20,782,953	\$ 19,777,229	\$ 17,947,847	\$ 17,685,196
Sales taxes	43,385,347	41,536,982	38,178,658	26,071,784	22,767,871	22,688,619	22,440,431	21,824,103	22,375,186	21,777,709
Franchise and other taxes	4,902,849	4,668,067	4,328,609	4,128,012	5,324,082	4,319,076	4,228,559	4,221,931	4,613,330	4,728,782
Grants and contributions (not restricted)	30,600	223,005	35,384	63,319	39,254	41,100	98,932	34,000	-	-
Unrestricted investment earnings	286,988	151,528	277,839	459,852	239,531	275,691	227,856	171,400	180,344	181,505
Other local sources	2,780,639	2,295,430	2,443,770	2,265,825	2,034,815	2,139,629	2,441,347	2,371,106	634,572	454,117
Miscellaneous revenues	1,491,838	480,409	3,005,101	492,016	909,020	548,540	1,889,376	3,465,856	664,028	1,002,980
Gain (loss) on sale of assets	8,512	27,254	-	2,045	49,277	4,529	1,484	24,104	373,707	77,984
Transfers, net	824,000	91,492	824,000	500,000	-	500,000	306,908	(56,908)	-	-
Transfers, component unit	465,401	867,187	5,080,315	111,426	498,201	127,849	24,733	885,597	-	-
Total governmental activities	80,496,438	76,097,054	79,147,973	58,052,613	55,402,852	52,905,369	52,442,579	52,718,418	46,789,014	45,908,273
Business-type Activities:										
Unrestricted investment earnings	339,743	99,014	154,954	384,563	413,039	300,545	99,295	44,846	13,769	10,144
Miscellaneous revenues	-	371,237	121,057	-	-	98,280	200,116	80,270	32,972	207,496
Gain (loss) on sale of assets	-	(6,063)	-	103,917	120,506	-	-	11,822	-	-
Transfers, net	(824,000)	(867,187)	(824,000)	(500,000)	-	(500,000)	(306,908)	56,908	-	-
Total business-type activities	(484,257)	(402,999)	(547,989)	(11,520)	533,545	(101,175)	(7,497)	193,846	46,741	217,640
Total primary government general revenues and other changes	80,012,181	75,694,055	78,599,984	58,041,093	55,936,397	52,804,194	52,435,082	52,912,264	46,835,755	46,125,913
CHANGE IN NET POSITION										
Governmental activities	21,131,611	14,928,564	23,305,137	(2,747,019)	(5,238,357)	(852,602)	(2,058,801)	(4,874,306)	22,789,367	6,306,565
Business-type activities	5,555,919	4,411,940	2,771,486	4,893,586	2,468,343	2,933,246	1,977,756	155,931	(15,794,728)	1,601,714
Total primary government	\$ 26,687,530	\$ 19,340,504	\$ 26,076,623	\$ 2,146,567	\$ (2,770,014)	\$ 2,080,644	\$ (81,045)	\$ (4,718,375)	\$ 6,994,639	\$ 7,908,279

TABLE 3

CITY OF HATTIESBURG, MISSISSIPPI

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

	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund:										
Nonspendable	\$ 812,866	\$ 602,799	\$ 558,107	\$ 491,865	\$ 488,309	\$ 440,194	\$ 454,574	\$ 569,541	\$ 435,392	\$ 386,595
Restricted	-	-	-	-	-	-	-	-	-	10,593
Committed	-	-	-	-	-	-	-	-	1,913,562	-
Assigned	905,060	721,792	881,366	1,009,152	433,854	1,180,819	647,722	636,600	1,051,324	2,587,414
Unassigned	20,873,882	20,745,467	16,039,658	10,459,184	11,325,345	8,842,361	9,723,508	9,246,396	4,312,475	4,797,067
Total general fund	<u>22,591,808</u>	<u>22,070,058</u>	<u>17,479,131</u>	<u>11,960,201</u>	<u>12,247,508</u>	<u>10,463,374</u>	<u>10,825,804</u>	<u>10,452,537</u>	<u>7,712,753</u>	<u>7,781,669</u>
% Change from Prior Year	2.4%	26.3%	46.1%	-2.3%	17.1%	-3.3%	3.6%	35.5%	-0.9%	1.4%
Other Governmental Funds:										
Debt service funds										
Restricted	7,517,124	7,674,336	8,610,167	9,766,038	8,817,108	7,169,815	6,162,469	4,100,910	4,067,078	3,764,608
Special revenue funds										
Restricted	14,608,581	13,306,681	10,347,062	3,492,840	2,997,574	3,627,303	3,719,558	8,272,804	2,298,861	1,842,847
Committed	754,170	970,123	809,909	1,424,596	1,439,137	1,573,334	1,309,663	1,003,527	1,402,252	1,566,729
Unassigned	(618,280)	(401,986)	(618,953)	(409,860)	94,721	(153,611)	(269,240)	(53,901)	(1,913,562)	(10,593)
Capital projects funds										
Restricted	7,995,956	11,319,143	21,339,899	33,543,725	26,544,491	-	104,862	426,237	2,414	2,400
Total other governmental funds	<u>30,257,551</u>	<u>32,868,297</u>	<u>40,488,084</u>	<u>47,817,339</u>	<u>39,893,031</u>	<u>12,216,841</u>	<u>11,027,312</u>	<u>13,749,577</u>	<u>5,857,043</u>	<u>7,165,991</u>
Total governmental funds	<u>\$ 52,849,359</u>	<u>\$ 54,938,355</u>	<u>\$ 57,967,215</u>	<u>\$ 59,777,540</u>	<u>\$ 52,140,539</u>	<u>\$ 22,680,215</u>	<u>\$ 21,853,116</u>	<u>\$ 24,202,114</u>	<u>\$ 13,569,796</u>	<u>\$ 14,947,660</u>
% Change from Prior Year	-3.8%	-5.2%	-3.0%	14.6%	129.9%	3.8%	-9.7%	78.4%	-9.2%	5.4%

(1) This schedule reports using the modified accrual basis of accounting. See Table 4 for changes in fund balances from year to year.

(2) Under GASB Statement No. 54 the balance sheet reporting categories are based upon a hierarchy of classifications based upon the constraints on resources reported in the funds.

The City's debt service and capital project fund balances are presented as restricted due to the underlying statutory spending requirements in Mississippi applicable to debt repayment resources and debt proceeds.

TABLE 4

CITY OF HATTIESBURG, MISSISSIPPI

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
REVENUE:										
Property taxes	\$ 26,028,978	\$ 25,496,691	\$ 24,620,679	\$ 23,894,700	\$ 22,681,906	\$ 21,960,274	\$ 20,359,735	\$ 19,431,748	\$ 17,786,031	\$ 17,761,953
Sales taxes	43,777,560	41,273,931	37,114,919	25,616,472	23,466,400	22,685,867	22,443,414	21,893,993	22,326,946	21,654,593
Licenses and permits	4,699,112	4,471,382	4,147,534	3,977,940	4,199,022	4,128,281	4,035,805	4,098,361	4,436,024	4,458,451
Fines and forfeitures	831,640	797,930	1,144,880	887,901	842,406	1,228,565	1,301,651	1,682,040	2,233,379	1,895,137
Interest, rents, concessions	389,163	239,678	340,214	580,153	301,539	236,519	267,967	102,171	107,701	119,886
Intergovernmental	20,611,242	13,839,941	13,984,573	7,527,343	7,031,206	7,348,343	10,190,234	10,390,045	4,751,144	8,484,671
Charges for services	3,490,123	2,765,542	2,752,731	2,827,886	3,480,832	2,984,753	2,585,219	2,661,173	2,494,796	2,570,846
Other revenues	1,432,010	643,017	2,953,001	2,150,765	1,054,970	694,686	1,060,847	1,069,997	2,845,545	1,160,908
Total revenues	<u>101,259,828</u>	<u>89,528,112</u>	<u>87,058,531</u>	<u>67,463,160</u>	<u>63,058,281</u>	<u>61,267,288</u>	<u>62,244,872</u>	<u>61,329,528</u>	<u>56,981,566</u>	<u>58,106,445</u>
% Change from prior year	13.1%	2.8%	29.0%	7.0%	2.9%	-1.6%	1.5%	7.6%	-1.9%	0.9%
EXPENDITURES:										
General government	11,177,328	17,530,040	8,275,236	8,632,566	8,962,684	9,153,798	10,993,323	14,721,956	8,318,077	7,045,870
Public safety	29,404,575	29,393,324	34,928,718	36,428,826	28,464,357	22,658,017	23,163,301	23,608,888	20,149,021	20,861,852
Public services	31,878,092	25,758,098	21,601,233	17,313,230	14,960,568	15,364,390	17,980,097	14,762,421	14,389,762	14,639,074
Other services	1,722,718	2,550,036	1,690,064	4,027,278	2,506,484	2,450,199	2,286,430	2,398,528	3,905,401	2,545,714
Mass transit	4,202,875	1,882,615	1,844,163	1,812,822	2,879,909	1,705,775	1,487,305	1,209,658	977,307	1,375,538
Cultural and recreation	21,201,457	14,013,036	13,105,995	5,738,746	4,499,734	3,987,521	4,113,007	4,292,584	4,015,886	4,105,118
Human/Social assistance	959,907	522,631	869,234	592,384	719,143	537,870	924,065	961,856	954,584	1,116,530
Economic development	4,623,506	2,181,782	1,027,108	4,303,846	1,463,626	305,000	255,000	5,319,409	208,115	2,464,222
Debt service:										
Principal	2,692,594	3,448,171	3,946,648	4,487,087	3,173,778	4,142,355	3,858,694	10,325,679	5,198,449	5,356,375
Interest and fiscal charges	2,828,742	2,925,236	3,003,771	2,407,749	1,582,433	3,214,294	1,446,252	818,052	1,018,199	987,934
Total expenditures	<u>110,691,794</u>	<u>100,204,969</u>	<u>90,292,170</u>	<u>85,744,534</u>	<u>69,212,716</u>	<u>63,519,219</u>	<u>66,507,474</u>	<u>78,419,031</u>	<u>59,134,801</u>	<u>60,498,227</u>
% Change from prior year	10.5%	11.0%	5.3%	23.9%	9.0%	-4.5%	-15.2%	32.6%	-2.3%	2.5%
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(9,431,966)</u>	<u>(10,676,857)</u>	<u>(3,233,639)</u>	<u>(18,281,374)</u>	<u>(6,154,435)</u>	<u>(2,251,931)</u>	<u>(4,262,602)</u>	<u>(17,089,503)</u>	<u>(2,153,235)</u>	<u>(2,391,782)</u>
OTHER FINANCING SOURCES (USES):										
Proceeds from long-term debt	5,500,000	-	-	25,863,151	34,191,292	444,291	-	24,817,411	-	-
Proceeds from leases	-	6,644,530	-	-	-	-	-	-	-	-
Proceeds from subscription based intangible assets	115,500	-	-	-	-	-	-	-	-	-
Bond issuance professional fees	-	-	-	(622,825)	(597,054)	-	-	-	-	-
Proceeds from sale of capital assets	713,826	42,289	19,161	2,045	49,277	-	-	-	-	-
Compensation for loss of capital assets	-	-	-	-	275,365	-	-	-	-	-
Transfers from other funds	3,916,495	4,623,024	3,721,321	5,375,526	5,192,145	5,093,226	4,072,890	3,699,759	3,540,140	4,112,759
Transfers to other funds	(3,092,495)	(3,755,837)	(2,897,321)	(4,875,526)	(5,192,145)	(4,593,226)	(3,765,982)	(3,631,543)	(3,215,016)	(3,713,424)
Other sources	189,644	93,994	106,128	176,004	71,626	2,364,217	1,606,696	2,836,194	450,247	2,755,077
Net other financing sources	<u>7,342,970</u>	<u>7,648,000</u>	<u>949,289</u>	<u>25,918,375</u>	<u>33,990,506</u>	<u>3,308,508</u>	<u>1,913,604</u>	<u>27,721,821</u>	<u>775,371</u>	<u>3,154,412</u>
NET CHANGE IN FUND BALANCES	<u>\$ (2,088,996)</u>	<u>\$ (3,028,857)</u>	<u>\$ (2,284,350)</u>	<u>\$ 7,637,001</u>	<u>\$ 27,836,071</u>	<u>\$ 1,056,577</u>	<u>\$ (2,348,998)</u>	<u>\$ 10,632,318</u>	<u>\$ (1,377,864)</u>	<u>\$ 762,630</u>
Debt service as % of non-capital expenditures	5.2%	6.8%	8.3%	8.7%	7.4%	13.1%	8.7%	16.6%	11.7%	11.7%

TABLE 5

CITY OF HATTIESBURG, MISSISSIPPI

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes (City's Share)</u>	<u>Total - Property and Sales Taxes</u>	<u>Gross Sales Subject to Sales Taxes (Per State Sales Tax Bureau)</u>
2023	\$ 26,028,978	\$ 43,777,560	\$ 69,806,538	\$ 4,281,904,430
2022	25,496,691	41,273,931	66,770,622	4,039,532,481
2021	24,620,679	37,114,919	61,735,598	3,718,480,886
2020	23,894,700	25,616,472	49,511,172	3,324,887,711
2019	22,681,906	23,466,400	46,148,306	4,489,602,379
2018	21,960,274	22,685,867	44,646,141	4,355,905,873
2017	20,359,735	22,408,645	42,768,380	4,150,726,114
2016	19,431,748	21,862,011	41,293,759	4,071,245,759
2015	17,786,031	22,301,782	40,087,813	3,675,561,903
2014	17,761,953	21,630,769	39,392,722	3,650,169,764
% Change in dollars over the 10 year period	2.09%	6.07%	4.55%	6.00%

(1) This schedule reports using the modified accrual basis of accounting.

Gross Sales Subject to Sales Taxes By County - Forrest		(%)	Gross Sales Subject to Sales Taxes By County - Lamar		(%)	Component Unit - 2% Food & Beverage Tax
\$	2,539,350,606	59%	\$	1,742,553,824	41%	\$ 7,096,423
	2,404,104,345	60%		1,635,428,136	40%	6,709,664
	2,198,190,661	59%		1,520,290,225	41%	6,381,526
	2,013,594,249	61%		1,311,293,462	39%	5,919,339
	2,676,657,067	60%		1,812,945,312	40%	6,381,526
	2,591,355,312	59%		1,764,550,561	41%	5,387,604
	2,418,705,512	58%		1,732,020,602	42%	5,224,823
	2,321,862,820	57%		1,749,382,939	43%	4,849,927
	2,103,530,476	57%		1,572,031,427	43%	4,825,364
	2,128,804,157	58%		1,521,365,607	42%	4,636,322
		5.63%			6.55%	5.76%

TABLE 6

CITY OF HATTIESBURG, MISSISSIPPI

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

FORREST COUNTY:		City of Hattiesburg				Hattiesburg School District			Forrest County Taxes	Total
Year Ended Sept. 30,	Tax Roll Year	Operations	City Bond & Interest	Other (Library & Pension Fund)	City- Total	Hattiesburg School District Operations	School Bond & Interest Taxes	Schools- Total		
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	61.18	173.49
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	63.17	177.58
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	65.19	180.51
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	66.19	181.67
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	65.70	182.93
2020	2019	44.33	4.00	4.80	53.13	56.60	7.50	64.10	65.06	182.29
2021	2020	43.85	4.50	4.78	53.13	58.33	7.75	66.08	65.50	184.71
2022	2021	43.32	5.00	4.81	53.13	58.33	7.75	66.08	65.50	184.71
2023	2022	44.15	5.00	3.98	53.13	58.33	7.75	66.08	65.50	184.71

LAMAR COUNTY:		City of Hattiesburg				Hattiesburg School District			Lamar County Taxes	Total
Year Ended Sept. 30,	Tax Roll Year	Operations	City Bond & Interest	Other (Library & Pension Fund)	City - Total	Hattiesburg School District Operations	School Bond & Interest Taxes	Schools- Total		
2014	2013	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.83	163.14
2015	2014	34.60	7.00	5.82	47.42	56.54	8.35	64.89	50.65	162.96
2016	2015	37.60	7.00	4.92	49.52	57.45	7.44	64.89	50.65	165.06
2017	2016	36.20	7.50	5.82	49.52	57.45	8.35	65.80	54.17	169.49
2018	2017	42.30	5.80	5.28	53.38	55.00	7.10	62.10	53.38	168.86
2019	2018	44.10	4.00	5.03	53.13	56.60	7.50	64.10	53.00	170.23
2020	2019	44.33	4.00	4.80	53.13	56.60	7.50	64.10	51.00	168.23
2021	2020	43.85	4.50	4.78	53.13	58.33	7.75	66.08	52.40	171.61
2022	2021	43.32	5.00	4.81	53.13	58.33	7.75	66.08	53.00	172.21
2023	2022	44.15	5.00	3.98	53.13	58.33	7.75	66.08	63.18	182.39

See independent auditor's report.

TABLE 7

CITY OF HATTIESBURG, MISSISSIPPI

**TOP TEN PROPERTY TAXPAYERS
PROPERTY TAXES ASSESSED IN FISCAL YEAR 2022, COLLECTED FISCAL YEAR 2023**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessment</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Taxes</u>
Wesley Health System	Health Care	\$ 5,929,525	1.1%	\$ 959,525
Hattiesburg Clinic	Health Care	4,999,385	0.9%	905,139
Turtle Creek Limited Partnership	Commercial	4,872,642	0.9%	788,540
TCSC LLC	Commercial	4,724,873	0.9%	774,076
The Met Apartments	Commercial	4,604,729	0.9%	754,393
Reserve at Park Place	Commercial	3,431,564	0.6%	562,193
Cross Creek MultiFamily	Commercial	3,459,305	0.6%	559,819
NPRC Twin Oaks LLC	Commercial	3,369,752	0.6%	552,066
The Lakes at Turtle Creek	Commercial	2,966,461	0.6%	481,221
Parkwest III Apartments LLC	Commercial	<u>2,819,228</u>	0.5%	461,874
Total of top ten taxpayers		41,177,464	7.7%	
Tax roll total - all other taxpayers		<u>493,783,121</u>	92.3%	
Total taxable assessed values for FY 2023		<u><u>\$ 534,960,585</u></u>	100.0%	

See independent auditor's report.

TABLE 8

CITY OF HATTIESBURG, MISSISSIPPI

**COMPUTATION OF LEGAL DEBT MARGIN USING MOST CURRENT TAX ROLLS
SEPTEMBER 30, 2023**

	<u>15% Test</u>	<u>20% Test</u>
Property tax base valuation as prepared by Tax Assessors during the summer months of 2022 for Property Taxes to be Collected in FY 2023	\$ 534,960,585	\$ 534,960,585
Times Applicable %	<u>X 15%</u>	<u>X 20%</u>
Product of Tax Base Times Applicable Percentage	(a) <u>80,244,088</u>	<u>106,992,117</u>
Present General Obligation Debt Subject to Statutory Debt Limits:		
General obligation bonds outstanding at September 30, 2023	61,680,568	61,680,568
Less: exempt bonds	(9,152,722)	(9,152,722)
Add: water and sewer general obligation bonds	n/a	2,465,494
Total general obligation debt outstanding	(b) <u>52,527,846</u>	<u>54,993,340</u>
Margin for Additional General Obligation Debt - (a) minus (b)	<u>\$ 27,716,242</u>	<u>\$ 51,998,777</u>

The City is subject to the limitations of indebtedness prescribed by MS Code Section 21-33-303. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bonded indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in that Code Section. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of municipal debt excluded from the authorized debt limit tests. Excluded from this test would be tax increment financing bonds, water and sewer revenue bonds, debt secured by tax intercept agreements (sales tax collections, as opposed to the property tax base) and leases subject to annual appropriations.

The municipality is limited to the smaller of the two calculated percentages, and as of September 30, 2023 the 15% test would apply with a calculated margin for additional general obligation debt in the amount of \$27,716,242.

TABLE 9

CITY OF HATTIESBURG, MISSISSIPPI

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

Year Ended Sept. 30,	Population	Assessed Value	Bonded General Obligation Debt	Less: Bonded Debt Service Funds Available	Net Bonded General Obligation Debt	Ratio of G.O. Bonded Debt to Assessed Values	Net General Obligation Debt Per Capita
2014	46,379	\$ 425,665,993	\$ 25,100,170	\$ 3,764,608	\$ 21,335,562	5.01%	\$ 460
2015	46,396	417,449,613	21,463,521	4,067,078	17,396,443	4.17%	375
2016	46,481	426,507,409	23,295,987	4,100,910	19,195,077	4.50%	413
2017	46,377	457,006,290	25,777,493	6,162,469	19,615,024	4.29%	423
2018	46,377	453,836,138	20,896,272	5,973,993	14,922,279	3.29%	322
2019	45,951	461,766,340	52,652,897	8,817,108	43,835,789	9.49%	954
2020	45,863	470,634,425	74,400,767	9,766,038	64,634,729	13.73%	1,409
2021	48,731	483,133,099	70,675,144	8,610,167	62,064,977	12.85%	1,274
2022	48,455	490,053,946	67,695,201	7,674,336	60,020,865	12.25%	1,239
2023	48,414	534,960,585	52,527,846	7,517,124	45,010,722	8.41%	930

See independent auditor's report.

TABLE 10

CITY OF HATTIESBURG, MISSISSIPPI
WATER AND SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Year Ended Sept. 30,	Gross Revenues	Expenses	Net Revenues Available for Debt Service	Required Ratio Based Upon Applicable % Times Prescribed Annual P & I	Debit Service Requirement Calculated with Applicable %	Coverage Ratio
2014	\$ 16,578,810	\$ 11,838,903	\$ 4,739,907	105% of P & I	(1) \$ 3,116,786	1.52
2015	17,133,327	10,623,572	6,509,755	105% of P & I	(1) 3,864,394	1.68
2016	20,803,264	15,625,973	5,177,291	105% of P & I	(1) 3,854,944	1.34
2017	21,505,356	14,641,407	6,863,949	105% of P & I	(2) 5,042,769	1.36
2018	21,921,474	15,596,114	6,325,360	105% of P & I	(2) 5,041,892	1.25
2019	22,481,037	16,146,149	6,334,888	105% of P & I	(2) 5,134,594	1.23
2020	23,610,348	14,287,617	9,322,731	105% of P & I	(2) 5,187,550	1.80
2021	24,319,807	17,060,353	7,259,454	105% of P & I	(2) 6,221,986	1.17
2022	26,079,645	17,261,617	8,818,028	105% of P & I	(3) 6,790,010	1.30
2023	28,455,517	20,224,247	8,231,270	105% of P & I	(3) 6,855,000	1.20

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

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

(3) Calculations based upon debt service for 2021 Refunding Bonds and remaining uncalled bonds for 2013 & 2016 Revenue Bonds.

See independent auditor's report.

TABLE 11

CITY OF HATTIESBURG, MISSISSIPPI

DEMOGRAPHIC STATISTICS

<u>Year</u>	<u>Hattiesburg</u>	<u>Forrest County</u>	<u>Hattiesburg MSA</u>
2000	44,779	72,727	111,674
2001	45,088	73,184	113,179
2002	45,538	73,916	114,438
2003	45,779	73,465	115,849
2004	45,988	74,565	117,599
2005	47,598	76,056	119,135
2006	48,012	76,372	123,102
2007	48,012	78,241	126,259
2008	48,012	79,425	128,546
2009	48,012	81,078	143,093
2010	53,582	75,007	143,093
2011	45,989	75,798	144,666
2012	46,616	76,444	142,842
2013	46,832	76,614	148,675
2014	46,379	75,808	147,835
2015	46,396	75,643	148,655
2016	46,481	75,637	149,016
2017	46,377	75,471	148,719
2018	46,377	75,036	149,414
2019	45,951	75,263	150,191
2020	45,863	74,897	168,849
2021	48,731	78,163	171,783
2022	48,455	78,110	170,927
2023	48,414	78,158	170,942

Demographic Age Groupings Projected Based On Census 2020 Totals:

<u>Age</u>	<u>Hattiesburg 2020</u>	<u>Forrest County 2020</u>
0 - 17 Years	9,586	17,503
18 - 34 Years	18,881	23,785
35 - 64 Years	13,750	25,761
Over 65 Years	6,197	11,109
% Population 18 - 64 Years	80.20%	77.60%
% Population over 65 Years	12.80%	14.30%

Source: U.S. Bureau of Census - July 1, 2020 information is provided as the most recent year for which data is available.

TABLE 12

CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Governmental Activities:										
<i>General Fund:</i>										
City Council	7	7	7	7	7	7	8	7	7	7
Department of Administration	34	33	34	30	34	30	35	34	37	36
Urban Planning:										
Planning	9	9	9	9	12	13	11	10	10	9
Metropolitan Planning	3	3	4	2	5	5	5	6	6	4
Federal Programs Administration	2	-	-	-	-	1	2	4	3	2
Code Enforcement	11	11	13	11	13	13	10	13	11	13
Public Safety:										
City Courts	22	21	22	20	20	20	16	12	16	19
Police - Officers	107	101	97	111	105	107	96	100	99	113
Police Department - Non-Sworn	56	56	50	52	62	67	63	64	63	62
Fire Department - Firefighters	120	116	122	124	125	112	107	99	99	104
Fire Department - Other than Firefighters	6	6	6	4	5	5	5	5	5	6
Other Public Safety	1	1	1	1	1	1	1	1	1	1
Public Services:										
Traffic Maintenance	6	6	6	5	8	8	9	7	9	10
Streets	15	15	16	17	21	28	42	41	38	41
Engineering	8	7	8	8	7	6	5	6	6	7
Shop	6	6	6	7	8	8	11	11	12	12
Construction	10	9	11	10	17	16	16	16	16	15
Sanitation	27	28	32	31	27	36	30	34	33	32
Other Public Services	23	23	24	24	28	18	26	23	26	23
Animal Control	2	2	3	3	4	4	4	4	4	4
Cemetery and Forestry	14	13	13	13	16	15	14	18	18	18
Parking Operations	2	2	4	5	4	9	10	10	8	8
Total General Fund	491	475	488	494	529	529	526	525	527	546
<i>Other Governmental Funds:</i>										
Parks and Recreation	36	32	36	37	42	36	32	39	37	37
Community Centers	13	13	13	13	13	13	13	14	13	14
Mass Transit	22	23	22	22	22	18	16	15	17	16
CDBG	4	4	5	4	3	4	4	4	5	4
Total Governmental Activities	566	547	564	570	609	600	591	597	599	617

See independent auditor's report.

TABLE 12
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CITY OF HATTIESBURG, MISSISSIPPI

CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>
Business-type Activities:										
Water and Sewer System:										
Customer Accounts	15	14	14	15	14	13	13	13	13	12
Water - Plant and Transmission	28	28	24	27	30	29	30	34	33	34
Sewers and Lagoons	12	12	14	11	15	17	17	22	22	20
<i>Total Business-type Activities</i>	<u>55</u>	<u>54</u>	<u>52</u>	<u>53</u>	<u>59</u>	<u>59</u>	<u>60</u>	<u>69</u>	<u>68</u>	<u>66</u>
<i>Total Primary Government</i>	<u>621</u>	<u>601</u>	<u>616</u>	<u>623</u>	<u>668</u>	<u>659</u>	<u>651</u>	<u>666</u>	<u>667</u>	<u>683</u>

TABLE 13

CITY OF HATTIESBURG, MISSISSIPPI

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

Year Ended Sept. 30,	Commercial Construction		Residential Construction		Hattiesburg MSA Bank Deposits (000's omitted)	Total assessed Valuation
	Permits Issued	Value	Permits Issued	Value		
2014	493	\$ 50,008,704	1062	\$ 45,109,175	\$ 2,597,524	\$ 425,665,993
2015	612	52,733,055	964	16,202,669	2,727,971	417,449,613
2016	622	92,385,429	847	17,623,035	2,727,360	426,507,409
2017	576	219,926,473	899	21,656,544	2,897,772	457,006,290
2018	760	325,811,798	1392	21,176,351	2,955,425	453,836,138
2019	1216	89,338,477	315	11,632,463	3,040,214	461,766,340
2020	335	70,736,655	495	16,522,887	3,788,921	470,364,425
2021	294	31,023,216	570	16,749,543	4,337,747	483,113,099
2022	297	95,526,235	726	24,411,524	4,452,109	490,053,846
2023	368	127,651,859	964	28,122,122	4,557,863	534,960,585

See independent auditor's report.

TABLE 14

CITY OF HATTIESBURG, MISSISSIPPI

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	4	4	4	4
Fire:										
Stations	9	8	8	8	8	8	8	8	8	8
Hydrants	2159	2159	2159	2159	2159	2159	2159	2159	2159	2159
Solid Waste Management:										
Trucks	29	24	24	24	24	24	24	24	24	24
<i>(The City is a member of a regional landfill authority)</i>										
Parks and Recreation:										
Zoo	1	1	1	1	1	1	1	1	1	1
Soccer/tennis/softball complex	1	1	1	1	1	1	1	1	1	1
Baseball/softball facilities	4	4	4	4	4	4	4	4	4	4
Water:										
Pumping capacity (gallons per minute)	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM	17,500 GPM
Average daily water pumping capacity (gallons)	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD	22,000,000 GPD
Average daily water pumped (gallons)	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	11,700,000 GPD	10,800,000 GPD
Miles of water mains - 6" through 20"	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles	295 miles
Miles of water mains - 4" or less	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles	82 miles
Number of wells	13	13	13	13	13	13	13	13	13	13
Water storage tanks	9	9	9	9	9	9	9	9	9	9
Sewer:										
Miles of sewer collection mains	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles
Average daily treatment (million gallons per day):										
South lagoon	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD	9.47 MGD
North lagoon	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD	1.98 MGD
Total average daily treatment	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD	11.45 MGD
Permitted treatment capacity	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD	24 MGD
Streets:										
Miles of paved streets	354 miles	354 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles	352 miles
Miles of unpaved streets	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles	0 miles
Area of City - square miles	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4